

Business Insurance

Reporting Weekly For Corporate Risk, Employee Benefit and Financial Executives / \$2.50 a copy

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Florida Legislature debates workers compensation reforms

TALLAHASSEE, Fla.—Legislative conferees last week approved workers compensation reforms designed to reduce voluntary market premiums 18% to 25%.

However, the bill's fate was uncertain after the special legislative session was extended Friday to further study the legislation.

One major reform would require all injured workers to obtain medical treatment through a managed care setting. Injured workers also would be subject to small co-payments for care obtained outside of med-

Continued on next page

Clinton proposal's early retirement assessment may surprise employers

By JERRY GEISEL

WASHINGTON—Employers that reduce or terminate health benefits for early retirees would not escape a proposed assessment to help fund the Clinton administration's plan to shift responsibility for most early retiree health care costs to the government.



Many employers will be surprised by the provision—tucked into the last four pages of the 1,342-page measure President Clinton sent to Congress last month—detailing the "temporary assessment" on employers that provide benefits to retirees before they are eligible for Medicare.

The temporary assessment itself is not a surprise. The administration had said for months that employers with early retiree health plans would have to make some type of payment in exchange for the government paying 80% of premiums for workers who retire between ages 55 and 64 beginning in 1998.

What will surprise employers is that they cannot escape this temporary assessment even if they eliminate or reduce benefits well before 1998.

"A company may have thought it got rid of its obligation, but it will be surprised to discover" that the obligation remains, said Scott Macey, executive vp and general counsel with Actuarial Sciences

Stand by your plan

★ **Wellness programs** Page 22
The Clinton health bill would remove economic incentives for wellness plans, but not companies' commitment to them.

★ **Flex plans** Page 24
Even without tax advantages or health benefits, flexible benefit plans would remain a key benefit offering for many employers.

Associates Inc. in Somerset, N.J., a benefits consulting subsidiary of American Telephone & Telegraph Co.

A temporary assessment could be based on a company's early retiree health care expenditures from 1991-1993, even if the company later eliminates or modifies the plan.

This is designed to discourage companies from eliminating these programs before the Clinton health plan goes into effect, benefit experts say.

The temporary assessment provision also would provide additional government revenues to help finance the cost of subsidizing 80% of early retirees' health care costs. The administration has calculated the initial cost of the subsidy at \$6 billion a year. Last week The Wyatt Co. put the cost at about \$13 billion.

The legislation also details how the assessment on employers would be calculated.

The assessment would be based on one of two methods, with an employer required to use the

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Fires roaring in the Santa Monica Mountains threatened oceanfront homes in Malibu, Calif., last week.

California fire damage may exceed \$1 billion

By JOANNE WOJCIK

LOS ANGELES—Property damage claims from the inferno that set ablaze hundreds of tony houses in Malibu are likely to push insured losses from the Southern California brushfires over the \$1 billion mark.

And some insurers are starting to feel a sense of déjà vu from the 1991 Oakland Hills fire, because

many homeowners already are hiring lawyers in anticipation of legal battles over their claims.

Just as insurers were busy tallying their Laguna Beach and Altadena losses from the week of Oct. 25, yet another fire broke out Nov. 2 in the Santa Monica Mountains above Malibu.

Most insurers expect their losses to fall within their retentions under

property catastrophe reinsurance programs.

The Malibu fire definitely will be classified as a separate occurrence from the Oct. 25 fires. And, reinsurers likely will treat each of the 13 earlier fires as separate occurrences, noted Paul R. Davies, chairman and chief executive officer of Aon Reinsurance Agency Inc. in

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Superfund not working well: Rand

By MARK A. HOFMANN

WASHINGTON—The Superfund program is not working efficiently because a big portion of potentially responsible parties' costs are not directly related to site cleanups, a new study shows.

Transaction costs, like legal fees to determine cleanup liability, represent at least one-third of all Superfund costs incurred by the private sector and are even greater for small PRPs, says the study prepared for the Environmental Protection Agency by the Rand Corp.

"Our work has demonstrated that Superfund has induced considerable transaction costs and raises doubts whether Superfund's liability approach as currently implemented is an efficient way to clean up

the nation's hazardous waste sites," said Lloyd S. Dixon, an economist with Santa Monica, Calif.-based Rand.

Mr. Dixon appeared Thursday at a hearing before the Senate Environment and Public Works Committee's Subcommittee on Superfund, Recycling and Solid Waste.

"Whether these transaction costs can be justified depends on the benefits of the liability approach...what alternative approaches are possible, and the transition costs of moving to an alternative approach," said Mr. Dixon.

Other witnesses representing the insurance industry, manufacturers, state government and environmentalists, were divided over which alternative ap-

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A&A vows to rebound from woes

Officials dismiss acquisition rumors

By SALLY ROBERTS

NEW YORK—Top executives at Alexander & Alexander Services Inc. say they're determined to restore the company's profitability and standing in the market despite continuing losses, management changes and widespread rumors that the company could be acquired.

Problems plaguing the world's second-largest broker include:

- A \$4.1 million loss reported last

week for the third quarter, which follows year-end losses in both 1991 and 1992.

- A falling stock price.
- Mismanaged accounting in its benefit consulting unit.
- Criticism of the company's continuing restructuring efforts.
- The unexpected departure of Ron Forrest, chairman and chief executive officer of Alexander & Alexander Inc., A&A's U.S. retail brokerage subsidiary.

These problems have created widespread speculation that A&A is ripe for acquisition, with most fingers pointing to Aon Corp., the Chicago-based parent of Rollins Hudig Hall Group Inc., the world's fourth-largest broker.

Patrick G. Ryan, Aon's chairman, president and chief executive officer, stated that while "we don't comment on rumors, we are certainly not in negotiations with A&A."

Michael K. White, A&A Services' president and chief operating offi-

cer, noted that "we serve three constituents: clients, shareholders and employees. We believe it is in their best interest for us to remain independent."

Executives at A&A stress that despite the problems, A&A has fundamentally sound core businesses, a strong balance sheet, high account retention and the best group of employees the company has ever had.

A&A has made an "absolute" commitment to improve its financial situation, Mr. White said. "Our

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Update

Florida comp reform package

Continued from previous page

ical practice parameters or after workers had reached their maximum level of medical improvement.

In addition, the wage-loss benefit for workers who are 20% or less impaired would be scrapped in place of a schedule of benefits.

Conferees also agreed to replace the assigned risk workers comp market with a self-insured joint underwriting association that would include self-insured pools (BI, Nov. 1).

Florida's regulators have said that assigned risk pool rate hikes would be cut to 18.4% from 47% if reforms were passed.

Conferees also approved a catastrophe reinsurance fund for property insurers financed through a \$500 million annual premium assessment on insurers. The fund would be triggered, in most cases, when an insurer's loss reaches twice its previous year's premium volume.

Also, homeowners insurers could cancel only 5% of their statewide policies annually. A 10% per-county cap was being considered.

CIGNA bolsters reserves

PHILADELPHIA—CIGNA Corp. has reported a net loss of \$94 million for the third quarter after taking \$351 million in aftertax charges to bolster asbestos and environmental litigation reserves and to fund the restructuring of its property/casualty operations.

CIGNA reported net income of \$40 million on revenues of \$13.5 billion for the nine-month period, compared with net income of \$261 million on revenues of \$13.8 billion a year ago.

The third-quarter charges amounted to \$525 million before taxes. Of this, CIGNA used \$375 million to double its asbestos and pollution reserves, bringing total reserves for these claims to \$750 million, said A.M. Best Co. Another \$150 million was set aside for restructuring.

Best estimated that the charges will cut the statutory surplus of CIGNA's domestic P/C operations by 20% to \$1.2 billion as of Sept. 30, from \$1.5 billion as of June 30.

Best placed the operations' A- pooled rating under review. Standard & Poor's Corp. discontinued rating the operations at CIGNA's request after it lowered its rating to BBB+ from A (BI, Aug. 23).

Pension simplification bill

WASHINGTON—For the third time in a little more than a year, the House Ways and Means Committee has approved legislation with pension simplification provisions.

Included in a technical corrections bill, H.R. 3419, the provisions would simplify running the basic 401(k) non-discrimination test as well as rules for determining who is considered a highly compensated employee for testing purposes.

Other provisions would allow employers with up to 100 employees—an increase from 25 currently—to offer a salary-reduction feature in a Simplified Employee Pension plan. Another provision, though, would wipe out five-year forward averaging, a method used to reduce taxes on lump-sum distributions.

These items were included in two tax bills passed last year by Congress that were later vetoed (BI, Nov. 9, 1992).

Deloitte hit with huge award

HOUSTON—Deloitte & Touche is insured for a \$103 million jury award for confirming an investment company's tax deductions that did not stand up to scrutiny by the Internal Revenue Service.

A state court jury ordered Deloitte to pay \$77 million in punitive damages and \$26 million in compensatory damages to the 10,358 investors in Granada 4, a limited partnership set up in 1986 to invest in buying and selling cattle. Granada 4 claimed \$95 million in 1986 tax deductions for the expense of renting pastures for 1 million cattle.

Touche Ross, now Deloitte & Touche, prepared Granada 4's tax returns, said plaintiff's attorney Greg Jones, a partner at Franklin, Cardwell & Jones in Houston. However, he said, there were no records to prove that the pasture or the cattle existed.

The IRS in 1987 disallowed the deductions and early last year settled with Granada 4 for \$26 million in back taxes and penalties.

Touche Ross had substantial errors and omissions insurance from the professional liability line slip organized by Minet Group P.L.C.

Punitive damages are insurable under Texas law.

Jet crash could be record loss

LONDON—London reinsurers cover 40% of the Taiwanese China Airlines Boeing 747 that plunged into Hong Kong's harbor last week, which would be a record aviation hull loss if the jet is a total loss.

The hull is valued at \$145 million. The current record hull loss is held by an Air France Boeing 747, valued at \$112 million, that crashed in 1988 in India (BI, Aug. 8, 1988).

The aircraft is insured in the Taiwanese market and reinsurance is placed by broker Nicholson Chamberlain Colls Ltd. NCC placed 15% of the risk at Lloyd's, 25% with members of the Institute of London Underwriters and the remainder elsewhere.

No lives were lost in the crash.

Updates continued on page 30

Errors & omissions

• Most of Willcox Inc.'s international business is handled from its New York office, not Philadelphia as reported in the Nov. 1 issue.

• Discover Reinsurance Co. of Farmington, Conn., has a joint-venture arrangement with Transamerica Reinsurance Co. but is not a division of the Woodland Hills, Calif.-based reinsurer. This was incorrectly reported in the Nov. 1 issue.

Bermuda Fire & Marine files winding-up petition

By ROGER SCOTTON

HAMILTON, Bermuda—Provisional liquidators will investigate the financial position of the inactive Bermuda Fire & Marine Insurance Co. Ltd., which filed a voluntary winding-up order last week.

The filing followed a breakdown in talks between Bermuda Fire and the liquidators of Transit Casualty Co., who say the Bermuda company owes Transit about \$23 million.

Other U.S. creditors are claiming another \$75 million from Bermuda Fire, which was spun off in 1991 as

a separate entity from BF&M Insurance Group.

BF&M Insurance Group, writes life and property/casualty insurance in Bermuda and manages captives.

Bermuda Fire is a former member of the H.S. Weavers Underwriting (Agencies) Ltd. line slip. The insurer has been running off its book of Weavers business since 1983.

The provisional liquidators, Gareth Hughes and Tony Joaquin of Ernst & Young, say it is too early to comment on whether Bermuda Fire is solvent.

The provisional liquidators pointed out that draft financials for 1992 indicate that the company has "a positive net worth and may ultimately be able to meet obligations to creditors."

However, they added the company has been experiencing "cash-flow problems due to uncertainties regarding the ability or willingness of reinsurers to meet their obligations."

The insurer also has had "difficulties...determining accurately loss reserve requirements," the liquidators said. **BI**

Covering Massachusetts

Managing risks or rates, Ruthardt up to job

By MEG FLETCHER

Having bid *auf Wiedersehen* to her risk management job, Linda Ruthardt is settling into her role as Massachusetts' top insurance regulator.

From early dreams of a German music career to stints as a risk manager, most recently for Girl Scouts of the USA, Ms. Ruthardt has followed a roundabout route to the regulator's chair.

Along the way, the 48-year-old Ashland, Mass., resident developed an unusually broad perspective on how insurance works and how state regulation can affect

the marketplace.

She has been putting those insights to work since being appointed to the \$69,000-a-year post in August by Gov. William F. Weld.

Her experience could prove particularly valuable in setting rates and approving forms for the commonwealth's unusual long-term care and automobile insurance markets. In this role, Ms. Ruthardt determines the types of coverage and rates available for millions of Massachusetts residents.

Her circuitous route to the insurance commissioner post began

Continued on page 21



Job homicides under study

By DAVE LENCKUS

WASHINGTON—The emergence of homicide as a leading cause of workplace deaths will not lead to a new workplace safety standard anytime soon, according to a federal workplace safety official.

However, the U.S. Occupational Safety and Health Administration is reviewing whether to develop

additional staff guidelines on handling and investigating complaints of unsafe workplaces, said Ray Donnelly, agency director of general industry compliance.

Another federal safety and health agency reported late last month that homicide is the leading cause of workplace deaths among women and that only motor vehicle and machinery-related accidents cause more deaths

among all workers.

Taxicab company employees, retail trade workers and law enforcement officers face the greatest risk of being murdered on the job, the National Institute for Occupational Safety and Health reported in its first-ever "alert" to employers and workers on workplace homicides.

NIOSH, which is part of the

Continued on page 22

Corporate capital dilemmas begin

By ADRIAN LADBURY

LONDON—Limited space for corporate capital on Lloyd's of London's most popular syndicates threatens to spoil some investment trusts' hopes for a multimillion-pound party on Lime Street.

Some trusts also have had difficulty attracting the level of capacity from institutional and public investors they had anticipated for

successfully participating in the market.

One investment trust last week announced that it had failed to meet its capital goals.

Only a week earlier, Lloyd's managing agent Sturge Holdings P.L.C. shelved a proposed trust that would have invested exclusively in Sturge syndicates because its syndicates already were near optimum capacity (BI, Nov. 1).

A number of trusts also have been forced to reduce their capital goals rather than spread their funds among less desirable syndicates, including CLM Insurance Fund P.L.C., a venture of insurance broker Sedgwick Group P.L.C. and stockbroker Barclays De Zoete Wedd Ltd.

At the same time, other Lloyd's investment trusts have easily

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Inside

• Heated rhetoric—by the First Lady and by insurers—is adding little to the health care reform debate, this week's editorial points out. **PAGE 8**

• A British High Court judge rejects a news service employee's repetitive strain injury claim, but plaintiffs' representatives discount the ruling. **PAGE 25**

• Former Focus Insurance Ltd. Chairman Mark Hardy plans to make an in-person apology to the Bermuda Supreme Court. **PAGE 25**

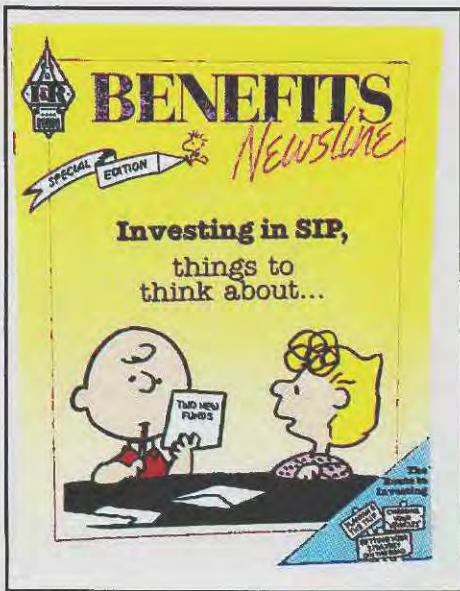
• British insurers are limiting the amount of employers liability coverage they will offer. **PAGE 25**

• The Health Insurance Assn. of America stands behind its health care reform ads, saying that the campaign raises needed questions about the Clinton administration proposal. **PAGE 29**

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EMPLOYEE BENEFITS COMMUNICATION AWARDS



Best of Show
Metropolitan Life Insurance Co.

Award of Excellence
GenCorp Polymer Products

The *Business Insurance* Employee Benefits Communication Awards recognizes outstanding efforts by employers to effectively and creatively communicate benefits programs to workers.

The 21st annual competition attracted 191 entries from 156 different employers. Of these, 15 programs from 14 different employers were cited for awards in eight categories. One employer, Unilever United States Inc., took a Best of Show award in the Audio-Visual Presentation category as well as an Award of Excellence in the Total Benefits Program category.

The work of 27 benefit consulting firms were represented in this year's entries. Nine consultants helped prepare award-winning programs.

The 1993 EBC competition was judged by 22 experts in the fields of employee benefits, corporate communication, design, production and marketing (see story, page 20).

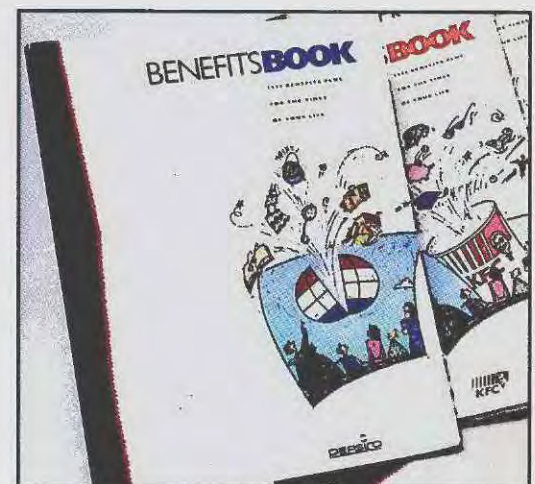
Profiles of the winning programs begin on page 4.

Best of Show
Saatchi & Saatchi
North America Inc.

Award of Excellence
Allied-Signal Inc.



Best of Show
Baker Hughes Inc.



Best of Show
Owens-Corning Fiberglas Corp.

Award of Excellence
Doubleday Book & Music Club Inc.
Office of the Commissioner, Major League Baseball



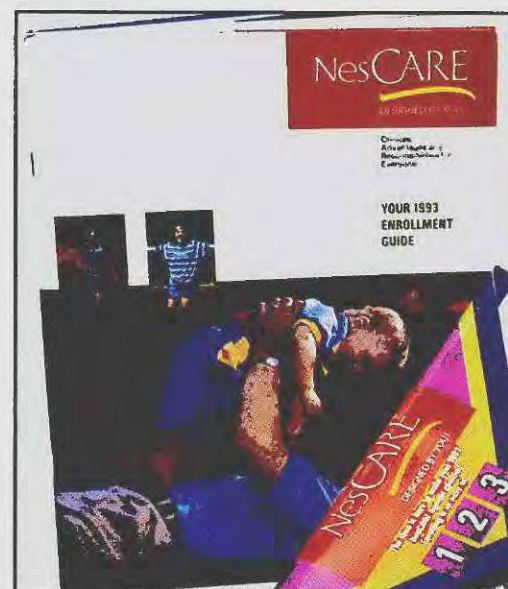
Best of Show
Unilever United States Inc.

Best of Show
PepsiCo Inc.



Best of Show
American Telephone & Telegraph Co.

Award of Excellence
ARA Services Inc.
Waban Inc.



Best of Show
Nestle USA Inc.

Award of Excellence
Unilever United States Inc.

Baker Hughes keeps it simple

Booklet details big changes with a personal touch

By NANCY P. JOHNSON

HOUSTON—When a company makes big changes to its health care plan, it needs to take extra care in communicating those changes to employees.

That extra care can be taken one step further with a personalized booklet that shows employees how the plan changes will affect them individually.

Oil field equipment maker Baker Hughes Inc. attempted to meet that challenge when updating its annual health plan enrollment information. The result is a 26-page booklet

called "Your 1993 Decisions Guide," which won a Best of Show award in the personalized correspondence category of the 1993 *Business Insurance* Employee Benefits Communication Awards competition.

The booklet includes four pages of personalized information. Page 1 features the employee's name and address, displayed behind a die-cut window in the cover. Page 2 outlines the employee's current costs under various

components of the company's flexible benefit plan. Pages 23 and 24 contain a personalized plan enrollment form, which displays the employee's cost and coverage for any given selection.

Incorporating these personalized pages within Baker Hughes' benefit book was a new challenge for the Houston-based company, said Benefits Manager Patsy Clemons.

In addition to personalizing information, the booklet sought to explain a major change in health care reimbursement methods. In a section titled "What's Changing in 1993," the booklet explains that

Baker Hughes' flex plan will now pay for indemnity plan medical services based on a standard fixed-fee schedule rather than on reasonable and customary charges.

The booklet outlines Baker Hughes' reasons for making the change: to control health care costs by giving patients more knowledge of and influence over the price of medical care; to create incentives for providers to reduce fees; and to encourage patients to discuss cost-effective treatments with their doctors.

Explaining this change to a disparate workforce was a challenge in itself, said Ms. Clemons.

The booklet had to be informative yet appropriate for all of Baker Hughes' 13,500 employees at 26 locations in 35 states. The company's workforce includes clerical workers,



machine shop personnel, geologists and engineers.

Ms. Clemons also had to keep in mind that many Baker Hughes employees are in small groups in far-flung locations where there is no local human resources representative to answer questions. "So, we tried to make it simple, in sentences that really speak to people," she said.

The format, too, was important in getting the messages across.

Dividing the booklet into four tabbed sections—plan changes, employee options, reimbursement accounts and the personalized enrollment form—was a feature that worked well, said Ms. Clemons. "We felt it was appealing and easy for readers to work with."

The personalization and the format had a lot to do with the booklet's readability, agreed Cathleen Donnelly, a vp of Sheppard Associates, an employee communications consulting firm in Glendale, Calif., who assisted the project. "The personalized information helps people understand what their benefit choices are," she said.

The personalized booklet was one element of a total communications campaign that included newsletters alerting employees to the upcoming enrollment process and a guide designed to educate employees about health care choices, Ms. Donnelly explained. The booklet alone cost Baker Hughes \$72,500.

To keep the booklet's design consistent with other benefit materials, it was decided to retain key colors of teal green and plum. But in the new enrollment booklet, "the colors are bolder," said Ms. Clemons.

Also, "we were bolder with shapes to give it a more interesting look," Ms. Donnelly added.

The biggest hurdle for Sheppard Associates was setting up the personalized information, Ms. Donnelly said. "The personalized information was printed on a laser printer, not by the printer that did the rest of the booklet," she said.

"It was a tremendous programming process" for Sheppard to handle, said Ms. Clemons. For example, she said, "We have about 50 health maintenance organizations, and each personalized information page had to reflect the applicable HMO information."

Because plan design change was a big factor in this booklet, Ms. Clemons sought input from an 18-member committee of human resources personnel from various Baker Hughes offices. At the same time the booklets were released, the company held question-and-answer meetings in numerous locations to explain the plan changes.

The company did not formally collect employees' responses to the communication plan but anecdotally there was a positive response, Ms. Clemons said.

She admits, though, that the project was "a lot bigger" than anticipated. "Just getting the personal information is a major project in itself."

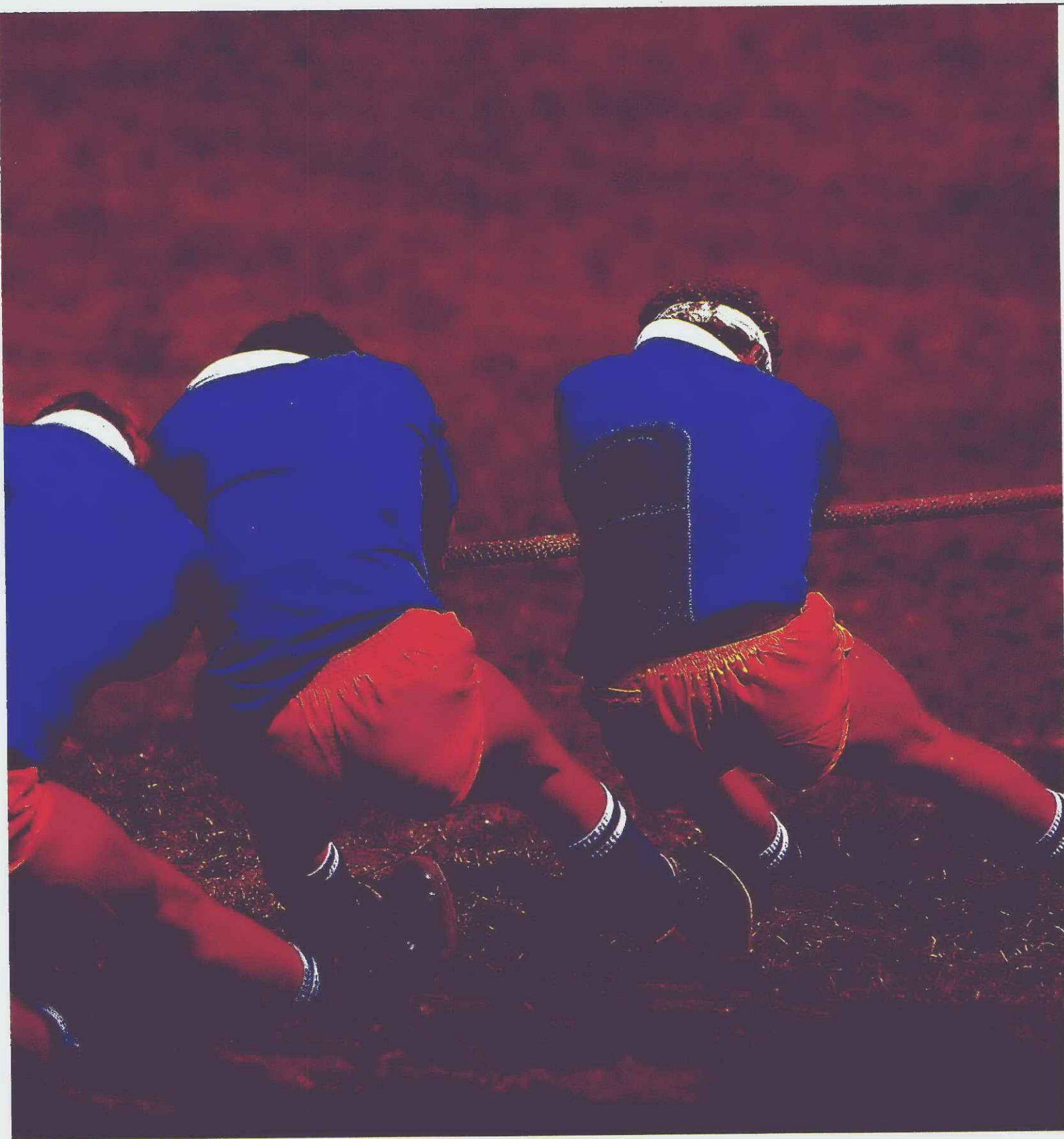
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Opinions

Enough already

IT DIDN'T TAKE LONG. With public support for the administration's health care reforms slipping, Hillary Rodham Clinton is reverting to a time-honored political practice: bash the insurance industry.

In a speech last week, Mrs. Clinton took the gloves off. Insurers, she said, have brought us "to the brink of bankruptcy because of the way that they have financed health care."

It is time for Americans to stand up and say to insurers, "Enough is enough. We want our health care system back," Mrs. Clinton said.

What provoked Mrs. Clinton's anger was an advertising campaign recently launched by the Health Insurance Assn. of America. In one of those TV ads, a couple expresses concerns about how the administration's health reform package could restrict their choices and how there must be a better way to reform the system.

It takes "gall" for an industry that has brought the health care delivery system to near collapse to talk about choices and a better way to improve the system, Mrs. Clinton concluded.

Truth be told, both Mrs. Clinton and the HIAA are off base, and both need to cool their rhetoric.

There is a lot wrong with the health care system, but it is a gross exaggeration to place all the blame, as Mrs. Clinton seems to, on the health insurance industry.

One of the biggest problems—soaring costs—has been driven by such factors as an aging population, more expensive medical technology, outlandish medical malpractice awards and, to put it candidly, price-gouging by some providers. Insurers did not create those factors.

Certainly, insurers bear some responsibility for the system's current problems. Insurers for too long simply passed through the rising costs of health care before adopting systems to help employers and employees control the rising cost of health care. And, insurers have excluded coverage for pre-existing medical conditions, a practice the HIAA last year recommended restricting.

While Mrs. Clinton may have exaggerated the culpability of health insurers, we can understand why she lit into the HIAA for its ads.

Whatever problems may plague the Clinton health plan, it would in fact offer most Americans more choice, not less. All health care alliances would have to offer



"WE SHALL CONTINUE TO STAND OUR GROUND."
traditional indemnity plans, health maintenance organizations and a preferred provider organization.

By contrast, employers now are free to offer only an HMO and restrict employees' choice of providers. More important, the nation's 36.3 million uninsured have no choice at all. They have to rely on the charity of hospitals and physicians. The Clinton plan would ensure that the uninsured have the same access to coverage and providers as everyone else—something the HIAA ads do not mention.

The HIAA certainly has a right to criticize the Clinton health care plan. However, the so-called reality commercials the group has produced leave us cold. The HIAA should send its message to the American people in a direct, understandable method, rather than have its opinions delivered by actors gathered around a make-believe kitchen table.

We hope Mrs. Clinton and the HIAA call a truce in their war of overheated rhetoric, a war that neither side can win. Both sides should instead work together on finding a common ground for reform. That would be a healthy place to start.

Letters

NAFTA offers a wide range of opportunities

To the editor: After reading so much about the negative impact that the North American Free Trade Agreement might have on the United States, I was pleased that the Oct. 4 article, "Trade Pact to Spice Up Insurance Competition," focused on some of the positive results that NAFTA might have.

The low per-capita consumption of insurance in Mexico cited in the article will no doubt rise along with the Mexican gross national product. Opportunities for U.S. insurance company expansion into Mexico will follow the expansion of other U.S. businesses there.

From the viewpoint of someone pre-

paring to enter the insurance industry, I look at NAFTA as a bright new opportunity.

Jennifer Shoffner
Student
Risk Management and Insurance
Florida State University
Tallahassee, Fla.

Marine insurance article contained several inaccuracies

To the editor: You are is to be complimented on covering the Houston Marine Insurance seminar. However, I must point out several inaccuracies in "Ways to Ride out a Wave of Litigation" (BI, Sept. 27).

Neither in my speech nor in the accompanying paper did I say that a primary insurer had a duty to "notify excess insurers if an award is likely to fall within the excess limits." The paper actually says: "A

primary insurer has no contractual duty to provide the excess insurer with notice of cases in which an excess award is likely."

The article also incorrectly attributed to me that excess underwriters would have a duty to indemnify the insured after "the policyholder's settlement with the primary insurer and due to the insolvency of the primary insurer." The opposite is stated in the paper: "Compromise settlement of assured with primary for less than full primary limits of the primary policy does not trigger coverage by the excess carrier."

As to an excess underwriter's duty to indemnify due to the primary's insolvency, the paper cited five cases, four holding that the excess insurer would not have the duty to indemnify and one case to the contrary.

Finally, the article's ultimate paragraph incorrectly attributes to me the general statement that excess underwriters have a duty to pay defense costs. My presentation

and my paper stated that while some courts have made excess responsible for defense costs, this is a "minority rule."

John F. Unger
Royston, Rayzor, Vickery & Williams
Houston

Thanks for setting the record straight

To the editor: Thanks for publishing Robert Hatcher's letter in the Sept. 6 issue. Having read the Aug. 9 issue, I thought I must have gone brain dead in believing that the owners of a company could use the federal government to sue themselves for their own actions.

Bruce C. Wilson
Director-Corporate Insurance
Bell & Howell Co.
Skokie, Ill.

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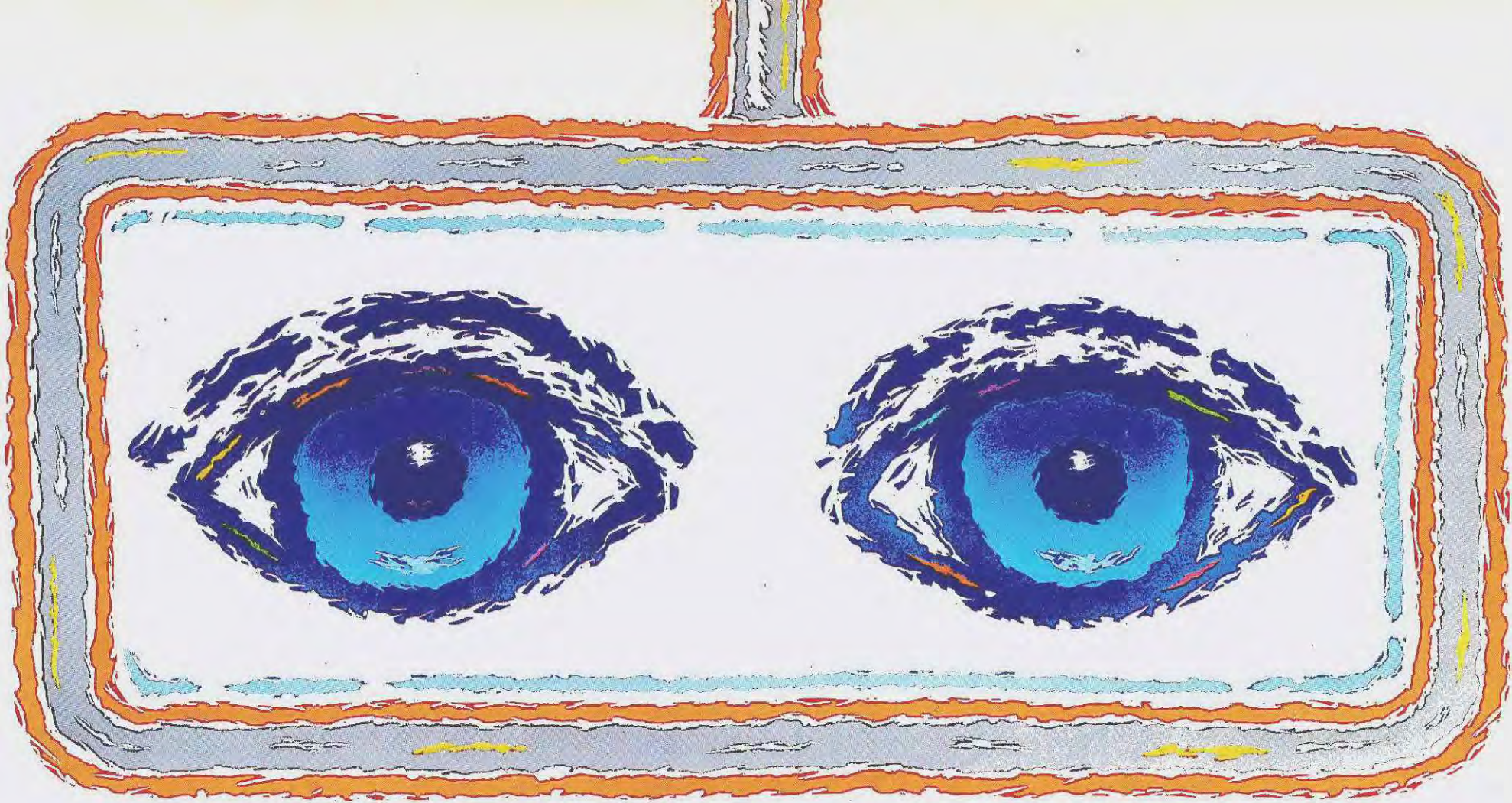
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helps the retirees relate to the problem of rising health care costs, said Rick Tober, manager of pension and stock plans at Owens-Corning. Most of the retirees who received the booklet are not college graduates, he



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'Slice of life' video shows plan flexibility

Simple style hits home with employees

By SALLY ROBERTS

NEW YORK—Instead of using high-tech animation or a hip rap video to introduce its new flexible benefits program, Unilever United States Inc. decided for a more homespun approach in a new benefits video.

Since each employee has different needs and different benefit choices to make, Unilever focused on that premise in a series of vignettes por-

traying five "typical" family situations: a single male, a single parent,

a young married couple, a married couple with children and an older married couple with grown children.

Unilever developed the characters' benefit needs in a manner that would help employees and their dependents identify

their own particular needs, said Alan Turetz, a principal at William M. Mercer Inc. in New York, who assisted the project.

While it would have been fun to use animation or to take an "MTV approach" to the video, sometimes media can get in the way of the message, he said.

The purpose of the video was to inform employees about Unilever's new flexible benefits plan. "We

weren't into glitz," said Jim Curry, director of compensation and benefits for the New York-based consumer products manufacturer.

The video did "an excellent job" of showing employees that they have different needs and that the flexible benefits plan, called UNICare, offers them the advantage of being able to tailor their own individual benefit program, he said.

"UNICare: Benefits Choice," a

9½-minute video, was named Best of Show in the audio-visual presentation category of the 1993 Business Insurance Employee Benefits Communication Awards competition.

The video's "slice of life" approach gave employees real-life examples—ones they could identify with, added Mr. Turetz.

For example, in one scene, a single mother explains that after her rent payment, child care is the most expensive cost she incurs each month. But, with the dependent care account offered in the UNICare plan, she is able to set aside money from her salary each month on a pretax basis to cover these expenses.

In another scene, a young woman recalls that when she and her husband were married, they ended up with two coffee makers, two irons, two televisions and two benefit plans. With UNICare, she was able to pick and choose her benefits to avoid unnecessary duplication. She also realized that to meet their mortgage payment they both needed long-term disability coverage, a benefit available under the flex plan.

In another scenario, a young single man relates how after his best friend ended up in the hospital and out of work after a biking accident, he realized the need for accidental death and dismemberment coverage and LTD coverage.

He also explains that because his health care coverage costs are lower than employees with families, he was able to place leftover UNICare dollars into a flexible spending account, which he then used to pay for some prescription sunglasses not covered by his health care plan.

In another scene, a father recounts that after his wife had their second child, the medical costs were almost 10 times as much as the cost of their first son's birth. He explains the importance of good medical coverage for his family as well as good LTD and life insurance coverage because he is his family's sole provider.

Photographs of the various actors in the video were also taken and appear in an overview booklet and enrollment guide for the flex plan.

The video also uses a graphic to help illustrate the benefit program.

In a family tree-like diagram, a dollar bill, representing UNICare dollars, is given to an employee. Different paths represent benefit choices, some of which cost more and some less than the employee's UNICare dollars. In the end, the employee contributes all of his or her UNICare dollars toward benefits, takes the extra money as taxable income or deposits the money into a flexible spending account or a dependent care account. The diagram is also in the overview guide.

Mercer's Mr. Turetz would not say how much the video cost, but said this type of program typically runs between \$40,000 and \$60,000.

The communications program was begun in the summer of 1992 when Unilever President David F. Webb sent a letter to about 13,000 employees at nine sites, alerting them to the new flexible benefits plan.

Most of Unilever's operating units had employee meetings last fall to show the video. The new flex plan went into effect in January. Overall, employee response has been positive, Mr. Curry said. **[B]**

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Cutting through the legalese

Clear writing, colorful graphics spice up plan summary

By JERRY GEISEL

PURCHASE, N.Y.—Can a summary plan description be fun, interesting to read and still meet the strict legal requirements laid down by ERISA on how employers must explain their benefit programs to employees?

At PepsiCo Inc. and its three operating divisions—Pepsi-Cola, Taco Bell Corp., and KFC Corp.—the answer is a resounding yes.

Pepsi's new SPDs illustrate that legal documents don't have to be dull and boring. The writing is clear and crisp and chock full of graphics and easy-to-understand examples of how the company's many benefit programs work.

This combination of clarity and eye-appealing graphics helped Pepsi capture the Best of Show award in the multi-subject booklet category of the 1993 *Business Insurance* Employee Benefits Communication Awards competition.

The company's old SPD read like a dictionary with lots of legalese, explained Bernadette Wade, manager-benefit communications at Purchase, N.Y.-based Pepsi.

"There was not a lot of oomph in the documents. They were long and dreary. Key information was hard to find," added Jane Deland, a principal in the Stamford, Conn., office of Towers Perrin, which wrote the new SPDs.

In revamping its SPDs, Pepsi had several goals: provide a booklet that employees would want to read, clearly explain benefit programs and tell employees in a concise way where to get more information.

"This is important information to employees. We want employees to understand their benefits so they know how to use the benefits," Ms. Wade said.

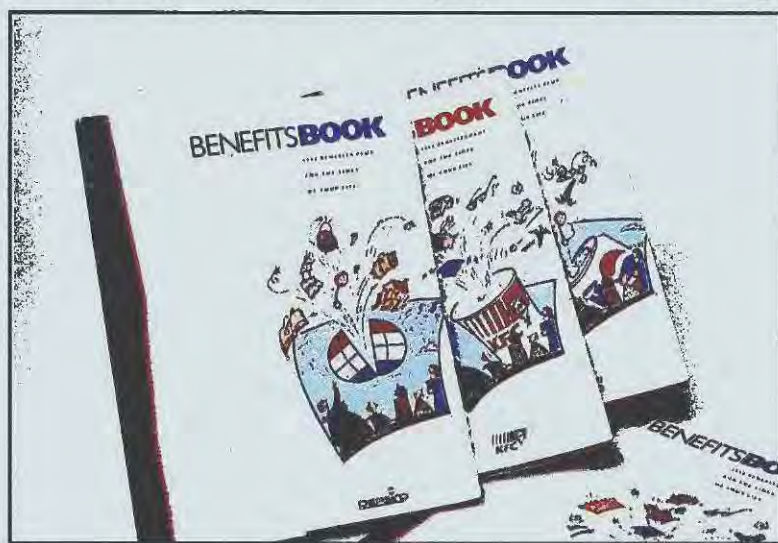
The new SPDs, which Pepsi calls the "BenefitsBook," varies slightly by division, though each booklet is built around a common theme: how benefits can be used to meet needs at different times of employees' lives.

For example, the cover of KFC Corp.'s booklet shows a group of employees watching as various objects—including a cradle, a piggy bank, a cap and gown, and a stock certificate—gush out of a KFC bucket.

In the very first paragraph of the opening page of each SPD, employees are told that this booklet is different from all the ones they previously received. This year, it says, the SPD "has been completely revised and reorganized to make it easier and more interesting to use."

Right below that friendly invitation, employees are told where in the SPD they can find a comprehensive chart listing all the benefits and special programs available to them. The opening page also includes a concise table of contents.

The first chapter, "About Your Benefits," sets the tone for the easy-to-follow booklet. Included in that chapter is a four-page outline that lists and describes each



benefit and program—usually in a single sentence.

Information on how to participate in the program and the page number where more detailed information can be found are also supplied.

Succeeding chapters on each benefit program begin with a colorful graphic illustrating the opening page.

For example, the chapter on dental benefits features a toothbrush and tube of toothpaste, while the chapter on group legal benefits shows a judge's gavel.

"We wanted to use illustrations as a link, a playful one on how benefits are used for specific events," said Lorna Mackey, Pepsi's former manager of benefits communications, who helped launch the SPD project and now is communications manager at Fidelity Investments in Boston.

But the real stars in the SPDs are the examples, set off in bold colors and attention-grabbing headlines, which in a succinct paragraph or two highlight the essence of a benefit or offer a valuable tip.

"Double Your Money," is the headline on one box that explains how the company will automatically match the first \$75 an employee contributes to a health care spending account.

"Pepsi wants employees to use the benefits. And the best way to do that is to be direct and clear," observed Towers Perrin's Ms. Deland.

Charts also are used liberally to get points across quickly. By scanning a chart on the tax advantages of contributing to a health care spending account, an employee can know exactly how much in taxes he or she will save with various contributions.

"An example and a graphic can be far more effective in getting a point across than lots of paragraphs," Ms. Wade said.

As befits a booklet that not only communicates benefits but also is a legal document, the SPDs contain numerous technical terms. But, those terms are defined in a glossary at the end of the SPDs rather than in the main text where they could bog down the reader.

The SPDs—which, depending on the individual Pepsi unit, were mailed or distributed at the workplace—have been a big hit among employees.

"Employees told us they liked the books. They said the SPDs were helpful and easy to read and that they kept them," Ms. Wade said.

Dungan Communications Resources of Chevy Chase, Md., oversaw the design and production of the SPDs.

The booklets were designed by Grafik Communications Ltd. of Alexandria, Va. **BI**

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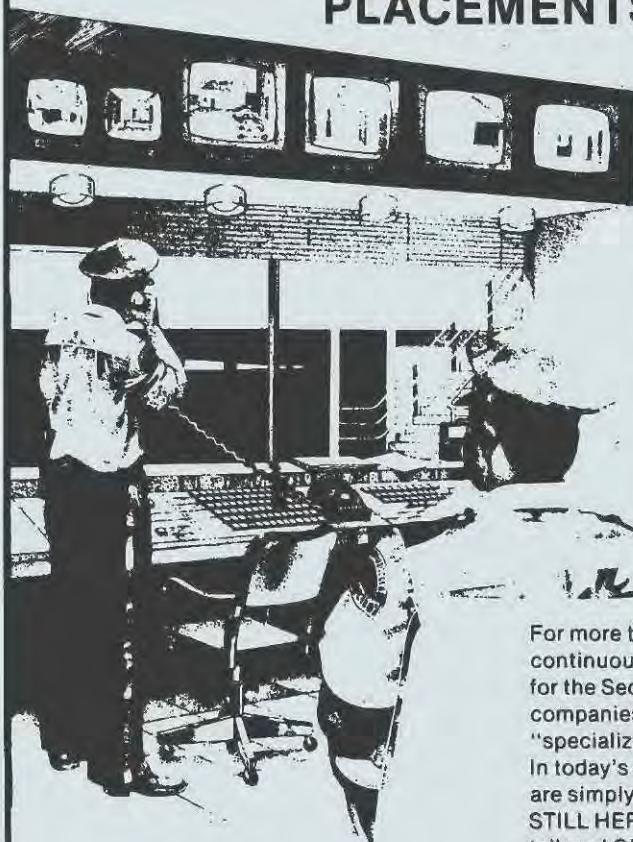


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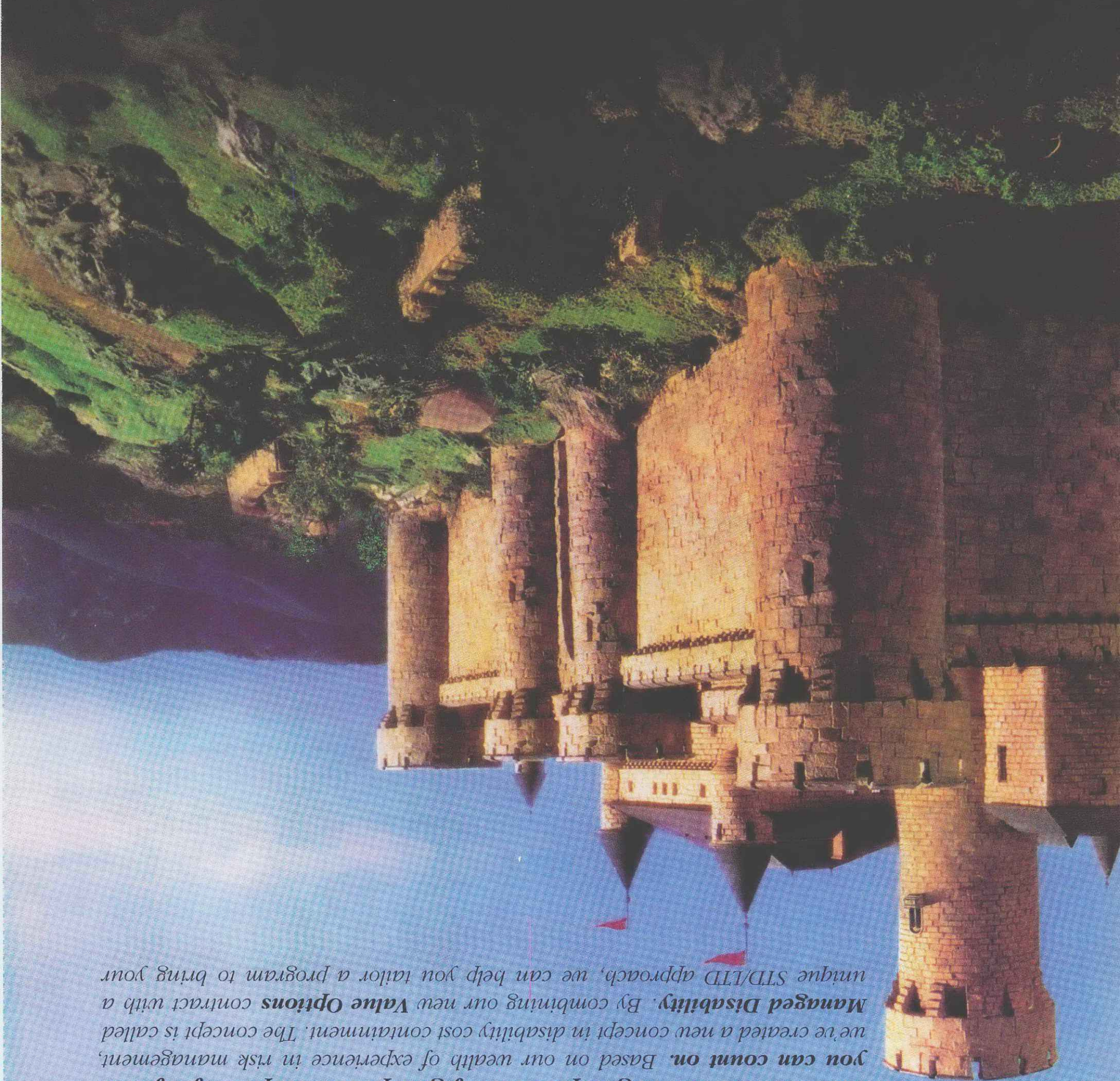
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NEW YORK—It's only natural that a financial services company would want its employees to be savvy about investments.

Metropolitan Life Insurance Co., the New York-based life and health insurer, developed a colorful supplement to its regular bene-



By JOANNE WOJCIK

MetLife helping workers yield more than Peanuts

Newsletter reviews investment strategies



fits newsletter to help employees de-

velop an investment strategy.

The special edition of "Benefits

Newline" was also used to notify

employees about the availability of

two new investment funds, to pro-

vide the use of electronic interac-

tion feature for its Fixed Income

Fund.

Because digesting all this informa-

tion could overwhelm employees,

the challenge was developing a

newsletter that was comprehensive

yet simple. MetLife used its trade-

mark Peanuts characters to deliver

the message in an easy-to-read way,

incorporating lots of visual elements

with limited use of text.

Employees' reaction to the news-

letter was overwhelmingly positive,

according to MetLife Benefits Edi-

tor Jeffrey Angerer.

Use of electronic transactions in-

creased dramatically, with 15,500

transactions taking place in the first

five months of 1993, compared with

9,500 in the five months prior to the

newsletter's September 1992 distri-

bution.

And, even though the company

printed 53,000 issues to distribute to

its 48,000 employees and to have

copies on hand to give to new hires,

"people were asking for it months

afterwards," said Martha Cochrane,

a consultant with Hewitt Associates

who worked with Mr. Angerer on

the project.

With the cover featuring a con-

templative Charlie Brown listening

to investment advice from his little

sister, Sally, "Benefits Newline

was named Best of Show in the ben-

efits newsletter category of *Business Insurance's* 1993 Employee Benefits Communication Awards competi-

tion.

Inside, the 16-page color booklet

is sprinkled with illustrations incor-

porating Snoopy, Lucy, Woodstock

and the rest of the Peanuts gang to

explain "The Route to Investing."

The journey is divided into three

parts:

- "Planning the trip," which ex-
- "Choosing your investments,"
- "Choosing your vehicles,"

which explains the various savings

funds.

• "Getting your strategy on the

road," which includes an investment

decision checklist and information

on the use of Benephone, a phone-

based electronic transfer program

accessed through a toll-free number.

MetLife employees can participate

Continued on next page

Lawsuits Have A Funny Effect On Non-Profit Board Members. (They Disappear.)



It's pretty hard to keep decision-makers in their seats once they learn they can be sued for the decisions they make. Harder still when you find out general liability, personal umbrellas and statutory immunity can't provide the necessary protection.

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Continued from previous page
in the company's Savings Investment Plan after they have completed one year of service with the company. They can invest between 3% and 13% of pay either on a pretax or aftertax basis, with pretax funds going into the employee's 401(k) plan and aftertax funds going into the SIP.

MetLife recognized the need to educate its employees about investment diversification after discovering that many of its younger employees were making deposits in low-risk savings vehicles that provide lower yields, Mr. Angerer said.

Three scenarios of MetLife employees at different life stages are featured in the newsletter.

For example, Elizabeth, 24 and single, wants to travel before settling down and doesn't have any specific financial goals. She would be better off investing in higher-risk funds, the newsletter advises.

It also provides a simple explanation of the relationship between risk and return, reasons for diversification and investment timing.

The MetLife newsletter intro-

Labor talks to test value of newsletter

AKRON, Ohio—GenCorp Polymer Products realized it needed to educate its employees about skyrocketing health care costs after it failed to negotiate benefit plan concessions with workers at its Columbus, Miss., plant.

So the Akron-based company developed a low-cost newsletter that would raise employee awareness of the plant's health care costs while also comparing its benefits with those of other manufacturers.

GenCorp's self-insured major medical plan provides virtually full coverage to the Columbus plant's 500 hourly and 200 salaried workers above a small deductible, said Kenneth P. Breyley, director-human resource services in Akron.

"It's a Cadillac plan," he said.

Consequently, the company's health care cost per hourly employee in Columbus reached \$4,360 in 1991, compared with a national average of \$3,605.

To ensure that the news reached workers' families—the primary users of health services—the newsletters were mailed to their homes.

The newsletter, which won an Award of Excellence in the benefits newsletter category of the 1993 *Business Insurance* Employee Benefits Communication Awards competition, was written in simple, straightforward language using graphics to highlight specific points.

For example, a skewed red-and-gray ambulance illustration accompanies a message about improper use of hospital emergency rooms.

Initial response to the newsletter has been promising, said Kathryn Dillon, a consultant in Hewitt Associates' Atlanta office who worked on the project. "Once we explained what was happening, they asked for managed care," she said.

But Mr. Breyley's assessment was more cautious.

"People have complimented the newsletters," he said. "But the way you measure success is at the negotiating table. We're hoping the newsletters educated them and impressed them with the need for change."

GenCorp is scheduled to begin talks with the local United Rubber Workers union later this month.

—By Joanne Wojcik

duced two new funds—the International Equity Fund and the Small Company Stock Fund—to give MetLife employees alternatives to their Fixed Income Fund, Ms. Cochrane said. "Many employees are concerned about the return on GIC investments," she said, referring to the guaranteed investment contracts in which many employees choose to deposit their 401(k) plan funds.

In the first 90 days after the newsletter was distributed, more than 1,000 employees called a toll-free number to request information about the two new funds.

And, enrollment in these new funds has been surprisingly high compared with previous new fund enrollments, Mr. Angerer said.

The overall success of the newsletter made it well worth its \$73,000 investment, he said. **BI**



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gram, most employees have nowhere

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Agency cuts through the clutter

Benefit information system is paperless and to the point

By MICHAEL SCHACHNER

NEW YORK—Advertising industry professionals are steeped in facts and figures pertaining to the products and services they are promoting to the public, which leaves them with little time to pore through complex descriptions of benefit options.

Realizing this, managers at New York-based Saatchi & Saatchi North America Inc. last year did away with a rather standard file of written employee benefits communication documents. Those documents were replaced with multimedia kiosks and an interactive voice response telephone system capable of explaining benefits, handling enrollment and modeling future benefits in a quick and easy manner.

The program, "LifeCare Em-

ployee Information Services," or EIS, has been a great success since it was implemented in July 1992. Saatchi's 2,400 mostly young, single and career-driven employees visit the information kiosks or access the system's toll-free line regularly.



EIS, which educates and enrolls employees in Saatchi's flexible benefits plan, a 401(k)/profit-sharing plan and the firm's cash-balance pension plan, earned a Best of Show award in the special project category of the 1993 *Business Insurance* Employee Benefits Communication Awards competition.

Robert Schott, a senior communications consultant with Coopers &

Lybrand in New York who helped Saatchi implement EIS, said the system is centered on communicating the company's benefits provisions in a clear, interactive manner.

Employees access one of the eight kiosks in Saatchi's six U.S. offices or the 24-hour phone line by inputting their Social Security and personal identification numbers.

At that point, the user receives a narrated introduction to EIS, as well as general explanations of the company's flex plan, savings plans and retirement plans.

Employees can then receive general 30- to 90-second explanations of individual flex benefits or retirement benefits. A user already familiar with the system and his or her benefits can skip to a desired section of the program.

Assuming the user is a first-time participant, the general information segment is followed by a section that allows enrollment in various flexible benefits or the modification of existing benefits, including retirement and savings benefits.

This "view/modify/print" segment also allows employees to model future retirement income based on the worker's current status in the company's 401(k) and pension plans as well as Social Security projections.

The EIS system provides employees with benefit statements, transaction receipts, confirmation statements and personalized forms for loans, withdrawals, beneficiary designations and dependent enrollment.

If an employee chooses not to use a kiosk, he or she can accomplish everything over the telephone, except modeling or planning future benefits.

"We really wanted paperless enrollment combined with a communications program that cuts to the point. This type of creative work-force doesn't want to spend time with thick binders that are so technical no layperson could understand them," explained Kani Nicodemus, benefits administration supervisor with Saatchi & Saatchi.

"What we have here is not just some informational video, but a dynamic program that allows participants to pick menus and paths they want to see. It's also an interactive administrative system that allows users to change benefits at any time," Mr. Schott said.

As a result, "human resources becomes a more hands-off department," he noted.

And, this is exactly what Saatchi was seeking, said Ms. Nicodemus. "Paperless enrollment was a basic goal. Before, every change required several copies of paper to be sent to every department. By the time a document reached Point Z, it had been Xeroxed so many times it was illegible," she said.



Ms. Nicodemus couldn't provide a raw cost of developing and implementing the system and said Saatchi hasn't yet completed a cost/savings analysis of the plan. However, the program is designed to pay for itself in three to four years.

"There are definitely savings that come from reducing the amount of hands-on benefits administration we have to do. There's very little duplication of effort as a result of this plan," she said.

And, the system certainly has been used. During the fall 1992 benefit enrollment period, employees made approximately 1,800 visits to the eight kiosks.

Currently, employees are making about 600 kiosk visits per month, with each visit lasting about 8.5 minutes.

The entire kiosk program runs 80 minutes, while the interactive voice response system lasts about an hour.

"When we chose to go down this road, we wanted to improve enrollment and administration from the company's standpoint and increase employee awareness of their benefits. Both these goals have been achieved," Ms. Nicodemus said. **BI**

Good benefit news travels fast

MORRISTOWN, N.J.—After several years of communicating unpleasant news about cuts in employee benefits, Allied-Signal Inc. earlier this year pulled out all the stops to tell employees the good news about administrative improvements in its 401(k) plan.

Using a theme based on getting a passport ready for travel, Morristown, N.J.-based Allied-Signal and The Wyatt Co. teamed up to explain to 45,000 salaried employees eligible for the Allied-Signal Savings Plan that they could now obtain up-to-date information about their plan simply by dialing a telephone.

The communication effort won the company an Award of Excellence in the special project category of the 1993 *Business Insurance* Employee Benefits Communication

Awards competition.

The program, titled "Passport—The Benefits Express Line," was developed between October 1992 and May 1993. The project was unveiled in two parts this past spring and summer.

During the inquiry phase of "Passport," employees eligible for the company's savings plan received informative newsletters and were asked to select a personal identification number that would allow them to obtain account data and to model loans and make withdrawals over the phone.

A transaction phase followed in June. Participants could carry out plan transactions like changing investment elections or rates of contribution as well as make withdrawals or apply for loans.

The communication program—which used travel images throughout—included a 10-minute video explaining the new administrative features, a personal user's guide and a special Allied-Signal notepad.

"Over the last five years, there wasn't much good news in the benefits area to convey. This was a pure improvement and we wanted to have some fun communicating it," said Russell Hawkins, staff vp-human resources.

Michael Gazdo, a Washington-based Wyatt consultant who helped coordinate the project, said a goal was to make the project "versatile with a theme that wasn't directly tied to savings. We'd like to use it again on different (Allied-Signal) benefit changes."

—By Michael Schachner

Nestle program sweetens benefit plan enrollment

By LOUISE KERTESZ

GLENDALE, Calif.—Enticing a consumer to unwrap a bar of crunchy milk chocolate or indulge in a plate of macaroni and cheese are marketing assignments rich in creative potential. But Nestle USA Inc. faced a tougher challenge in trying to whet the appetite of its own employees for information about a new flexible benefits plan.

The food conglomerate—formed in 1990 from several far-flung business units—needed an especially colorful, informative campaign to grab the attention of its salaried workforce, many of whom are marketing professionals themselves.

"We went all out," said Pennina Finley, manager of benefit programs. The \$300,000 communication program features a video, four newsletters and an enrollment kit that includes a 52-page enrollment guide and an interactive computer disk. The video and print materials are in color, with original photographs on high-gloss paper.

Nestle takes a high-quality approach to packaging its consumer products, Ms. Finley said, "and this is a package we designed for our employees. We wanted them to know it was a good product."

Nestle's communication campaign won a Best of Show award

in the total benefits program category of the 1993 *Business Insurance* Employee Benefits Communication Awards competition.

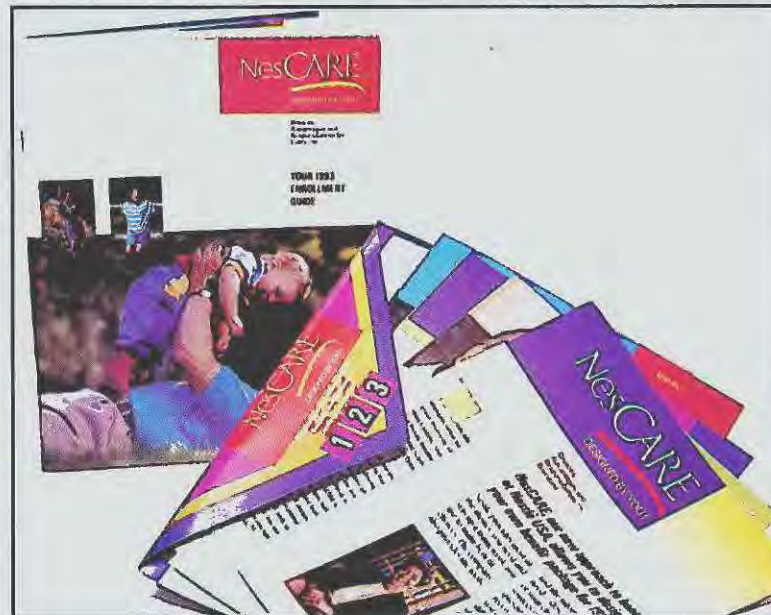
The communications program was "a marketing job in a company quite used to marketing," said Larry R. Ewing, a partner at Hewitt Associates

in Newport Beach, Calif., and project manager for the program.

In a follow-up survey conducted last March, "a strong majority (of employees) felt that the program is more valuable than before, that the enrollment materials were very helpful and that they had a good understanding of NesCARE," Mr. Ewing said.

Before NesCARE, which covers 12,000 salaried employees and some hourly groups, Nestle employees had a variety of benefit programs around the country, and some units already had a flex program, Mr. Ewing said.

NesCARE includes the following benefits, with several options available under each one: medical, vision and dental coverage; spending accounts; long-term disability; life insurance for the employee and his or her dependents; and accidental death & dismemberment insurance for employees and dependents.



"For some people, (NesCARE) represented a very nice increase in benefits," Mr. Ewing said. But with employees coming from sev-



eral different places, not everyone's perspective was the same. For some employees, the NesCARE benefits were similar to

what they already had, and to others the benefits appeared to be more expensive, he explained. Nestle USA's business units in hundreds of locations across the country formerly reported to a Swiss parent. After the U.S. company was formed in 1990, it consolidated all its retirement and savings plans on Jan. 1, 1992. The next step was to bring all its salaried employees under a common flexible benefits plan, he said.

Nestle USA's business units are: Nestle Beverage Co., Nestle Brands Foodservice Co., Nestle Food Co., Stouffer Frozen Foods, Nestle Refrigerated Food Co. and Nestle Foreign Trade Co.

The theme of the program, "Designed by you!" is well illustrated by photographs of five employees—not actors—who are identified and are pictured throughout the materials at work, home and play.

"We said, 'Let's use real people,' since we have this diverse workforce. Why go outside the company when we can use our own people?" Ms. Finley said. Nestle conducted a series of interviews to select employees who represented varied lifestyles.

Employees received four newsletters, about one a week, explaining the flex plan.

Next, employees attended a meeting during which they were

Continued on next page

Nestle program

Continued from previous page

given enrollment kits, which included a personalized worksheet detailing how much money Nestle will pay toward their benefits.

During the meeting, they watched the 12-minute video narrated by Cam Starrett, executive VP of human resources and corporate affairs.

One of the purposes of the video was to encourage employees to use the interactive disk to sign up for their benefits, Mr. Ewing said.

The disk let them see different combinations of benefits and how much each one would cost.

Another goal of the campaign was to encourage Nestle employees to choose a point-of-service

medical plan, if one were available in the employee's location.

Nestle was successful on both counts. More than 70% of employees used and enrolled via the disk.

Enrolling with the disk results in fewer errors because the computer handles the math. The disks are then read directly by the system that administers the flex program, eliminating any keypunching.

Entries were scored on a scale of 0 to 20 on how well they fulfilled five basic criteria: the benefits communication program's objectives, strategy, content, presentation and effectiveness.

The 22 judges for the 1993 Business Insurance Employee Benefits Awards Competition were:

• Philip Dobias, director-compensation and benefits at Montgomery Ward & Co. Inc. in Chicago.

• Cindy Drankoski, project leader-human resource operations at International Business Machines Corp. in Somers, N.Y.

• Kevin Fegan, info graphics manager at Crain Communications Inc. in New York.

• Stanton Hire, vp-human resources at St. Luke's Hospital in Maumee, Ohio.

• Charlotte Jerace, senior manager/executive producer at KPMG

NEW YORK—A top-down approach is essential when a company introduces a new flexible benefits plan that will represent a reduction in benefit levels for several operating units.

That was the impetus behind United States Inc.'s communication campaign for a new flex plan called "UNICare."

UNICare covers about 16,000 employees at nine U.S. operating companies.

The communication campaign explaining the new plan won an Award of Excellence in the total benefits program category of the 1993 Business Insurance Employee Benefits Communication Awards competition.

Because of resistance at some of the operating companies, Unilever's communications strategy involved interviewing the units' presidents, human resource vps and benefit directors to determine their needs and educate them about plan design and the communication process, said Alan Turetz, a principal at William M. Mercer Inc., who managed the communication process for UNICare's introduction.

Focus groups with employees helped "to gather information used in benefits design and the development of the communications work plan, and to build interest in the new program," he said.

The program was kicked off in July 1992 by the operating units' presidents, who informed employees in writing of the need for the changes and said the new flex plan would be effective Jan. 1, 1993.

Employees received an overview brochure and letter, an enrollment guide and fact sheet, and modeling computer diskettes allowing them to see what different combinations of benefits would cost.

A video on the benefits program, which won a Best of Show award in the audio-visual presentation category of this year's competition (see story, page 10), was shown at employee meetings and was available for home viewing.

Employees could enroll in the UNICare plan via a touch-tone phone 24 hours a day, seven days a week, or they could use a computer-based system through 53 kiosks set up at various company locations.

The result was a paperless enrollment process that saw 100% of employees enrolled with no errors reported in various feedback data.

—By Louise Kertesz

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Judging '93 EBC competition

22 experts took part in evaluating best programs

Communication Awards competition were:

- Janice Artandi, corporate compensation and benefits at Montgomery Ward & Co. Inc. in Chicago.
- Philip Dobias, director-compensation and benefits at Montgomery Ward & Co. Inc. in Chicago.
- Cindy Drankoski, project leader-human resource operations at International Business Machines Corp. in Somers, N.Y.
- Kevin Fegan, info graphics manager at Crain Communications Inc. in New York.
- Stanton Hire, vp-human resources at St. Luke's Hospital in Maumee, Ohio.
- Charlotte Jerace, senior manager/executive producer at KPMG

Continued on next page



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Continued from previous page
Peat Marwick in Boston.

- Sally Liang, benefits manager at MedCo Containment Services Inc. in Montvale, N.J.
- Carl Londe, manager-employee benefits planning at Ralston Purina Co. in St. Louis.
- Kevin McCullough, personnel manager at Crain Communications Inc. in New York.
- Mark McFaul, manager-research and development at William H. McGee & Co. Inc. in New York.
- Liliana Merizalde, manager-employee benefits administration for Duracell Inc. in Bethel, Conn.
- Sylvia Miller, training coordinator-administrative services at the Los Angeles County Employees Retirement Assn. in Los Angeles.
- Catherine Monahan, vp/manager-corporate communications at SCOR U.S. Corp. in New York.

- Dennis Montgomery, manager-benefits planning at CITGO Petroleum Corp. in Tulsa, Okla.
 - Ann Moore, employee benefits manager at Southern Progress Corp. in Birmingham, Ala.
 - Judy Nelson, manager-marketing support services at GAB Business Services Inc. in Parsippany, N.J.
 - Dudley Powell, vp-human resource administration at Allstate Insurance Co. in Northbrook, Ill.
 - Ruth Reed, director of benefits at Duquesne Light Co. in Pittsburgh.
 - Seymour Shelist, president of Chicago-based printing company PGI.
- The winners of the 1993 *Business Insurance* Employee Benefits Communication Awards competition will be honored during a luncheon that will be held Nov. 8 at the Park Central Hotel in New York City. **BI**

Commissioner

Continued from page 2

when she graduated with honors from the New England Conservatory of Music in 1967, followed by two years of graduate study in Germany.

She said she had planned to continue singing German "art" songs when she returned to the United States, but to her dismay her gigs were "in places that went bankrupt or burned down."

As a temporary worker for Manpower Inc., she was assigned in 1973 to do "miscellaneous work" for manufacturing conglomerate Barry Wright Corp. in Newton, Mass.

"Since I couldn't type, I 'miscellaneous' better than most," she recalled. Her fluency in German and Italian was put to use translating documents and eventually she became an internal technical consultant on a wide variety of regulations.

With a quick mind and willingness to work—she obtained the Associate in Risk Management degree in 1975—she was tapped to replace Barry Wright's retiring risk manager in 1982. After two years she was named director of risk management overseeing the company's worldwide property/casualty and employee benefits programs, a job she held until 1988.

From there she moved to Raytheon Co. in Lexington, Mass., where she was manager of employee disability programs.

During her brief tenure with the electronic systems and equipment manufacturer, she created and managed a successful cost reduction and claims management system for workers compensation, short- and long-term disability and unemployment benefits for most of the company's U.S. operations.

In 1990, she became director of

risk and insurance for the Girl Scouts of the USA in New York, which required weekly commutes from her home west of Boston. In that post, she provided risk management services to all operations in addition to designing, marketing and managing voluntary property/casualty and benefits programs for more than 300 Girl Scout councils nationwide.

Ms. Ruthardt credits decades of involvement in groups like the Risk & Insurance Management Society Inc. and Associated Industries of Massachusetts with rounding out her insurance education. She gained leadership experience chairing several industry-specific groups.

Her reputation as "a local technocrat" with insurance expertise spread, and in the 1980s she served on Massachusetts gubernatorial task forces on the liability insurance crisis and workers compensation reform.

She also served on a state Workers Compensation Advisory Council from 1986 to 1990, first as a member and then chairwoman. That group oversaw operation of the state's workers compensation unit.

"I think I have no ties to politics," Ms. Ruthardt said.

That could be an important qualification for her position. Her predecessor, Kay Doughty, was ousted in April because the governor was dissatisfied with her performance. A few other replacements were considered for the post, but none accepted it for a variety of reasons.

"The insurance commissioner is a lightning rod job, and you have to take the job knowing that you are an expendable lightning rod," Ms. Ruthardt said.

Her expendability doesn't seem to diminish her enthusiasm for establishing priorities in her new post.

Her top priorities include coping with Massachusetts' markets for long-term care and automobile insurance, which require the insurance commissioner to set rates and approve forms. For example, Massachusetts is exempt from federal Medigap rules and a commonwealth-run plan sells six variations of long-term coverage to hundreds of thousands of residents, she said.

In addition, "the insurance commissioner really has an obligation to educate people about how the insurance mechanism really works," Ms. Ruthardt says.

Specifically, she wants to help educate consumers about how insurance works and the role agents for non-direct writers can play in resolving customer disputes.

She and staffers are considering an idea to print simple warnings on the front of an insurance policy. A snowmobile policy sold in the commonwealth, for instance, would caution consumers: "This policy does not cover snowmobiles when used outside of Massachusetts."

Consumers are not the only ones Ms. Ruthardt wants to educate. Other regulators, she says, could use a lesson in how their actions affect a marketplace.

Specifically, she may consider trying to eliminate the requirement that a buyer obtain three signed declinations before purchasing insurance from non-admitted insurers "I don't think that accomplishes diddly squat," she said.

In addition, Ms. Ruthardt plans to oversee the ongoing recovery of the commonwealth's workers compensation market, which underwent significant reforms in the late 1980s.

She also will continue the Insurance Department's efforts to become accredited by the National Assn. of Insurance Commissioners. An audit of the department is set for mid-November, but some needed law changes are still pending in the Legislature, she said. **BI**



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Workplace murder

Continued from page 2

OSHA currently is collecting its own numbers on workplace inspections and citations for violations of its general duty clause to protect workers. The clause, in January, OSHA sent its field to protect workers from crime.

In January, OSHA sent its field to protect workers from crime. But, OSHA is reviewing whether to send additional guidance to its field personnel on handling and investigating such complaints. The guidance could be in the form of a memo or more formal procedure, he said.

OSHA also is trying to work more closely with business and labor to encourage them to take preventive measures, he said. "This is an area where enforcement isn't the whole picture," Mr. Donnelly said. "From everyone's perspective, 'enforcement is a very expensive way to get things done,' he said.

NIOSH also recommends in its alert that occupational safety and health researchers "evaluate the impact that existing and proposed gun control regulations might have on protecting workers from occupational homicide."

Guns were used in 75% of the workplace homicides. Knives and other cutting instruments were the second-most-used weapon, accounting for 14% of workplace homicides.

"One of the things we found is that when you've found a homicide, you've also found the use of guns," said Alfred Amendola, deputy director of NIOSH's division of safety research.

The agency would like to find out whether any existing local gun control laws have led to lower workplace homicide rates in those areas, Mr. Amendola said.

The number of annual workplace homicides ranged from a high of 939 in 1981 to a low of 659 in 1984, a NIOSH spokeswoman nelly said.

"It hasn't been an OSHA issue, but that's changing," Mr. Donnelly said.

years. "The reason is we simply don't have the employee complaints on this," he explained. Workplace violence typically ends up as a local police matter because victimized workers "have a problem right now—they don't need a workplace inspection in 10 days," he said.

However, Mr. Donnelly said that protecting workers from the risk of homicide could take on greater importance at OSHA, just as protecting workers from blood-borne diseases and ergonomic injuries have in recent years.

"It hasn't been an OSHA issue, but that's changing," Mr. Donnelly said.

Employers show no signs of abandoning workplace wellness efforts even though President Clinton's health reform plan appears to wipe out any direct incentives for many companies to sponsor such programs.

Employers say they will continue to run workplace wellness programs because they are a valuable employee benefit. Healthy employees are happier and more productive, employers say.

Even if national health reform eliminates some employers' health care cost-containment motivations, other benefits—like improved morale and reduced absenteeism—are gained by running such programs, they insist.

However, employers may shift some of the responsibility for health promotion and disease prevention to the accountable health plans that will provide health care to their employees, some experts

growing despite health reforms

By CHRISTINE WOOLSEY

say. Those health plans will bear most of the financial risk under President Clinton's proposal and will be charged with improving the community's health as a mechanism to keep community-rated health insurance premiums in check, they say.

In the short-term, however, companies with workplace wellness programs have no plans to alter them, and a number of companies without such programs plan to implement them.

According to a survey of 179 companies by William M. Mercer Inc., 52% of the responding firms currently have workplace programs that provide health-related information and support to employees or encourage them to shed unhealthy practices. And, even as health reform unfolds in Washington, 8% of companies without a wellness program say they plan to implement one within the next year, while 12% say they are considering it.

Continued on next page

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tion/public utilities—678 murders, for a 1.4 murder rate. NIOSH also looked at the riskiest occupations based on U.S. Census Bureau occupation codes. Taxi drivers and chauffeurs, 289 of whom were killed on the job, still faced the greatest risk. Their murder rate was 15.1 per 100,000 workers. That exceeded by nearly six points the 9.3 murder rate for law enforcement officers, 520 of whom were killed on the job. Other risky occupations were: Hotel clerks—40 murdered, for a 5.1 murder rate. Gas station attendants—164 murdered, for a 4.5 rate. Security guards—253 murdered, for a 3.6 rate. Stock handlers/baggers—260 murdered, for a 3.1 rate. Store owners and managers—1,065 murdered, for a 2.8 rate. Bartenders—84 murdered, for a 2.1 rate.

Copies of "Request for Assistance in Preventing Homicides in the Workplace," publication no. 92-109, are available free from the NIOSH Publications Office, 4676 Columbia Parkway, Cincinnati, Ohio 45226-1998; 513-533-8287.

fishments, which include courts and police stations—640 murders, for a 3.4 murder rate. Grocery stores—806 murders, for a 3.2 murder rate. Jewelry stores—56 murders, for a 3.2 murder rate. Restaurants and bars—734 murders, for a 1.5 murder rate. Hotels and motels—153 murders, for a 1.5 murder rate. Combining the SIC data on distinct workplaces to get a picture of the workplace homicide risk for broader industry groups shows the greatest risk of being killed on the job. Some 2,787 retail workers were murdered at work during the 1980s, which represented a 1.66 murder rate.

That is more than double the 1,275 murdered workers in the service industry. Those workers ranked second in terms of the murder rate for those employees killed on the job, but the murder rate for those employees was 0.6 per 100,000 workers, just below the national average.

Murder rates were double the national average for workers in two industries other than retail trade: Detective/protective services for a 5.6 murder rate. Gas stations—304 murders, for a 5.0 murder rate. Liquor stores—115 murders, for a murder rate of 8.0 per 100,000 liquor store workers.

The next eight riskiest workplaces were: Justice/public order establishments—152 murders, for a 5.0 murder rate. Detective/protective services for a 5.6 murder rate. Gas stations—304 murders, for a 5.0 murder rate. Liquor stores—115 murders, for a murder rate of 8.0 per 100,000 liquor store workers.

When workplaces were ranked by Standard Industrial Classification codes, taxicab establishments topped the list of risky sites with 287 homicides and a murder rate of 26.9 per 100,000 taxicab company workers. Those workers included dispatchers and other non-driving personnel.

The murder rate is more than 38 times greater than the national average of 0.7 workplace murders for every 100,000 workers.

OSHA also is trying to work more closely with business and labor to encourage them to take preventive measures, he said. "This is an area where enforcement isn't the whole picture," Mr. Donnelly said. "From everyone's perspective, 'enforcement is a very expensive way to get things done,' he said.

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Continued from previous page
sidering adding one but have no timetable to do so.

"There will be a significant period between now and whenever any health care reform will be implemented (during which) employers still need to be concerned about health care cost containment," pointed out Leigh Williams, a health care consultant with Hewitt Associates in Lincolnshire, Ill.

In the past, many companies adopted wellness programs as a strategy to battle rising health care costs. Others did so to improve employee productivity and morale, and to reduce absenteeism and turnover. The latter may become the dominant reason to offer worksite programs in the future, according to consultants and employers.

Many employers actively encourage employee participation in worksite health promotion programs.

For example, some employers allow employees to use onsite fitness facilities on official company time.

Other employers use financial incentives to encourage healthy practices, like risk-rated health insurance premiums based on smoking status, seat belt use and participation in weight-loss classes (*BI*, Feb. 17, 1992).

"A lot of initiatives are touchy-feely, and we question whether they have the ability to initiate any behavioral change. But other things—like incentives to increase seat belt use and stop smoking—do have the ability to save money in the short term," Ms. Williams said.

Some employers, though, say

President Clinton's proposal would take away their incentive to maintain these programs. Under the bill, all employers would contribute 80% of the cost of the weighted-average premium for health insurance coverage in the regional alliances that serve their employees or in their corporate alliance.

For companies with fewer than 5,000 employees, health insurance premiums would be community-rated and would no longer be based on each company's experience.

Those employers might decide to stop spending their own money on wellness programs, because they would be subsidizing other employees and individuals who don't participate in such activities.

"Corporations invested heavily in health promotion and wellness incentives, and that has paid substantial dividends," said Dr. Wayne Burton, vp and medical director of First Chicago Corp.

"Employers could still have these programs, but there is less incentive to do so because it will not really affect our (health insurance) costs," he said.

"Under Clinton's proposal, any employer that can't qualify to become a corporate alliance would be community-rated, so those employers lose the incentive to run a wellness program—if it was just done to control health care costs," conceded Bruce Kelley, a principal in Mercer's Minneapolis office.

But, Mr. Kelley said, there are less-quantifiable reasons to maintain the programs.

"If you ask any senior manager at a company that has a wellness

program, he will say 'My people feel better, and they like working here.' You can't measure that," said William Baun, manager of Houston-based Tenneco Inc.'s health and fitness program. "Even if you take all the financial incentives away from employers, it doesn't matter, because I want my employees to feel better. That is one of the basic reasons to have these programs."

The Clinton proposal would use various health alliances to cover certain preventive services, like well-baby care and periodic mammograms for women at high risk for breast cancer, but some benefit experts are skeptical that those programs alone would improve employee health.

Under the Clinton plan, "the benefits related to health promotion are very basic, very minimal," Ms. Williams noted. "Plus, there is no requirement for employees to participate, and to be successful there has to be some incentive."

"Just because you pay for a benefit, like prenatal care, doesn't mean employees will take advantage of it," Dr. Burton agreed. "Employers have put in strong incentives to encourage pregnant women to participate in such programs during their first trimester, when it's most important."

First Chicago Corp. built strong incentives into its health plans in an effort to reduce the number of premature births. For example, the company waives the annual \$300 deductible for employees or spouses who participate in the bank's prenatal worksite education program. It also offers onsite mammograms for female employees.

"Onsite mammogram programs are convenient and women do take advantage of them. But I'm not sure, under the Clinton plan, whether employers will still want to work out these kinds of agreements with health alliances—even though they've been of tremendous advantage to these employers and employees," Dr. Burton said.

"Onsite screenings are convenient, but you have to be clear when you say they have worked," said Harry Harrington, president of Integrated Health Sciences, a for-profit spinoff of Blue Shield of California that offers programs designed to decrease employee demand for health care. Employers that conduct massive onsite screening programs may test more individuals than are necessary, costing them more than if they targeted those who are at the highest risk, he said.

In a reformed health care system, health plans and the physicians that serve them should take over the task of health promotion, Mr. Harrington said. "The efforts will move out of the worksite and into the community. Health plans will initiate and monitor these efforts, and employers will insist on it because they'll want to lower the overall community rate," he said.

"I see employers' worksite programs changing shape, but I don't see a lot of large employers abandoning their programs," Ms. Williams countered. "Employers that have made big capital investments won't drop the ball," though they "may have to retool their efforts so they don't duplicate something health care reform will offer."

The Mercer survey found 13%

of employers have considered adding a wellness plan but have rejected the idea. However, none indicated their rejection was based on impending health reform, according to Hope Picker, a Mercer associate who compiled the survey.

Rather, half of those rejecting the idea cited cost as a reason, while 37% said they did so because they could not easily measure any return on their investment. Thirty percent were concerned that their return on investment would be too low to justify adding a program, and 19% said their employees were not interested in such a program.

The figures total more than 100% because respondents were allowed to choose more than one answer.

However, employers that have wellness programs seem pleased with them, according to the survey. Almost 30% said they were very satisfied with their wellness plan, while 59% said they were somewhat satisfied. Only 11% reported being dissatisfied.

Most employers measure program success by the level of employee participation, but 48% reported decreases in health care costs or claims and 45% reported changes in employee behavior, such as weight loss or lowered cholesterol. Twenty-two percent reported a decrease in sick days taken by workers.

For a free copy of "Wellness Programs: A William M. Mercer Survey," contact the public relations department at William M. Mercer Inc., 212-345-7584 or write 1166 Avenue of The Americas, New York, N.Y. 10036.

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Increased taxes won't kill flex plans

By NANCY P. JOHNSON

Employers are not about to scrap flexible benefit programs despite the threat of increased taxation under President Clinton's health reform plan.

Many companies say they plan to retain flex plans to whatever extent a new law will allow, even if the health care benefits.

Even if the Clinton health reform is adopted verbatim—which is unlikely—flex plans would survive as a way to offer supplementary benefits, consultants say.

The reform bill the president sent to Congress late last month would restrict employers from offering health benefits through a flex plan as of Jan. 1, 1997. That restriction would raise revenue but also would eviscerate most corporate flexible benefit programs set up under Section 125 of the Internal Revenue Code (BJ, Nov. 1; Sept. 20).

Section 125 plans include:

- Premium conversion plans, in which employees make pretax contributions to cover their portion of health care premiums.
- Flexible spending accounts, in which employees allocate part of their salaries to make pretax contributions to pay for uncovered health care expenses.
- Full-fledged flex plans, in which the employer gives employees credits or cash with which to "buy" benefit options.

Not all flex plan benefits would be affected by the proposal. The Co. Inc. found.

proposal would only bar health care reimbursement; and paid time off.

Flex plans are a widely used benefit, delivering tax breaks to employees and employers alike. Nearly three-fourths of employers that require employee contributions for health benefits have premium conversion plans, while more than half of employers offer health care spending accounts, a recent survey by consultant A. Foster Higgins & Co. Inc. found.

Workers at companies that offer both types of plans would lose substantial tax savings under the Clinton plan. An average worker more than \$350 annually, while a married employee with dependent children could lose more than \$500 per year, according to Frank DiBertin, a principal at Foster Higgins in Princeton, N.J.

Benefit managers, though, are not abandoning their flex plans.

"Philosophically, we're pretty committed to the concept of offering choice to employees," said Stanton Hire, benefit manager at St. Luke's Hospital in Maumee, Ohio.

Of course, "we would have to consider our health insurance offerings, which could affect pricing and credit strategy," he said. "Every-

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INTERNATIONAL

U.K. judge rejects RSI negligence claim

By ADRIAN LADBURY

LONDON—British employers and their insurers are refusing to get excited over the dismissal of a negligence lawsuit by a former journalist against his employer because he suffered a repetitive strain injury.

The recent decision is widely regarded in U.K. legal circles as extreme rather than mainstream.

The Assn. of British Insurers was quick to play down the ruling's significance. The association points out that other occupational injuries, like deafness and circulatory problems in the fingers suffered by workers in manufacturing and construction, are far more significant in both volume and value of claims.

Representatives for the plaintiff, though, say the ruling could work against employers in the long run. Conflicting court decisions will

prompt claimants to seek bigger awards to force employers and their liability insurers to the negotiating table.

A spokesman for the National Union of Journalists, which supported ex-desk editor Rafiq Mughal against news agency Reuters Holdings P.L.C., said the decision would not deter it from bringing to court a raft of similar cases it has "waiting in the wings."

Mr. Mughal, who resigned from his job in November 1989, sued Reuters, alleging that the employer was negligent in providing adequate advice about how to avoid RSI and the proper use of equipment to prevent such injuries. He alleged his problems began after he was moved from one desk to another in October 1988 after a change in responsibilities. His pain was caused by the length of time his job required him

to sit at his desk and by the position he had to sit in to use his visual display terminal, he alleged.

The NUJ spokesman said that much of the blame for the growing number of similar cases in the United Kingdom can be laid on the employers' insurers, which force the employers into court.

"There will be more cases, and no doubt we will win in the future. What this case does do is stymie any chance of there being reasonable settlements, because until we get big settlements, the insurers will not pay up," the union spokesman said.

Reuters' lead employers liability insurer is Eagle Star P.L.C., whose spokesman said he was unable to comment specifically on this case.

"This is only one judge's decision, and it could be changed again," noted a spokesman for Guardian Royal Exchange P.L.C. "Also, the

legal profession's ability to dream up new (causes) of claim would soon cancel out any benefit (for employers and insurers). I do not see large amounts of money being released from liability insurers' reserves because of the decision."

High Court Judge Prosser said that none of the evidence supplied to him during the 10-day trial, including evidence supplied by the plaintiff's doctor, had convinced him the plaintiff suffered from RSI because of Reuters' negligence.

"Whilst all (evidence) recognized the existence of known pathological disorders caused by repetitive use and overworking such as tenosynovitis and peritendinitis crepitans and others, there were also deeply divided opinions about a condition known as repetitive strain injury," the judge said.

He said Mr. Mughal is more likely

a victim of "his lack of competence" and "his feelings of being watched and victimized" by other employees. The judge said he doubted the validity of his claim because of his "need for psychiatric treatment" and use of antidepressant drugs.

"Robert Ricci, a very senior and experienced journalist with many years at Reuters and abroad, said he found the plaintiff's copy very difficult to understand on many occasions and difficult to edit. Here, in my judgment, lay the seeds of unhappiness, perhaps even frustration, that led the plaintiff along the rocky road he has trodden since 1989," the judge said.

In his summary, Judge Prosser quoted one report that described RSI as a "form of mass hysteria, an epidemic resulting from inappropriate diagnosis and treatment, and re-

Continued on page 28

Capacity crunch forcing London reinsurers to cap employers liability cover

By ADRIAN LADBURY

LONDON—U.K. employers are facing a first-ever cap on the amount of employers liability coverage they can buy in the London market.

That limit is a result of the capacity crunch in the London reinsurance and retrocessional market.

In a move that one leading U.K. liability insurer described as "easily the biggest development in U.K. liability insurance for years," employers' traditional ability to buy unlimited employers liability coverage in the London market will disappear after Jan. 1, 1995.

The Assn. of Insurance & Risk Managers in Industry & Commerce said last week that it has set up a working party to investigate the problem and try to find a solution. "We want to avoid 11th-hour arguments with the insurance and reinsurance industry. We want an open and constructive debate," said AIRMIC Chairman Geoff Saunders.

London reinsurers initially wanted to impose a cap starting Jan. 1, 1994, Mr. Saunders said. But, discussion with insurers and buyers persuaded them to delay the cap another year.

The original limit proposed by reinsurers was 2 million pounds (\$2.9 million) per occurrence—the minimum amount of liability coverage employers have legally been required to carry since 1968—but have since raised the cap to 5 million pounds (\$7.4 million) per occurrence, he said.

Mr. Saunders blamed the "crisis" on the U.K. legal system and the growth of long-tail claims. Unlike the United States and Europe, the United Kingdom has no formal administrative system for settling workers compensation cases. While most cases are settled out of court, many high-profile cases make it into the courts. Mr. Saunders described the system as "precarious at best."

Late last month, a U.K. High Court judge denied the existence of repetitive stress injuries in a suit brought by a Reuters editor. The judge concluded the man's injuries were more likely caused by pressure from colleagues and an inferiority complex (see related story).

Derek Howie, assistant liability manager at Eagle Star P.L.C., the United Kingdom's biggest liability insurer, confirmed that the reinsurers had threatened a cap on employers liability capacity.

Rather than an across-the-board cap, each liability insurer would set its own limit, according to its retention net of reinsurance and its reinsurance costs, he said.

"For smaller liability insurers, it could well be 5 million pounds per occurrence, but for bigger insurers such as us, the figure will be much higher," said Mr. Howie.

"It is all linked in with Lloyd's. Apart from one or two very high-profile risks, currently 99.99% of risks are unlimited. That unlimited cover is provided to insurers by reinsurers in the main, with each company writing a net retention and reinsuring above that.

"But along came Piper Alpha and, with one incident, 167 were dead at a cost of 150 million pounds (\$221 million). Reinsurers suddenly realized that they are sitting atop an enormous potential problem," Mr. Howie said (BI, July 11, 1988).

"At the same time, the retrocession, which they bought mainly in Lloyd's, disappeared, and a number of major London market company players have either pulled out of the market entirely or seriously cut back capacity—including NRG Victory Reinsurance Ltd., NW Reinsurance Corp. Ltd., Mercantile & General Reinsurance Co. and Royal Reinsurance Co. Ltd. "So the remaining players decided to introduce the cap."

Continued on page 27

Allianz to hike rates

Policyholders drafted into war on underwriting losses

By DON LEWIS KIRK

MUNICH, Germany—Allianz Versicherungs A.G. is cracking down on continuing underwriting losses by presenting industrial policyholders with what it regards as choices—albeit difficult ones.

The insurer is requiring policyholders either to improve risk management, retain more risk or pay higher premiums.

Mid-sized companies would bear the brunt of any rate hikes because rates for large companies already have been increased.

Manfred Illner, an Allianz executive board member, recently announced rate hikes of 40% to 50% in loss-plagued lines like commercial property insurance. And accident-prone industries like paper manufacturing can expect even greater hikes with strict conditions,

like improved fire safety programs.

Allianz officials say the tough measures are necessary because increasingly complex technological risks are thwarting attempts at sound underwriting.

"German industry has reached the limit of insurability," Mr. Illner said.

Insurers have run out of methods to evaluate and sensibly underwrite industrial risks, he said at an Allianz seminar on the insurability of German industry.

In today's high-tech era, "a (seemingly) small incident can lead to a total breakdown of production in an industry," Mr. Illner said. "The complexity of risk often (overwhelms) even the highest standard of safety."

German industry is uniquely difficult to insure for risks like environmental impairment liability, Mr. Illner said, predicting across-the-board rate hikes of 20% for environ-

mental liability coverage.

"No other country requires environmental insurers to offer gradual as well as sudden and accidental (pollution) coverage on either a claims-made or occurrence basis," he said.

"While other European countries limit EIL coverage to sudden and accidental, Germany is going another route," said Reinhard Anger, Allianz's commercial liability manager. Recent insurer protests, though, have made it less likely that the government will set up a mandatory pollution insurance and compensation system.

Until recently, Allianz had refused to write any EIL coverage for companies in the former East Germany. Now, though, Allianz—in cooperation with its subsidiary in eastern Germany, Deutsche Versicherungs

Continued on page 27

Despite possible arrest, Hardy plans apology to Bermuda court

By ROGER SCOTTON

HAMILTON, Bermuda—Bankrupt businessman Mark Hardy, the former chairman of insolvent Focus Insurance Ltd., is returning to Bermuda to personally apologize to the island's Supreme Court for ignoring its orders.

The apology will be offered in compliance with a ruling by the U.K. Privy Council, the highest appeals court for members of the Commonwealth and British colonies, that he first "purge," or apologize, to the Bermuda court before the Privy Council hears his appeal.

But by returning to Bermuda, Mr. Hardy risks being arrested. An arrest warrant was issued for him last Christmas after Sir James Astwood, then Bermuda's chief justice, ruled Mr. Hardy was in contempt of court for violating injunctions that froze his assets worldwide (BI, Jan. 4).

Mr. Hardy, who has since been pursued through the English courts by Focus liquidators David Lines and Peter Mitchell, vowed at the time never again to set foot on the island.

BERMUDA

But the Privy Council decision handed down Oct. 28 convinced him to change his mind. The London court granted Mr. Hardy "special leave" to appeal all orders issued against him by the Bermuda Supreme Court.

These orders include the injunctions freezing his assets as well as a \$19.7 million default judgment, which the liquidators used as a basis for their bankruptcy proceedings against him in Britain.

Before allowing Mr. Hardy to proceed with an appeal of the Bermuda rulings to the Privy Council, the court said he must purge his contempt by Jan. 31.

Mr. Hardy, who appeared on his own behalf before Privy Council Law Lords Templeman, Woolf and Lloyd, hailed the ruling as a major victory in his battle with the liquidators and said he would be back in Bermuda before the deadline.

"My faith in justice and the judicial system has been restored," he

said. "I have always said that I want a fair trial on the merits and now I feel that this case is at last back on track. I'm very pleased."

Mr. Hardy is not the only Focus litigant claiming victory as a result of the Privy Council hearing. The Focus liquidators also obtained "leave to appeal" a Bermuda Appeal Court decision handed down Nov. 25, 1992, according to Saul Froomkin, their attorney.

That decision had allowed appeals by Focus Directors David Thirkill and Douglas Pullen, who successfully argued that the liquidators' claims against them should be struck.

"We'll now move ahead with a full appeal to the Privy Council," said Mr. Froomkin, who had earlier been denied leave to petition the U.K. court.

At the heart of the litigation is an underlying action started in 1991 (BI, July 15, 1991). In this action, the liquidators sued Messrs. Hardy, Thirkill, Pullen and other defendants for \$19.7 million for willful negligence and breach of fiduciary duty in the operation of Focus. **BI**

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FURTHER NOTICE that the Liquidator distribute these additional assets to the person, entity or governmental unit claiming a valid claim against Market or its assets, title or interest in or to funds or property of Market in the Liquidation of the Liquidator. The Liquidator has prepared a proposed Plan of Distribution for the remaining assets (the "Plan"). A hearing to approve the Plan will be held before the Presiding Judge of the Court's Chancery Division, in Room 1800, Richard J. Daley Center, Chicago, Illinois, at 3:30 a.m. on January 18, 1994. Objections to the Plan must be filed with the Court on or before December 15, 1993. Copies of the Plan and the Liquidation Petition to Approve the Plan may be obtained by writing to James W. Schachtel, at Deputy Liquidator of Market, at the address set forth below.

1500. CHICAGO, ILLINOIS 60654 (312) 450-1450. 222 MERCHANDISE MART PLAZA, OFFICE OF THE SPECIAL DEPUTY RE-
W. SCHMACHT, SPECIAL DEPUTY LIQUID-
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RTY 18, 1994 hearing. Otherwise, the
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terms and conditions of the Plan,
ordinances or dates as described above, or
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trollers and other Financial	3,702
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Category	1995	1996
Associations	363	363
Government, unions and Educational Institutions	1,075	1,075
Commercial Consumers		
Sub-total	29,572	29,572
Insurance Agents and Brokers	8,714	8,714
Insurance Companies	7,981	7,981
Accountants, Actuaries, Attorneys & Consultants	3,532	3,532
Adjusters, Appraisers, TPAs, Captive Managers & Health Care Providers	1,936	1,936
Others Allied to the Field	1,081	1,081
TOTAL	52,816	52,816

* Source Business/Occupational breakdown of qualified circulation, May 31, 1993 issue, as submitted to BPA for June 1993 BPA Publisher's Statement.

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INTERNATIONAL

Allianz

Continued from page 25

A.G.—is offering insurance against the risk of sudden and accidental pollution, said Walther Kiep, vice director of Allianz's general management in Munich. Coverage is limited to new facilities.

Another factor that makes underwriting difficult for German industrial insurers is the vulnerability of commercial policyholders, Mr. Illner said.

German industry is subject to large losses because many companies have a dense concentration of modern facilities in a small area. As a result, fires can destroy more property of high value.

In the past five years, commercial property and business interruption claims for all German insurers have totaled 2.6 billion deutsche marks (\$1.5 billion). In 1992, Germany's 10 largest commercial fires averaged 65 million deutsche marks (\$40.15 million) in insured losses.

German industry also is subject to large liability claims by consumers who are more aware of the con-

cept of company liability and more apt to sue.

"If a chemical factory emits dust and it settles on a parking lot, then all the cars are repainted," Mr. Illner said. "They used to be washed."

In 1992, Allianz's liability insurance underwriting losses exceeded 44 million deutsche marks (\$27.2 million) from a premium volume of 250 million deutsche marks (\$154.4 million).

German commercial insurers are worried particularly that new technology will result in more liability legislation and increased liability claims.

"As it stands, a substance which scientists claim is harmless today could be determined to be dangerous in the future. We've seen it happen with asbestos. We are dealing with unforeseeable consequences," Mr. Illner said.

"The difficulty in judging a liability portfolio results from changes in the basis for calculating premiums. In the course of time, laws alter the (degree) of risk, and premiums are found inadequate to cover risk."

For example, in the 1970s, com-

pany liability for water pollution was limited more or less to oil, Mr. Illner said. In the early 1980s, scientists recognized the danger of allowing chemicals into the ground water. As a result, insurers found themselves covering unforeseen liability risks.

With a changing legal climate, industry often demands more coverage than insurers are willing or able to give, Mr. Illner said.

Insurers are finding that reinsurers are no longer willing to provide capacity for commercial risks because of excessive losses. Mr. Illner complained of a drop in capacity at Lloyd's from 14 billion pounds (\$20.62 billion) to 8.8 billion pounds (\$12.96 billion) in five years.

The problems faced by Allianz and other commercial insurers also are caused in part by cutthroat competition in the industry, Mr. Illner acknowledged.

Last year, German commercial property insurance rates fell to 30% below 1982 levels. Rates for business interruption coverage dropped to 37% below 1982 levels.

Overall, Allianz's commercial in-

surance underwriting losses in 1992 exceeded 100 million deutsche marks (\$59 million).

Losses in marine insurance alone have been "catastrophic," he said.

In 1992, German insurers' commercial insurance loss ratio for marine coverage averaged 110%, with total industry losses reaching 300 million deutsche marks (\$185.3 million).

Mr. Illner blamed those losses on increased theft as well as poor safety standards for ships.

With German companies suffering the effects of a recession, Mr. Illner admitted that rate hikes are a limited means of hardening the market. As a result, Allianz is negotiating for more company loss control, risk management and risk retention.

Allianz hopes those moves motivate companies "to deal intensely with risk and claims control," Mr. Illner said. He expects the new approach will have an "educative effect on companies."

For example, by forcing transport companies to retain more risk, Mr. Illner said, Allianz hopes to force a

"more sensible handling of goods."

"We're not retreating," Mr. Illner said. "German industry is insurable but on new terms. We're looking for a new partnership with industry and support development of risk management and claims control. As a result, we're stepping up activities of our risk service and technology center."

Risk management is undeveloped in Germany. A University of Innsbruck study shows that only 16% of German companies have a professional risk management program.

As Germany's largest commercial insurer, Allianz has more to lose than other commercial insurers there. With 1992 gross premium volume of 2 billion deutsche marks (\$1.17 billion), Allianz holds a 16% market share of total commercial property insurance premiums, a 30% market share of engineering insurance premium volume and 14% of Germany's marine market premiums.

The gross premium volume for all of Germany's commercial insurers is 10 billion deutsche marks (\$5.87 billions). **[B]**

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Continued from previous page

Employers' costs for post-65 retiree health care plans would decline sharply, since prescription drugs now typically comprise 30% to 40% of employers' total health care costs for retirees over 65, benefit consultants say.

Employers with health plans covering retirees over 65 also would benefit from a provision in the legislation that would bar physicians from balance billing patients. Under balance billing, physicians currently can ask patients to pay 15% above the rate that Medicare will pay.

Some employers' retiree health plans pick up this additional charge.

In other areas, the Clinton health bill would increase employers' costs:

- Funding of retiree health care benefits. After 1994, employers generally no longer could make tax-deductible contributions to so-called 401(h) accounts to pre-fund retiree health care obligations.

Generally, contributions to a 401(h) account cannot exceed 25% of the total amount contributed to a defined benefit pension plan and the 401(h) account. For example, if an employer made a \$12 million contribution to its defined benefit plan, it would be allowed to make a \$4 million tax-deductible contribution to the 401(h) part of the plan.

For many companies, 401(h) arrangement have had little practical significance because their pension plans are either fully or over-funded. As a result, they cannot make additional pension contributions and, thus, no 401(h) contributions.

But for some companies with un-

derfunded pension plans, a 401(h) account is a very important way to pre-fund retiree health care obligations, said Hewitt's Mr. Laugharn.

Benefit experts speculate that the administration may want to end 401(h) arrangements because the need for the plans will be reduced if the government pays a big chunk of early retirees' medical costs.

- New Medicare taxes. Under the legislation, state and local governments and their employees not covered by the federal Social Security program will be slapped with the 1.45% Medicare payroll tax. That tax, which all other employers and employees now pay, applies in 1993 to the first \$135,000 of an employees' wages and thereafter to all wages.

The legislation, though, could pave the way for more employers to offer long-term health policies to their workers by making clear that LTC coverage is a tax-favored benefit program. As a result, employers could pay the policies' premiums without workers being taxed on the employer contributions.

The current tax status of long-term health care programs is murky; the Internal Revenue Service has not responded to a request by the American Council of Life Insurance to rule on their status.

Employers now require employees to pay the full cost of LTC coverage, in part because of the tax uncertainty and in part because of the cost of the programs.

However, if LTC coverage was recognized as a tax-favored benefit, it would encourage more employers to offer and pay for at least some of the cost of the plans, said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York. **BI**

California fires

Continued from page 1

Chicago, a unit of newly formed Aon Re Worldwide. "Each separate area on fire would be a separate occurrence."

The Property Claims Services division of the American Insurance Services Group assigned catastrophe No. 74 to the Oct. 27-28 Laguna Beach fire, but no estimate of insured damages will be released until this week.

However, San Francisco-based EQE Engineering estimated insured losses from the fires up until Oct. 31 at \$450 million, using its EQEFIRE catastrophe modeling program.

However, EQEFIRE was unable to estimate losses from last week's Malibu fire because that area is so sparsely populated, a spokesman said.

The EQE estimate contrasts with a projection of \$330.4 million in insured losses for the first wave of fires made last week by Risk Management Software Inc., also of San Francisco.

The RMS computer model projects total insured losses from all of the fires in recent weeks to reach \$555 million, but the consultant issued a caveat: As with the Oakland Hills fires, political pressures on insurers may force them to pay more than insured values to replace destroyed property.

Although fewer houses were burned in the string of Southern California brushfires than in the Oakland Hills blaze—about 1,084 compared with nearly 3,000—the value of individual claims could push total insured losses in Southern California close to the \$1.7 billion Oakland loss, some industry sources speculate.

"At this point, the numbers are less than Oakland. But the average value will be higher, so the dollar amount will be pretty close to Oakland," predicted Robert M. Gabriel, owner of broker Bob Gabriel Co. in Santa Monica.

A home that's worth \$1 million will likely generate a total loss of between \$1.7 million and \$2 million including lost contents, he said.

Even what is considered "a small risk by entertainment standards will amount to \$1 million, and that's for a \$500,000 to \$600,000 house," said Claire Boxer, claims manager for Albert G. Ruben & Co. in Los Angeles. Ruben places homeowners coverage for numerous Hollywood luminaries.

As of last week, the claims Ms. Boxer has processed from the Malibu fire are averaging \$1 million for combined structural and contents losses and additional living expenses.

Among the early insurer loss reports as of late last week:

- State Farm Group had 747 claims totaling \$60 million from the first wave of fires, including 156 homes destroyed.

State Farm, which does not buy reinsurance in the commercial market, had not yet counted its claims from Malibu-area fires.

- Farmers Insurance Group had 822 claims totaling \$63 million by late last week. While 101 of the claims were for homes that had been destroyed, the bulk were for wind and smoke damage.

Farmers expects to recover some reinsurance under a stop-loss arrangement tied to a loss ratio target. The arrangement was purchased from a consortium of reinsurers, a spokesman said.

- Fireman's Fund Insurance Co. had only 16 total loss claims and several dozen partial loss claims by late last week, a spokesman said.

- TIG Insurance Co., the former property/casualty unit of Transamerica Corp., reported 26 claims

in Laguna Beach and 13 from the other fires. Eleven of those claims were for total losses.

The company has established \$4.1 million in reserves to pay the claims, said a company spokeswoman, adding that TIG expects to recover some reinsurance.

TIG's losses in Malibu will be limited, she added, because "we have phased out our exposure in brushy hills after our Oakland experience."

- SAFECO Insurance Cos.' fire losses will amount to less than \$10 million, according to George P. Yonker, assistant comptroller.

The insurer has a \$35 million retention on its property catastrophe reinsurance program, he said.

- Chubb Corp., which wrote relatively few policies in the Malibu area, has had "hundreds" of claims from the Laguna Hills fire, said Steve Stonehouse, senior vp/managing director of the Western zone.

But the insurer hasn't yet estimated the dollar volume of the claims, he said. Chubb likely will retain all of its losses, he added.

- Allstate Insurance Co. had 360 homeowners and auto claims from the Altadena and Laguna fires and 62 claims from the Malibu fire, a spokeswoman said. The insurer had no dollar estimates of its losses, which it will absorb without catastrophe reinsurance, she said.

While most of the policyholders in the Laguna Beach and Altadena fires had standard homeowners policies, most of the homes near Malibu in the Santa Monica Mountains are covered under wrap-around or difference-in-conditions policies that involve participation in the California FAIR Plan.

The FAIR plan, an industry-sponsored insurer of last resort in areas prone to brush fires, insures 51% of the homes affected in the Santa Monica Mountains.

Most FAIR plan policies only provide actual cash value coverage, which pays the depreciated value of the structure and possessions. For that reason, many homeowners also purchase DIC policies from individual insurers to provide replacement cost coverage for home and contents as well as coverage for additional living expenses.

Among the major underwriters of the DIC policies are: Allstate; Chubb; Fireman's Fund; TIG; RLI Insurance Co.; and underwriters at Lloyd's of London.

Many insurers are making a concerted effort to process claims quickly to ensure the industry is not subjected to the storm of criticism that followed the Oakland Hills fire (BI, Nov. 1).

For example, in a cooperative public relations effort, the Independent Insurance Agents & Brokers of California assisted the Western Insurance Information Service in answering homeowners' insurance questions at three Office of Emergency Services recovery centers.

The IIABC also prepared a "Disaster Resource Material Kit" to help agents and brokers communicate with their clients.

But even though insurers hope good public relations will stave off bad-faith suits, they are anticipating the possibility of another wave of litigation similar to the one following the Oakland Hills fire over the issue of replacement cost coverage.

"We still haven't solved the problem of building-code upgrade coverage and the difference between replacement cost coverage and guaranteed replacement cost coverage," said Jerry O'Kane, executive vp of the IIABC in San Francisco.

"We are a long way from home," he said, adding that half of the policyholders in Laguna Beach contacted by one insurer "already were represented by counsel."

"There are going to be a lot of dis-

putes similar to Oakland Hills," predicted Larry Arnold, a partner with Cummins & White, a Los Angeles-based insurance defense law firm.

"Most insurance companies don't compensate for code upgrades," which will likely be required since many of the expensive homes that burned are older structures, he explained.

Still more litigation may occur if winter rains produce mudslides during rebuilding, which could add to homeowners' replacement expenses, predicts Gene Weisberg, also a Cummins & White partner.

Although homeowners policies generally exclude coverage for earth movement, "there may be an argument that the fire was the proximate cause" of the mudslide, he suggested.

About 219,543 acres were burned in the two weeks of brushfires that engulfed several of Southern California's more prestigious communities.

President Clinton declared five counties disaster areas and released \$15 million in federal funds to help pay the \$40 million-plus tab for fighting the fires.

Arson was suspected in seven of the fires, and the insurance industry and several area businesses are contributing to a \$250,000 reward for information leading to the arrest and conviction of the arsonist who set the Malibu blaze.

While numerous homes were lost, most area businesses sustained minimal damage.

Among the larger insured commercial losses is Southern California Edison's more than \$4 million cost of transmission system damage and customer service expenses since the utility is commercially insured, a company spokeswoman said. She could not provide coverage details.

The utility's damage from the Laguna Beach and Altadena fires totaled \$3 million, while the Malibu fire will cost it approximately \$1.2 million, she estimated.

Thousand Oaks-based GTE California, which suffered losses "in the millions," also is commercially insured. Many of GTE's above-and below-ground cables are insured by members of the Factory Mutual System.

Hughes Aircraft Co. only lost a few trees and bushes as the wildfire roared across the aerospace firm's 72-acre research and development facility in Malibu Canyon.

The company maintains its own fire department, a spokesman said. Fire brigades from its El Segundo and Fullerton plants were sent to help the Malibu crew.

The lush, green expanse of Pepperdine University's Malibu campus acted as a firebreak to protect the school's buildings as well as several hundred students and staff who rode out the fire in the gymnasium.

Southern California Gas Co. shut down its gas mains in Malibu to prevent explosions.

Loss control efforts also were taken by the Getty Museum, located southwest of Malibu. The museum was evacuated and priceless artwork was moved into a concrete vault in the basement.

The Federal Aviation Administration lost a "repeater" control tower in the Santa Monica Mountains, but was monitoring flights with its Palmdale backup system.

The California Department of Transportation lost a maintenance facility valued at \$1.5 million when the fire ravaged Las Flores Canyon above Malibu, but its Sycamore Canyon facility escaped unscathed.

As of Friday morning, all of the fires had either been contained or extinguished.

• Douglas McLeod in New York contributed to this report.

HIAA stands by campaign despite heat from Hillary

WASHINGTON—The Health Insurance Assn. of America is sticking to its guns, despite a vitriolic attack by Hillary Rodham Clinton of its \$6.5 million advertising campaign.

That national television campaign features a couple having a serious conversation and raising questions about the administration's health care reform legislation. In one ad, questions are raised about what would happen if health care alliances run out of money, while in another ad the couple worries that government "bureaucrats" could interfere with their choice of health plans.

An incensed Mrs. Clinton, speaking before the American Academy of Pediatrics, lit into the HIAA. She said it was "galling" that an industry that has brought the health care system to near insolvency should talk about choices and better ways to improve the system.

But the HIAA isn't backing down in the face of criticism from the First Lady—as well as from some of its own members.

"Without hesitation, we answer, our ads are accurate. We couldn't, we wouldn't, and we won't run something that is inaccurate. They will continue to air," said HIAA President Bill Gradison.

HIAA Chairman G. David Hurd said he believes the ads have been effective in getting the public to ask questions about the administration's health care reform package.

In addition, the issues being raised in the ads may have been a factor behind recent changes the administration made in its proposal, including expanding the number of health care plans that alliances would offer, said Mr. Hurd, who also is chairman and chief executive officer of The Principal Financial Group in Des Moines, Iowa.

However, at least one HIAA member is distancing itself from the ads, which are scheduled to run until late November.

Prudential Insurance Co. of America would not help fund the ads because of their tone.

"We felt the tone was too negative. It did not do enough to show how supportive the large majority of health insurers are of meaningful health care reform," a Prudential spokesman said.

But the HIAA is drawing support from other insurers. Greg Scandlen, executive director of the Council for Affordable Health Insurance, an Alexandria, Va.-based group which represents more than two dozen small to medium-sized life/health insurers said: "The ads raise legitimate questions about the Clinton plan."

Ken Feltman, executive director of the Washington-based Employers Council on Flexible Compensation, said Mrs. Clinton made a serious tactical mistake in slamming the HIAA in a public forum.

"The worst thing that can happen to an ad campaign is that it is ignored. But by showering attention, as the administration has done, it gives the ads more credibility," Mr. Feltman said.

—By Jerry Geisel

Corporate capital

Continued from page 2

reached their target capital figures.

In fact, the largest trust launched to date—LIMIT P.L.C., which is sponsored by merchant bank Samuel Montague & Co. and stockbroker James Capel & Co. Ltd.—raised its capital target because of excess demand.

LIMIT's original target was 250 million pounds (\$370.6 million), but it has been increased to 280 million pounds (\$116.2 million). Of that larger amount, 210 million one-pound shares (\$1.48) are secured by institutional investors, while the remaining 70 million shares will be offered to the public.

Among the other ventures:

- Hiscox Select Insurance Fund P.L.C., which will be advised by members agency Roberts & Hiscox Ltd., has successfully raised 30 million pounds (\$44.5 million).

Superfund study

Continued from page 1

proach—if any—is preferable to the current practice of imposing strict, retroactive and joint and several liability on entities found responsible for contributing to a Superfund site.

The Superfund law, officially known as the Comprehensive Environmental Response, Compensation and Liability Act of 1980, is up for reauthorization next year.

The Rand study examined transaction costs in private-sector expenditures at 18 sites from 1981 through 1991 and then projected what percentage transaction costs would represent of total costs when the cleanup is completed.

Rand found that average transaction costs amounted to 32% of the private-sector expenditures through 1991 at 18 sites. The amount ranged from 20% to 44% for individual potentially responsible parties.

A previous Rand study showed transaction costs represented 88% of insurers' Superfund-related expenditures between 1986 and 1989 (BI, April 27, 1992). According to Rand, about half of the insurers' transaction costs went toward defending policyholders; the other half "went to contest whether their policies covered PRP claims for cleanup costs."

Adding insurer costs to the 32% estimate would increase the average private-sector transaction costs to at least 35% of all expenditures to date, Mr. Dixon said.

Rand estimated the ultimate proportion of transaction costs at the completion of cleanup would range from 19% to 27%, "with our best

- Finsbury Underwriting Investment Trust P.L.C., co-sponsored by investment bank Rea Brothers Ltd. and stockbroker Union Bank of Switzerland Ltd., also reached its target of 30 million pounds last week. Wren Underwriting Agencies Ltd. will serve as adviser to the trust.

Several efforts to raise capital, though, have fallen short of organizers' expectations:

- Johnson Fry, which aimed to raise 30 million pounds (\$44.5 million) from private investors for CIRT, an investment trust that would have invested in other Lloyd's trusts, last week announced it had failed to secure its target level of capitalization. The trust raised 8 million pounds (\$11.9 million) but had set a minimum subscription level of 15 million pounds (\$22.2 million). The trust will cease operations.

- London Wall Members Agency Ltd. scrapped plans for a proposed 30 million pound (\$44.5 million) public investment trust that had been organized with stockbroker Bee-

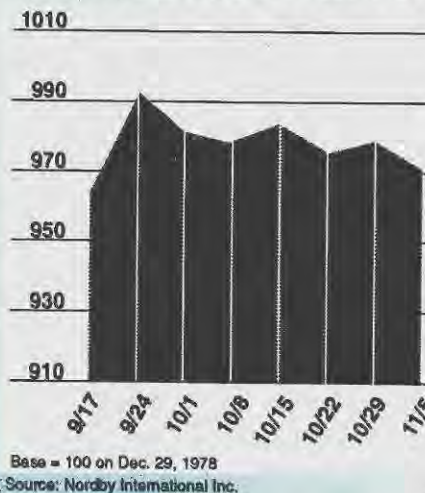
son Gregory. Instead, London Wall has opted for a less ambitious 10 million pound (\$14.8 million) private placement.

- CLM, the joint venture of Sedgwick and BZW, has lowered its aim from an initial upper target of 200 million pounds (\$296.5 million) to 110 million pounds (\$163.1 million) after a lukewarm response from investors.

- HCG Lloyd's Investment Trust P.L.C., co-sponsored by Union Bank of Switzerland and investment manager JO Hambro & Partners, has completed a public offering that raised about 65 million pounds (\$96.4 million), only about two-thirds of the 100 million pounds originally targeted. Conning & Co. will act as adviser to HCG Lloyd's.

Meanwhile, Salomon confirmed late last week that it plans to raise \$300 million capital to invest in Lloyd's. Its partner in the venture, called London Market Investors Ltd., is broker Johnson & Higgins.

BI Insurance Index



Insurance stocks declined last week, as the *Business Insurance Index* lost 8.1 points to 970.9 Nov. 5 from 979.0 on Oct. 29. The advancing issues for the week were led by: PacificCare Health Systems, up 18.1%; FHP International, up 14.1%; and U.S. Healthcare, up 13.8%. Declining issues for the week followed: Seibels Bruce Group, down 25.0%; Reliance Group Holdings, down 16.2%; and Phoenix RE Corp., down 11.7%. The most active issue was U.S. Healthcare, 19.9 million shares traded. The *BI* Index fell 0.8%; the Dow Jones 30 Industrials lost 1.0%; the NYSE Composite lost 2.0%; and the Standard & Poor's 500 declined 1.8%.

British Issues

Nov. 4	Price	P/E	Div.	Yield	High—Low
Companies	pence		pence	%	pence pence
Comm Union	625	N/M	29.8	4.8	644—625
Genl Accident	708	N/M	33.8	4.8	721—708
Gdn Royal Exch	213	N/M	9.0	4.2	215—211
Royal	311	N/M	8.0	2.6	316—311
Sun Alliance	372	N/M	17.8	4.8	373—368

Brokers	Price	P/E	Div.	Yield	High—Low
	pence		pence	%	pence pence
Bradstock	137	16.1	6.4	4.7	138—137
CE Heath	408	19.6	20.0	4.9	408—408
Hogg Group	165	18.3	10.4	6.3	165—165
JIB Group	175	17.2	9.5	5.4	175—174
Lloyd Thompson	299	20.2	8.4	2.8	301—299
Lowndes Lmbt	432	15.7	16.8	3.9	432—432
PWS Holdings	70	10.4	5.0	7.1	70—70
Sedgwick Grp	180	21.6	7.5	4.2	185—180
Steel Bri Jones	147	N/M	15.0	10.2	150—147
Willis Corroon	221	20.6	8.3	3.7	221—211

Source: Philip Olsen, London

* Estimated

BI Industry Stock Report

NOV. 1, 1993 THROUGH NOV. 5, 1993

		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	
BROKERS																									
	NYS	24.00	-3.52	11.63	27.83	18.00	81	0.44	1.83	14	9.57	2.51	Mutual Risk Mgmt. Ltd.	NYS	31.75	4.53	17.59	31.75	21.16	384	0.28	0.88	25	11.39	2.79
Accordia Inc.	NYS	20.25	-1.82	-23.58	26.88	18.75	176	1.00	4.94	22	5.02	4.03	NAC Re Corp.	OTC	29.25	-4.88	-27.78	44.75	29.00	390	0.16	0.55	16	17.23	1.70
Alexander & Alexander	NYS	21.38	-5.00	N.A.	23.50	16.50	95	0.32	1.50	21	3.60	5.94	National Re Corp.	NYS	31.88	-4.49	7.59	39.63	27.00	197	0.12	0.38	10	14.18	2.25
E.W. Blanch Holdings Inc.	NYS	35.75	-3.38	26.55	37.38	25.50	106	0.72	2.01	18	6.26	5.71	Navigators Group	OTC	39.00	0.65	20.00	39.00	28.50	51	0.00	0.00	28	16.99	2.30
Gallagher Arthur J. & Co.	NYS	12.25	0.00	-21.60	16.88	11.38	673	0.44	3.59	19	2.73	4.49	Nobel Insurance LTD.	OTC	6.94	2.79	18.09	8.25	4.75	96	0.00	0.00	3	6.84	1.01
Hill, Rogal & Hamilton	NYS	79.63	-2.30	-12.86	97.63	79.13	1294	2.68	3.37	18	15.03	5.30	NWNL Companies	NYS	32.75	-3.68	28.75	38.75	19.63	589	0.80	2.44	13	21.65	1.51
Marsh & McLennan	OTC	18.88	-5.63	12.69	21.25	13.50	91	0.40	2.12	33	2.60	7.26	Ohio Casualty Corp.	OTC	63.50	-1.93	0.59	72.00	59.25	153	2.84	4.47	11	45.85	1.38
Poe & Brown	AVERAGE	-3.1	-1.2						2.8	21			Old Republic Int'l	NYS	23.88	-2.55	-4.02	27.63	21.50	312	0.44	1.84	8	21.06	1.13
													Orion Capital Corp.	NYS	39.13	-7.94	10.60	46.88	29.81	117	0.88	2.25	9	24.32	1.61
INSURERS/REINSURERS																									
	NYS	30.13	-7.31	N.A.	36.00	25.50	581	0.40	1.33	8	25.37	1.19	Phoenix RE Corp.	OTC	30.25	-11.68	92.06	38.25	12.75	686	0.20	0.66	-	11.88	2.55
ACE Ltd.	NYS	14.13	-2.59	46.75	15.63	8.25	59	0.00	0.00	15	9.11	1.55	Provident Life	NYS	30.00	-2.44	5.26	31.50	24.75	383	1.04	3.47	12	30.72	0.98
Acceptance Insurance Cos.	NYS	50.25	-2.90	20.72	51.75	40.38	168	1.22	2.43	9	32.78	1.53	Re Capital Corp.	OTC	14.50	-3.33	-12.12	16.63	13.25	56	0.28	1.93	15	14.76	0.98
AEGON N.V.	NYS	60.63	-7.79	30.38	66.25	42.00	1537	2.76	4.55	21	65.43	0.93	Reliance Group Holdings	NYS	7.75	-16.22	26.53	10.38	5.25	6393	0.32	4.13	3	2.99	2.59
Aetna Life & Casualty	OTC	28.00	-5.08	32.28	32.75	18.16	351	0.52	1.86	9	10.45	2.68	RLI Corp.	NYS	25.38	1.50	2.53	28.63	22.75	108	0.56	2.21	12	18.62	1.36
Allied Group Inc.	NYS	59.50	-0.63	17.82	62.50	47.75	57	0.44	0.74	5	46.94	1.27	St. Paul Companies	NYS	68.13	-4.93	15.75	98.00	67.88	564	2.80	3.14	-41	52.24	1.71
Allmerica Prop. & Casualty	NYS	30.00	-4.38	N.A.	34.25	27.13	2018	0.72	2.40	14	12.26	2.45	SAFECO Corp.	OTC	56.50	-2.59	-0.44	66.75	54.75	1634	1.80	3.19	11	38.95	1.45
Allstate Corp.	NYS	28.13	-4.26	-1.32	36.50	25.75	4887	1.08	3.84	11	21.31	1.32	SCOR U.S. Corp.	NYS	14.38	-5.74	-17.86	20.75	14.38	13	0.32	2.23	22	14.69	0.98
American General	NYS	19.50	-1.27	-3.31	25.34	18.50	68	0.60	3.08	13	12.44	1.57	Seibels Bruce Group	OTC	1.13	-25.00	-40.00	2.50	0.31	314	0.00	0.00	0	1.90	0.59
American Heritage Life Ins.	OTC	12.00	-11.11	100.00	16.25	5.75	20	0.12	1.00	4	16.18	0.74	Selective Ins. Group	OTC	30.25	-1.63	37.50	31.00	20.50	116	1.12	3.70	23	22.92	1.32
American Indemnity/Fin'l	NYS	86.50	-3.89	11.85	100.25	73.00	5571	0.40	0.46	15	40.25	2.15	Sphere Drake Holdings	NYS	18.13	0.00	N.A.	21.63	16.75	282	0.00	0.00	-	N.A.	N.A.
American International	NYS	28.00	-3.03	-24.32	41.75	27.00	670	0.00	0.00	23	6.67	4.20	Statesman Group Inc.	OTC	12.88	-7.21	7.29	16.50	8.63	339	0.20	1.55	6	8.65	1.49
American RE Corp.	NYS	50.25	-3.37	-6.94	58.50	47.75	789	1.80	3.58	16	31.79	1.58	TIG Holdings	NYS	24.00	0.52	N.A.	28.00	22.88	676	0.20	0.83	-10	17.14	1.40
Aon Corp.	OTC	31.50	-4.55	3.28	35.50	27.75	115	1.00	3.17	10	25.52	1.23	Tokio Marine & Fire	OTC	59.00	-3.28	22.92	67.00	43.25	13	0.37	0.63	-	57.72	1.02
Argonaut Group	NYS	19.50	-6.02	-16.58	25.50	16.75	28	0.44	2.26	16	7.75	2.52	Torchmark Corp.	NYS	41.50	-10.51	-26.87	64.75	41.50	1094	1.12	2.70	12	15.15	2.74
AVEMCO Corp.	OTC	44.50	1.14	21.92	45.00	33.50	1	0.60	1.35	11	34.75	1.28	Transatlantic Holdings	NYS	50.38	-4.73	-10.24	61.50	49.00	154	0.28	0.56	13	24.57	2.05
Baldwin & Lyons Inc.	OTC	38.00	-1.30	-11.63	50.50	36.75	442	0.40	1.05	15	26.31	1.44	Travelers Corp.	NYS	32.38	-7.83	18.81	38.88	22.38	2047	1.60	4.94	-8	31.77	1.02
Berkley W.R. Corp.	NYS	17450.00	1.16	48.51	17800.00	9375.00	0	0.00	0.00	-	7742.67	2.25	Trenwick Group Inc.	OTC	39.75	-5.36	-2.45	49.75	37.25	218	0.88	2.21	12	26.00	1.53
Berkshire Hathaway Inc.	OTC	4.38	6.06	-7.89	5.25	3.50	25	0.00	0.00	17	8.87	0.49	United Fire & Casualty	OTC	38.50	1.99	-7.23	43.00	34.75	4	1.00	2.60	-	28.96	1.33
Chandler Insurance	NYS	79.13	-3.65	-10.97	96.38	79.13	2006	1.72	2.17	18	45.65	1.73	Unilin	OTC	41.50	-7.78	-2.92	46.75	36.25	447	1.40	3.37	14	37.69	1.10
Chubb Corp.	NYS	64.63	-3.72	10.23	68.38	50.50	1550	3.04	4.70	11	79.82	0.81	UNUM Corp.	NYS	48.38	-6.07	-8.73	60.13	47.63	1490	0.80	1.65	13	21.25	2.28
CIGNA Corp.	NYS	81.25	-2.11	-17.09	102.88	81.25	107	0.00	0.00	-9	75.07	1.08	US Facilities Corp.	OTC	12.25	-10.91	22.50	14.00	6.50	171	0.00	0.00	14	10.48	1.17
CNA Financial Corp.	NYS	30.25	-7.28	12.56	34.63	24.38	1166	1.00	3.31	14	34.73	0.87	USF&G Corp.	NYS	13.63	0.00	10.10	19.63	11.13	3383	0.20	1.47	-	9.63	1.41
Continental Corp.	NYS	44.25	-1.94	-6.35	52.25	42.00	638	1.20	2.71	7	29.54	1.50	USLICQ Corp.	NYS	17.38	-1.42	-3.47	20.00	15.00	30	0.24	1.38	-6	23.61	0.74
EXEL Ltd.	NYS	25.63	-2.84	-25.72	28.75	16.84	228	0.72	2.81	8	19.81	1.29	USLIFE Corp.	NYS	40.00	-5.04	10.34	45.75	31.68	192	1.24	3.10	11	39.84	1.01
Fremont General Corp.	NYS	45.25	-9.80	4.02	50.00	31.81	57	0.60	1.33	16	14.78	3.06	Washington National	NYS	23.50	0.00	2.17	28.00	21.75	120	1.08	4.60	10	28.48	0.81
Frontier Insurance Group	ASE	9.75	-3.70	-30.97	17.69	9.63	186	0.04	0.41	13	3.27	2.98	Zenith National Ins.	NYS	24.63	-6.19	24.68	29.25	16.50	29	1.00	4.06	12	15.82	1.56
Gainsco Inc.	NYS	107.88	-6.80	-5.80	133.38	107.25	1677	1.88	1.74	14	49.90	2.16	Zurich Reinsurance Centr.	NYS	29.75	-4.03	N.A.	38.38	29.75	377	0.00	0.00	-	23.99	1.24
General RE Corp.	NYS	19.75	-7.06	0.00	24.75	16.63	287	0.48	2.43	11	10.44	1.89	INSURERS/REINSURERS	AVERAGE	-4.0	6.3					2.0	9.8			
Guaranty National Corp.	OTC	25.50	-3.77	-9.73	32.75	22.63	104	0.64	2.51	13	18.35	1.39	HEALTH MAINTENANCE ORGANIZATIONS												
Hartleysville Group	NYS	46.88	-2.60	-18.83	59.88	43.75	209	2.12	4.52	55	18.03	2.60	FHP International	OTC	22.25	14.10	11.25	30.00	17.38	2056	0.00	0.00	17	9.50	2.34
Hartford Steam Boiler	OTC	32.75	0.77	61.73	34.25	14.75	147	0.00	0.00	29	10.12	3.24	Pacificare Health Sys.	OTC	37.50	18.11	-26.47	57.50	25.50	769	0.00	0.00	18	3.90	9.62
HCC Insurance Holdings	NYS	90.63	-2.68	25.87	94.75	66.00	1123	1.96	2.16	-	55.03	1.65	Safeguard Health Enter.	OTC	10.00	-2.44	2.56	12.25	7.75	1	0.00	0.00	12	5.04	1.98
ITT (Hartford Group)	NYS	36.00	-5.26	21.52	43.00	21.63	466	0.92	2.56	-7	33.69	1.07	Sierra Health Services	ASE	16.75	2.29	-22.54	22.00	11.50	255	0.00	0.00	13	1.73	9.68
Kemper Corp.	ASE	5.00	-2.44	-42.03	9.00	4.00	4	0.16	3.20	-	4.17	1.20	TakeCare Inc.	OTC	44.75	0.00	0.56	50.25	25.75	192	0.00	0.00	15	13.84	3.23
Lawrence Insurance Group	NYS	25.75	-2.37	-8.85	34.75	25.00	212	0.56	2.17	11	20.00	1.29	United Healthcare Corp.	NYS	73.25	4.83	28.79	74.25	40.00	3089	0.03	0.04	37	9.46	7.74
Liberty Corp.	OTC	39.63	-0.31	26.80	40.50	27.75	43	0.00	0.00	12	20.21	1.96	U.S. Healthcare	OTC	52.75	13.75	18.21	59.75	36.75	19895	0.64	1.21	21	5.21	10.12
Lincoln National	OTC	26.50	-8.62	N.A.	34.75	25.00	963	0.00	0.00	22	20.24	1.31	Wallpoint Health Networks	NYS	28.75	4.07	N.A.	39.75	23.00	442	0.00	0.00	17	-	-
Market Corp.	OTC	6.8	-1.0						0.1	17			HMOs	AVERAGE	6.8	-1.0					0.1	17			
Mid Ocean Ltd.	AVERAGE	-0.1	1.4						2.2	13			ALL COMPANIES	AVERAGE	-0.1	1.4					2.2	13			



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