NOVEMBER 9, 1987

Business Insurance®

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

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

Update

Cross quits as IEA president, says duties 'no longer relevant'

MIAMI—Nicholas L.S. Cross, president and chief executive officer of the Insurance Exchange of the Americas, has resigned his position and will spend his last day at the offices of the struggling marketplace Tuesday.

In addition, Florida Insurance Commissioner Bill Gunter advised exchange officials last week to concentrate on paying claims rather than reopening the market, according to a department spokeswoman.

Continued on next page

Budget bill would overhaul Lloyd's taxes

By DEBORAH SHALOWITZ

WASHINGTON—Lloyd's of London syndicates would be taxed as any insurance company in the United States, forcing Lloyd's to discard its historic three-year accounting system, under two provisions included in a House-passed budget reconciliation bill.

Under the bill, after the syndicates are taxed as corporations and distribute profits to members, Lloyd's members would be taxed individually on their share of the syndicate's earnings.

Currently, Lloyd's syndicates distribute profits to members, and the only tax paid on the profits is by the individual members.

The provisions, which are not included in budget reconciliation legislation now pending in the Senate, would apply to taxable years beginning Jan. 1, 1988.

The reason for the proposed changes, according to a House Ways and Means Committee report, is that "all insurance companies, whether domestic or foreign, that are engaged in a U.S. business should be subject to the same U.S. income tax rules."

"Furthermore, the committee believes that each insurance company that is engaged in a U.S. business should be taxed as a separate entity and that premiums and other consideration should be included in gross income for the taxable year in which received," the report says.

The proposals would alter an existing closing agreement between the Internal Revenue Service and Lloyd's that exempts syndicates from corporate income tax.

Continued on page 49

House approves measure that endangers flex plans

By JERRY GEISEL

WASHINGTON—Employers face an uphill battle as they attempt to convince Congress to reject a provision in a House-passed budget reconciliation bill that could cripple flexible benefit plans.

Under the provision—intended to raise $4 billion in new revenue over the next three years—a $500 cap would be placed on the amount of pretax salary that employees in flexible benefit plans could contribute toward uncovered benefit expenses.

In addition, employees covered by flexible benefit plans that offer a choice between non-taxable benefits and cash would be taxed on the amount of cash they could possibly receive from the plan over a $500 threshold, even if they reject the cash and select additional tax-free benefits (*BI*, Oct. 19).

'Congress is squeezing hard for every dollar to cut the deficit, and flexible benefit plans is an area that is being targeted,' asserts Frederick Rumack.

Benefit observers say that the proposal's Jan. 1 effective date would create administrative nightmares for employers that have established flexible benefit plans, since they would have less than two months to inform their employees of the changes and to allow employees to reconsider their benefit selections for 1988.

While employers and benefit consultants say the legislation would severely damage the appeal of flexible benefit plans and hurt the ability of the plans to contain costs, that argument may not be enough to sway legislators concerned about short-term revenue gains.

"Social policy is taking a back seat to revenue. Congress is squeezing hard for every dollar to cut the deficit, and flexible benefit plans is an area that is being targeted. There is a rush to judgment," asserted Frederick Rumack, director of taxes and legal services at Buck Consultants Inc. in New York.

"There is a feeling, right or wrong, among the congressional committees and the regulatory agencies that flexible benefit plans result in a large revenue loss," warned Dallas Salisbury, president of the Employee Benefit Research Institute, a Washington-based benefits think tank.

The fate of the proposal will be decided soon.

As soon as the Senate acts on its budget reconciliation bill—which could be as soon as this week—a congressional conference committee will meet to iron out differences in the two bills. The Senate measure does not contain a comparable provision on flexible benefit plans.

Both the House and Senate measures contain provisions affecting the funding of pension plans and the premiums that employers pay to the Pension Benefit Guaranty Corp.

In addition, the House bill would allow states to force employers to subsidize health care pools that provide coverage to high-risk uninsured individuals as well as set new reduced penalties for employers that violate the health care continuation provisions in the Consolidated Omnibus Budget Reconciliation Act of 1985 (*BI*, Nov. 2).

Employers and benefit consultants are pulling out all stops to convince Congress to leave flexible benefit plans alone.

Some 200 employers signed a full-page advertisement that appeared in the Nov. 4 issue of The Washington Post under the headline: "Taxing Cafeteria Benefits Doesn't Make Sense" (see story, page 47).

'As members of the business community, we support the public policy goal of reducing the federal deficit. But taxing cafeteria benefits doesn't make sense," said the ad, which was written and paid for by Hewitt Associates, the Lincolnshire, Ill., benefit consulting firm.

Employers are taking the unusual step of using newspaper advertising, as well writing individual members of Congress, to get their views across because they are convinced that legislators are not aware that the proposal threatens the future of flexible

Continued on page 47

Private Medicare pilot plan taking off

By DONNA DiBLASE

WASHINGTON—Medicare benefits for some retired clothing and textile workers likely will be administered by a private health care plan in less than a year.

The federal Health Care Financing Administration—which administers the Medicare program—has signed a cooperative agreement with New York-based Amalgamated Life Insurance Co. to participate in a demonstration of HCFA's "Medicare Insured Group" concept.

Under the MIG concept, employers or unions will administer Medicare benefits for their retirees under a unified program using managed care techniques (*BI*, Feb. 16; July 13).

ALICO currently administers 40 Taft-Hartley trusts that provide health care benefits to 500,000 employees and 130,000 retirees who are members of the Amalgamated Clothing and Textile Workers Union.

HCFA and ALICO in less than a month will begin developing the policies and procedures under which the MIG will operate. Once these are agreed upon, voluntary enrollment of retirees covered by the ALICO-administered plans will begin.

The demonstration project, called the Amalgamated Medicare Insured Group, could be operational by the middle of 1988, according to Max Fine of Bethesda, Md.-based Max Fine & Associates, the health benefit consulting firm representing ALICO in its negotiations with the government. The demonstration project is scheduled to run for four years.

To further test the MIG concept, HCFA plans to negotiate with private parties to establish two other MIG demonstration projects. While other cooperative agreements have not yet been signed, companies that are interested in participating in the projects include Detroit-based Chrysler Corp. and John Deere & Co. of Moline, Ill., said Kevin Moley, director of HCFA's Office of Pre-

Continued on page 43

Insurers not liable for defense, indemnification of Superfund loss, Los Angeles court rules
Page 3

Proposed Labor Department regulation would reduce employers' fiduciary liability
Page 3

Update

Cross resigns from IEA

Continued from previous page

Mr. Cross, who had been head of the IEA since last December, said, "I was hired by the board for a specific purpose," which included structuring the exchange for future growth and building a high profile for the marketplace. "Those responsibilities are no longer relevant."

Mr. Cross said he actually tendered his resignation about a month ago, although the announcement was made only last week.

"The board expressed disappointment at my decision but agreed that circumstances had changed and the exchange's needs were different," Mr. Cross said.

For most of his term, Mr. Cross has been president of an exchange that has not written any business. The marketplace closed last February when huge reinsurance losses were uncovered.

The exchange will operate without a president "for the time being," and IEA Executive Vp Gene Witherspoon likely will take on some of the administrative responsibilities that Mr. Cross previously handled, according to Mr. Cross.

It is unclear whether the current IEA board or the new board that will assume office once the IEA's new constitution has been approved by exchange members will appoint a new president. Under legislation passed earlier this year, the new IEA board of directors will consist of 13 members, seven of whom must be appointed by the Florida insurance commissioner (*BI,* June 22).

Mr. Cross plans to remain in Miami and return to banking.

Mr. Gunter advised exchange officials during a meeting in Tallahassee last week to "concentrate on paying legitimate claims and expenses" rather trying to reopen the exchange, according to a department spokeswoman.

The spokeswoman said Mr. Gunter continues to maintain that it would be "irresponsible" to allow exchange syndicates to begin writing insurance until the marketplace can demonstrate it is financially able to accept business. No target date for reopening the IEA was set.

Mr. Cross said the board also submitted a proposal to form a joint task force with the Insurance Department to develop a plan for an orderly runoff of business written by exchange syndicates.

"The board's hope is that as the runoff progresses, it will be able to get a more accurate estimate of the liabilities of the syndicates on the exchange," Mr. Cross said.

Occupant exposed to asbestos

CLEVELAND—Asbestos producer U.S. Mineral Products Co. must pay $400,000 to an Ohio woman who was exposed to asbestos while working in an office building and later contracted asbestos-related cancer, a state court jury says.

The award, which was handed down last month in the Cuyahoga County Court of Common Pleas, is one of the first, if not the first, award to a person exposed to asbestos as a building occupant rather than having worked with the material.

Geraldine Layne, 46, worked for the U.S. Navy Finance Center at the federal office building in Cleveland. Among her contentions was that she contracted mesothelioma caused by asbestos exposure following renovation in the building beginning in 1973. U.S. Minerals disputed that she suffered from mesothelioma.

Stanhope, N.J.-based U.S. Mineral is appealing. An attorney for the company contended the jury made the award out of sympathy for the plaintiff.

"It's a real oddball case," said Hilary Taylor, with the Cleveland firm of Westin, Hurd, Fallon, Paisley & Howley.

The amount of Ms. Layne's award will be offset by settlements made with other asbestos producers prior to the verdict, said Mr. Taylor, who did not know whether U.S. Minerals was insured for the award. A company official could not be reached for comment.

Lloyd's suspends five

LONDON—Lloyd's of London has suspended two underwriters and three brokers from transacting business at Lloyd's for 18 months.

Lloyd's underwriters Philip R. Marsh and Bryan R. Spencer and brokers Gerald Becker, James Scott and John Cantouris were found guilty of misconduct relating to six binding authorities placed at Lloyd's between May and July 1982.

Messrs. Becker and Scott were directors of former Lloyd's broker A.W. Knott Becker Scott Ltd., which ceased doing business at Lloyd's in 1983. Mr. Cantouris works for Lloyd's broker F.E. Wright (U.K.) Ltd.

The binding authorities related to marine business written by Speciality Underwriting Services, Glacier Assurance Co. and/or Standard Marine Underwriters, Western Underwriters, Pacific Marine Insurance of Alaska, Early American Insurance Co. and International Marine Assurance Group Ltd.

Continued on page 49

Errors & omissions

- Wilson H. Taylor will become vice chairman, chief operating officer and a member of the board of directors of CIGNA Corp. effective Jan. 1. It is expected that he will succeed CIGNA Corp. Chairman and Chief Executive Officer Robert D. Kilpatrick when Mr. Kilpatrick retires in March 1989. Mr. Taylor, 43, has been president of CIGNA's property and casualty division since 1983. Mr. Taylor's promotion was incorrectly stated in the Nov. 2 issue.

- Reinsurance recoverables now total $80 billion, according to Daniel J. McNamara, president of the Insurance Services Office Inc. in New York. An Oct. 19 article incorrectly stated unrecoverable reinsurance totaled $80 billion. Mr. McNamara says there is no summary of sources available to intelligently estimate what percentage of reinsurance recoverables may be uncollectible.

New Wrightson defections to cost Willis Faber money

By STACY SHAPIRO

LONDON—The exodus of at least 100 employees, including a nearly a dozen key executives, from Lloyd's of London broker Stewart Wrightson Holdings P.L.C. is tarnishing Willis Faber P.L.C.'s acquisition of Stewart Wrightson.

The defections include:

- Five members of the Stewart Wrightson board of directors.
- About 70 employees at two Stewart Wrightson satellite companies that deal in aviation reinsurance and North American wholesale brokerage business.
- The chairman and managing director of Stewart Wrightson's powerful aviation brokerage division along with about two dozen other aviation division employees.
- The chairman of Stewart Wrightson's reinsurance division.

Stock analysts estimate that the defections will cost the merged companies about 10 million pounds ($17.2 million) or more in brokerage revenues. However, the purge of business is not expected to be sudden because some of the senior executives' employment contracts stipulate they cannot work for competing brokers for at least four months after their resignations.

The most recent defections occurred Oct. 30, when the three directors of Stewart Wrightson North America Development Ltd. exercised their option to sell their 49% interest in the company to Willis Faber and resigned along with 20 people in the division.

The three directors—Nigel Chamberlain, Tony Fell and Graham Addiscott—had resigned from C.E. Heath P.L.C. in August 1986, taking business producing revenues of about 2.5 million pounds ($4.3 million) to Stewart Wrightson (*BI,* Jan. 18; April 6).

A Willis Faber spokesman said the three directors will again take this business with them, though Willis Faber will retain Stewart Wrightson North American Development as a "shell company."

Their resignation sparked speculation that Chicago-based Rollins Burdick Hunter Co. will be an investor in a new London brokerage that would include key executives from Stewart Wrightson North American Development and the Stewart Wrightson aviation units, as well as Alan Colls, the former chairman of retail and wholesale broker Stewart Wrightson Ltd., who resigned earlier this year.

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

Patrick G. Ryan, chairman of RBH and president of Aon Corp., RBH's parent, would not comment on the London market speculation. He did say that Aon would not purchase 100% of a Lloyd's of London broker, though the company does plan to own a minority interest in a Lloyd's broker.

Mr. Ryan said in a statement that RBH traditionally has "introduced business to London through several

Continued on page 51

Mentor liquidators battle to keep trial in Louisiana

By ROGER SCOTTON

HAMILTON, Bermuda—Liquidators of Mentor Insurance Co. Ltd. argue that defendants named in the $700 million suit filed by the liquidators in March 1986 in a federal court in New Orleans should be denied their joint request for dismissal of the action.

The latest pleading by liquidators Charles Kempe and Michael Arnold was advanced on behalf of the liquidators by lawyers from the New York law firm of Lord Day & Lord. Their argument was contained in a 65-page memorandum opposing the dismissal, which is being sought on the grounds of "forum non conveniens," a legal doctrine based on a court's powers to control the parties and cases before it and prevent its process from becoming an instrument of abuse or injustice.

The defendants include Mentor's parent company, Ocean Drilling & Exploration Co., several Mentor directors and Bermuda-based Pinnacle Reinsurance Co. Ltd. They are alleged to have devised a scheme to conceal Mentor's true financial condition using excess-of-loss reinsurance contracts with Pinnacle between 1982 and 1984, and are accused of common law fraud and violations of the Racketeer Influenced and Corrupt Organizations Act.

The defendants, who have consistently denied these allegations and are demanding the suit be brought in Bermuda, jointly applied for dismissal in September saying that the case against them in U.S. District Court for the Eastern District of Louisiana represented a transparent exercise in forum shopping designed to take advantage of the triple damages available under the RICO statute (*BI,* Sept. 21).

Both sides argued their positions in court last Friday.

The liquidators' lawyers say that precedents by the 5th U.S. Circuit Court of Appeals indicate that a forum non conveniens motion must be filed within a reasonable time after the motions supporting facts have become known to the defendants and, in any event, is not applicable to a federal RICO case.

"Here, defendants waited a year-and-a-half to make their motion. . .even though they had to be fully aware from the start of this action of the factors they now urge as reasons for dismissal," according to the court memorandum.

It claims that the defendants' tactics have already caused the very type of costs and inconvenience the forum non conveniens doctrine is meant to avoid. And, it maintains that such a motion seeks to contravene Congress' intentions: namely, that the RICO statute is applicable to felonious activity in the United States and that RICO plaintiffs be allowed to choose their forums.

Continued on page 14

Inside

- Flex plans are in grave danger of being crippled by new tax provisions, causing a setback for progressive benefit plan design, warns this week's editorial. **PAGE 8**
- The health of the insurance industry will again be threatened unless steps are taken to control the cycles that plague the market, says Richard M. Page, chairman and CEO of Fred S. James & Co. Inc. **PAGE 11**
- A new organization aimed at strengthening the battle against insurance fraud across international borders was formed last month in Toronto. **PAGE 15**
- Despite a trend toward insuring political risk and export credit exposures, misconceptions still occur, says Jerome Karter, senior vp of the New York international department of Johnson & Higgins. **PAGE 29**
- Global stock market instability is adding a degree of uncertainty to the 1988 commercial insurance marketplace, some brokers and insurers say. **PAGE 34**
- The American Osteopathic Assn. in Chicago is launching a risk retention group to offer primary professional liability coverage. **PAGE 35**
- Coverage for workers' long-term nursing home care needs is 'the emerging giant in employee benefits,' predicts an insurance company executive. **PAGE 48**

Departments

A.R.M. exercises 30
Around the states 39
Ask a casualty actuary 32
Ask a risk manager 30
Classifieds 46
Comings & goings: buyers 23
Comings & goings: industry 24
Datebook 45
Financial briefs 45
Info 42
Insurance services guide 50
International issues 29
Legal briefs 32
Letters 8
London 19
Markets 16
Opinions 8
Perspectives 29
Products & services 49
Risk retention roundup 35
Ticker 51
Worldwide 36

Vol.21, No.45—*Business Insurance* (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance,* Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 800-992-9970 or 313-446-1611. Copyright 1987 by Crain Communications Inc.

Kentucky shifts black lung burden

By MEG FLETCHER

FRANKFORT, Ky.—A new law forces Kentucky's coal industry to fund a greater share of a $1.7 billion unfunded liability in a special workers compensation fund than other employers because the fund is primarily used to pay coal workers' black lung benefits.

The new law establishes a two-tiered mechanism for assessing employers $110 million annually. All employers will be subject to an annual $70 million assessment. It's estimated that companies that mine or process coal will pay $23.3 million annually and non-coal companies will pay $46.7 million annually.

The coal industry also will be hit with a second assessment of $40 million.

As a result, coal producers and processors will pay about 57.5% of the total $110 million annual assessment while non-coal companies will pay about 42.4% of the assessment.

Gov. Martha Layne Collins signed the bill, H.B. 1, on Oct. 26. Legislators passed it in special session.

Previously, all employers were assessed at the same rate to help pay black lung claims. However, the state has not levied full assessments since 1983, creating the deficit.

Assessments are based on employers' workers compensation insurance premium or its equivalent.

Non-coal-related employers generally applaud the new financing mechanism as "shooting for a more equitable distribution" of assessments, said Tony Sholar, vp for government affairs for the Kentucky Chamber of Commerce.

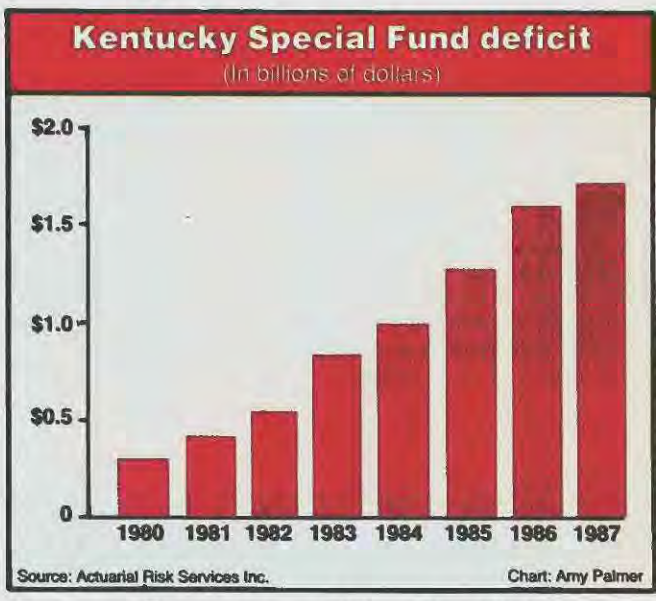
Most non-coal employers' average annual assessment will be cut to 23.3% of their work comp premiums or their equivalent from between 30% and 35%, said Robert Briscoe, president of Lincolnshire, Ill.-based Actuarial Risk Services Inc.

However, the new assessment schedule will increases assessments on a some small employers that had been assessed only 16% of their work comp premiums.

"We are pleased to the extent that we have stabilized the assessments," Mr. Sholar said. "We certainly hope" the legislation will make it easier for the chamber to promote the state as a good place for employers to locate or expand, he added.

However, Tom Duncan, president of the Lexington-based Kentucky Coal Assn., says the "arbitrary" funding mechanism creates "a heavy burden" on the coal producers and processors he represents. It will force some small employers to close up shop while some larger companies "will be pressed to the wall," Mr. Duncan said.

Continued on page 50



Judge rules cleanup costs not covered

By STEPHEN TARNOFF

LOS ANGELES—Union Oil Co. of California is not entitled to a defense or indemnification from its excess liability insurers for the government-ordered cleanup of a Superfund site in Washington state, a Los Angeles Superior Court judge says.

In a three-page decision, Judge Christian E. Markey Jr. ruled on Oct. 29 that the costs of government-ordered cleanups are not covered by property damage provisions under the excess liability policies and therefore are not recoverable from insurers.

Attorneys involved in the case estimate that the cost of cleaning up the site could be more than $40 million.

While the decision in *Protective National Insurance Co. of Omaha vs. Union Oil Co.* is a setback for policyholders, its impact may be limited because it contains little analysis and is only a trial court ruling.

However, attorneys for insurers contend that the decision is significant because it cites two recent federal appellate court rulings favorable to insurers and it was handed down in California, which is perceived as a pro-policyholder state.

In his decision, Judge Markey relied in part on *Maryland Casualty Co. vs. Armco Inc.* (*BI*, July 27) and *Mraz vs. Canadian Universal Insurance Co.*, two recent decisions by the 4th U.S. Circuit Court of Appeals. In the Maryland Casualty case, the 4th Circuit ruled that the costs of government-ordered cleanups are not damages under

Continued on page 44

Rule to reduce fiduciary liability

By DEBORAH SHALOWITZ

WASHINGTON—Employers could avoid fiduciary liability for employees' investment decisions in defined contribution plans if a proposed Labor Department regulation is approved.

But, the cost of modifying those plans to satisfy the regulation could be prohibitive, benefit experts say.

Under the proposed voluntary regulation, an employer or any other plan sponsor that elects to expand or reshape participant-directed defined contribution plans with the purpose of offering broader investment choices would not be held liable for losses from a participant's investment decisions.

However, benefit experts agree that complying with the proposed regulation could be very costly, possibly increasing the cost of administering defined contribution plans by as much as 50%.

The proposed regulation could be "one of the biggest regulatory developments in the benefits area this year," asserted Dennis Blair, director of research in the Newburyport, Mass., office of Alexander & Alexander Consulting Group.

Seth Tievsky, an attorney in the Washington, D.C., office of The Wyatt Co. Research and Information Center, estimated that perhaps as many as 80% of the existing 401(k) plans do not satisfy the standards set forth in the proposed regulation. He noted that 401(k) plans are among the most prevalent defined contribution plans.

The proposed regulation has become "a lot more topical" following the gyrations of the stock market during the past several weeks, Mr. Tievsky observed.

"I have little doubt that there are a lot of lawsuits out there waiting to be filed" against fiduciaries on behalf of participant-directed defined contribution plans with assets in mutual stock funds that lost money during the market's recent decline, he commented.

"As a theoretical matter, the regulations, since they're only proposed, are not legally binding," Mr. Tievsky said. "But as a practical matter," the proposed regulation could be used by a court as guidance in a lawsuit.

Under the proposed regulations, the sponsor of a defined contribution plan would be relieved of its fiduciary responsibility if participants are offered a

Continued on next page

Insurers fear hot competition

By KATHRYN J. McINTYRE

CHICAGO—Insurance company executives are worried that the property/casualty insurance industry is heading for too much price competition.

Four out of five insurance company executives participating in a panel discussion late last month at the Independent Insurance Agents of Illinois' annual convention in Chicago cited growing price competition in the commercial insurance marketplace as the single most important development in 1988.

"Our biggest challenge in '88 as a commercial writer is to provide a reasonable market to good agents for qualified business," said Peter Lardner, president of Bituminous Casualty Corp. in Rock Island, Ill. "It will be an uphill job to be sure our underwriters are doing our underwriting and not others'," he added, referring to tendency of underwriters to price insurance based on the competitor's price and not on the merits of the individual risk.

Joseph L. Marcum, president of Ohio Casualty Group in Hamilton, Ohio, said "coping with competitive pricing" is the single most important development in the market.

William M. McCormick, president of Fireman's Fund Insurance Cos. in Novato, Calif., said: "I can't believe how fast prices have plummeted."

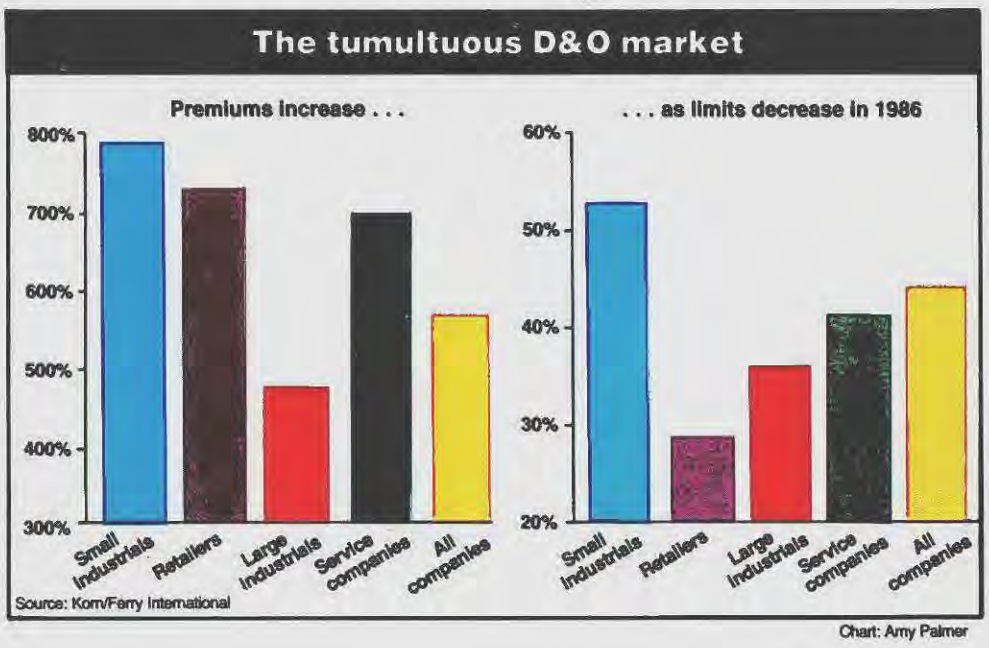
And Robert J. Vairo, president and chief operating officer of Crum & Forster Corp. in Morristown, N.J., said insurers "created that last cycle. Unless we exhibit discipline, we'll go down that slide again."

Only Diedrich D. Oglesbee, senior vp in the field management department of the commercial insurance division at Aetna Casualty & Surety Co. in Hartford, Conn., identified a different trend as the most important development in 1988. "The final swing into the world of automation at Aetna" was his assessment.

Next year, agents generating 60% of Aetna's commercial insurance volume will have the ability for the first time to interface with Aetna on a single-entry basis, he said.

Continued on page 48

D&O survey chronicles crisis in 1986



By ALISON KITTRELL

Despite a second consecutive year of enormous increases in directors and officers liability insurance rates and cuts in policy limits, the end of the D&O crisis may be in sight, according to authors of a recent survey.

Insurers raised D&O premiums in 1986 for 82% of the 532 U.S. companies surveyed in the "Fourteenth Annual Board of Directors Study" by Korn/Ferry International, an executive search firm.

Among those companies hit with D&O rate increases in 1986, the average hike was 570%. And, that came on the heels of big rate hikes in 1985. Sixty-eight percent of the survey respondents said their D&O premiums were increased that year, with the average increase standing at 362%.

Also, half of all the companies surveyed said that despite the large rate hikes, their D&O coverage limits were reduced during 1986, compared with only 27% in 1985. The average decrease in limits in 1986 was 44%, to $24 million in limits from $43 million.

The survey authors add: "In many cases, policies were rewritten with exclusions incorporated to severely limit the types of claims covered. And, a significant number of policies were not renewed or were canceled."

Still, Lester B. Korn, chairman and chief executive officer of Korn/Ferry, says that "while liability insurance is getting more expensive and shareholder suits and legal actions against boards and/or their directors are still piling up, relief is in sight.

"As the crisis intensified this year, we saw corporate America beginning to fight back through increased corporate governance action by boards," he explains. "The worst of the problems associated with obtaining D&O insurance may well have peaked in 1986."

As an example of the defense launched by corporate America, Mr. Korn cites the June 1986 amendments to Delaware's General Corporation Law (*BI*, June 23, 1986), which allow shareholders of Delaware corporations

Continued on page 12

Fiduciary liability

Continued from previous page

"broad range" of investment alternatives and are given an "opportunity to exercise control" over assets in their accounts.

Although the proposed rule does not define a "broad range" of investment alternatives, it does specify that at a minimum, the alternatives available under the plan must enable a participant to:

- "Materially affect the potential return on the assets" in the participant's account and the risks to which the assets are subject.
- "Pursue a variety of different investment objectives," including "capital preservation and generation of income, capital appreciation and liquidity with a high degree of assurance of repayment."
- "Diversify investments so as to minimize the risk of large losses."

There are two aspects to this requirement: First, within each of the above investment objective categories, participants must have a "sufficient" number of options to diversify investments to minimize the risk of large losses. And, the plan as a whole must provide participants with the opportunity to diversify investments.

- Invest some or all of the participant's account in a "safe" investment.

The proposed regulations say a "safe" investment is either a fully insured interest-bearing deposit in a bank or similar financial institution or a pooled investment fund consisting solely of cash and securities issued or guaranteed by the United States or one of its agencies. The pooled investment fund's principal investment objectives must include "a high level of current income consistent with the preservation of capital and a high degree of liquidity."

Under the proposed rule, many employers may find they are not offering enough investment options.

The proposed regulation would grant protection from fiduciary responsibility on investment options on an option-by-option basis.

For example, the option to invest in employer stock would not fulfill the minimum standards necessary for protection from fiduciary responsibility.

The Labor Department "does not believe that it has sufficient information to determine whether it is appropriate" to grant protection from fiduciary responsibility for "participant-directed investments which may benefit a plan sponsor, or to determine the kinds of safeguards that might be appropriate to assure that participants are not subjected to undue influence with respect to such investments," said the proposed regulations.

The government has requested comments on how a rule dealing with participants' investments in employer stock options should be developed to limit the potential for "improper influence by the plan sponsor" while not restricting a participant's investment options.

Also under the proposed regulations, plan sponsors must provide participants with "sufficient information" on investment options for those options to be counted among the "broad range" offered by the plan. However, the proposed regulation does not define what constitutes "sufficient information."

The proposed regulation also says that plan sponsors can set "reasonable restrictions" on how often participants can change some of their investment decisions. But with risky investments, participants must be able to change their investment decision any time.

Although the proposed regulation seems ambiguous to some benefit experts, it is an attempt by the Labor Department to clarify one section of the Employee Retirement Income Security Act, the experts said.

Under ERISA, pension plan fiduciaries must invest plan assets prudently and must diversify investments to minimize the risk of large losses. If a fiduciary does not do this, it is considered a breach of fiduciary duty.

However, Section 404(c) of ERISA affords a plan sponsor protection from its fiduciary responsibility if pension plan participants have the opportunity to exercise sufficient control over their accounts to diversify investments, explained Frank Roque, a consultant at Hewitt Associates in Lincolnshire, Ill.

However, ERISA does not specify what sufficient control is and how many or what types of investment choices must be offered to a participant for a plan sponsor to claim protection from its fiduciary responsibility under section 404(c), Mr. Roque explained.

"Many employers have set up defined contribution plans thinking they had qualified for the protection," but under the proposed Labor Department regulation, they may find that they are not offering enough investment options, Mr. Roque said.

According to a Hewitt Associates of 812 major U.S. employers in 1986, 614 offered a matched savings/thrift plan.

The survey found that 8% of these employers offered employees only one investment option for employee contributions, 22% offered two options, 38% offered three options, 24% offered four options and 8% offered five or more options.

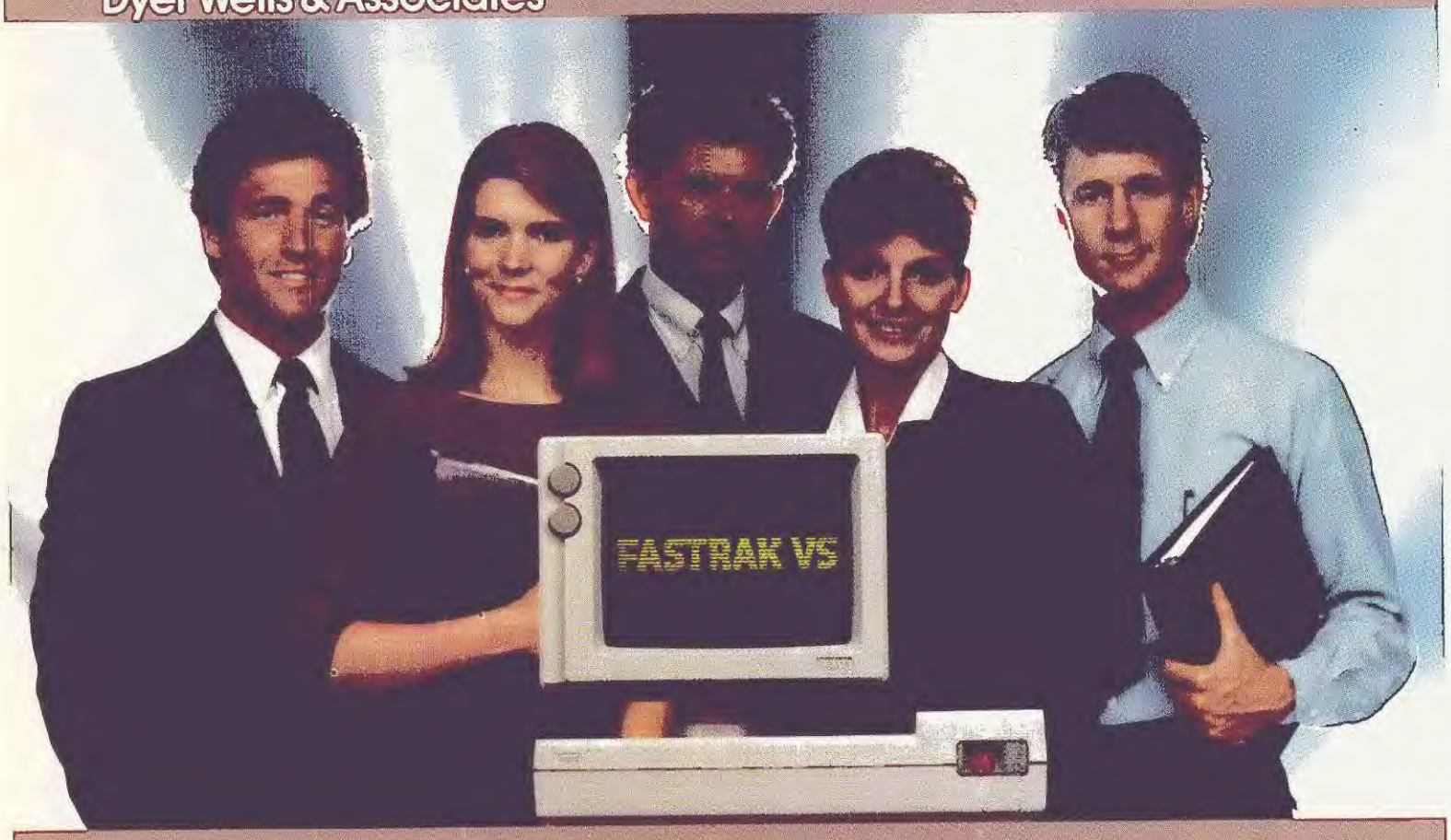
Regarding the investment of employer contributions, the survey found that 45% offered one option, 16% offered two options, 21% offered three options, 13% offered four options and 5% offered five or more options.

The most frequently offered investments for employee and employer contributions were company stock, other equities, guaranteed investment contracts, bonds and money markets.

The comment period on the proposed regulation has been extended to Dec. 7. Interested parties may address their comments to: Office of Regulations and Interpretations, Pension and Welfare Benefits Administration, U.S. Department of Labor, Room N-5669, 200 Constitution Ave. N.W., Washington, D.C. 20210.

In addition, a public hearing has been scheduled for Feb. 10, 1988, in Room N3437 A-B at the Labor Department building in Washington. ■

Dyer Wells & Associates



Behind every FASTRAK VS™ System stands a dedicated team of claims and administration experts.

Every FASTRAK VS™ group administration and claims processing system comes with something no one else can offer: FASTRAK VS expertise. Some of the most highly-skilled programmers and insurance professionals have pooled their talents to create this integrated, easy-to-use system featuring comprehensive yet easy-to-understand documentation. And anytime you have a question, this same expert staff is ready to help. Because at Dyer Wells & Associates, we're in the business of solving problems, not creating them.

Our Experience Shows.

We've spent years working for TPA's and insurance companies. And everything we know about the business has gone into building a better system. FASTRAK VS is very cost efficient since it runs on the Wang VS family of minicomputers. The claims module automates all phases of claims adjudication and processing while the administration module automates billing, premium collection and other functional support processes. The modules can even be purchased separately. FASTRAK VS increases user productivity and streamlines the entire decision-making process. Plus it offers COBRA capability and easy-to-read financial, productivity, ad-hoc and claims experience reports.

Our Support Team Delivers.

Of course, it doesn't matter how many capabilities a system has if you don't know how to take full advantage of them. That's why our service and support team stands ready to help you anytime you call. In fact, call us right now. Or mail this coupon. We'd like to tell you more.

Please send more information on:
☐ FASTRAK VS Claims
☐ FASTRAK VS Administration
☐ FASTRAK VS Claims and Administration
Do you currently have Wang VS hardware? ☐ Yes ☐ No

Name_____
Title_____
Company_____
Address_____
City_____ State_____
Zip_____ Phone ( )_____

Dyer Wells & Associates
The Right Solutions. For 10 Years Running.

BI 11987 2251 Lake Park Drive, Smyrna, GA 30080 (404) 432-5888

Thanks to modern medicine, he'll now be able to outlive his savings.

Advancements in medicine are helping Americans live longer than ever. But not everyone is financially prepared for a longer life.

Particularly retirees who end up needing expensive long-term care. Currently, that's 6 million people. That number should be 14 million by the year 2020.

Personal savings are seldom enough to pay the costs of retirement health care. And Medicare and Medicaid are only a partial solution. Companies with retirement health care benefits also face the problem of unfunded future liabilities.

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

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

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

Many elements of the LifeScope Program have already been put into place through current NWNL Group benefit programs. Using our resources as the nation's 10th largest group insurance company, we will soon be adding more elements.

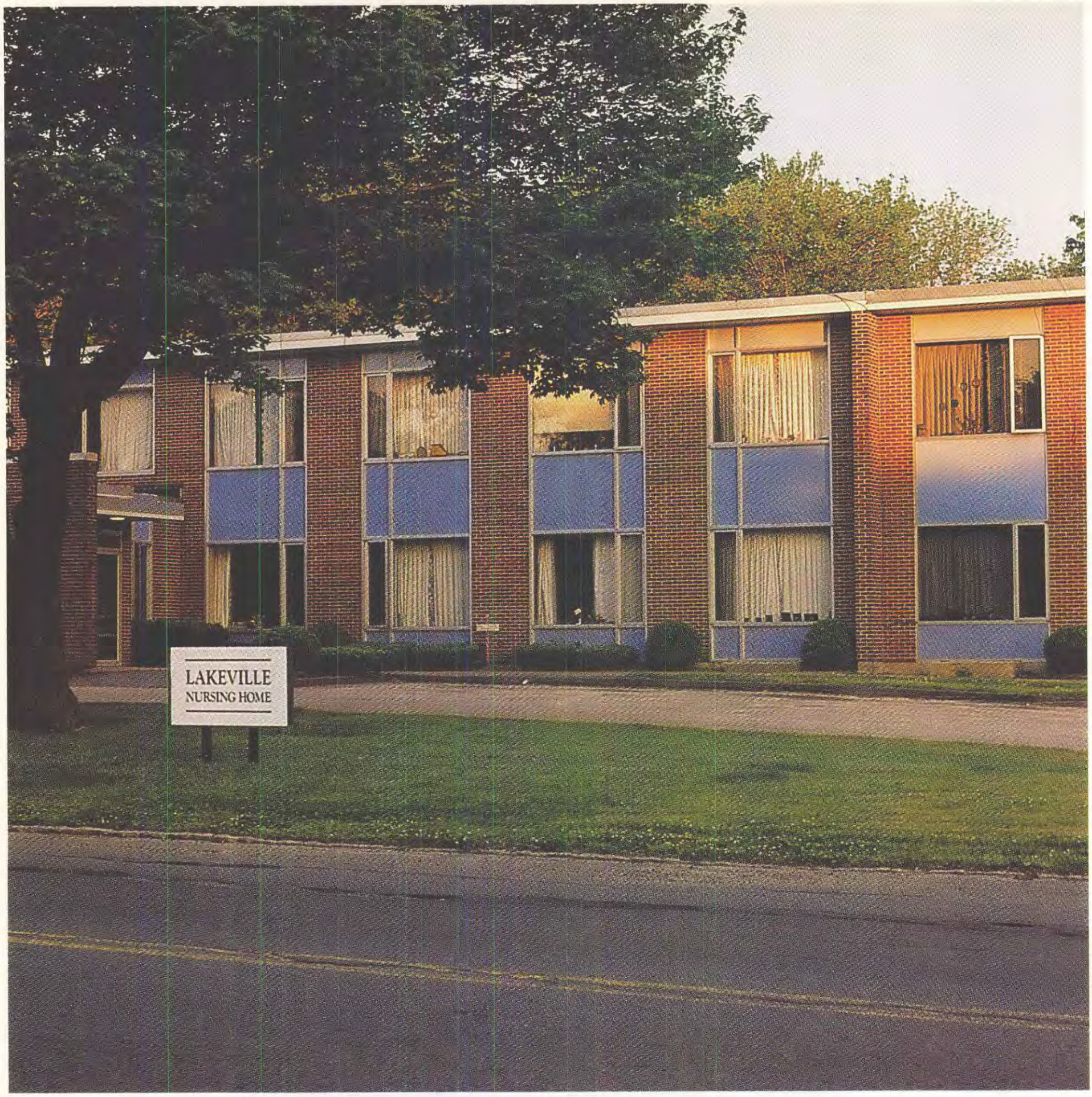
To find out more about NWNL Group and the LifeScope Program, contact Ginny Patrick, NWNL Group, Box 20, Minneapolis, MN 55440 or call (612) 372-5784. Because now is the time to begin solving the problems of providing health care in the future.

NWNL GROUP

The right benefits for today. The right ideas for the future.℠

Sources for statistics: Employee Benefit Research Institute, 1985; National Underwriter, 1986.

A division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the State of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of the NWNL Companies).



If an employee were forced into this home,

In many cases, the answer is yes.

Right now, over 100,000 working age people are confined to nursing homes as a result of an accident or chronic illness.[1] But only 3% of all people have insurance to cover the cost[2]– an expenditure that averages $25,000 per year.[3] And studies show that 6 out of 7 people would be financially devastated in the event of such a disability.[4]

But now there is a way to help cover these catastrophic expenses. With LTD Extended Care.[sm] From the number one company in group LTD.[5]

LTD Extended Care is the *first* group disability insurance benefit designed for small to mid-size companies to protect disabled employees who require full-time nursing home care.

It works like this. In the event of such a need, UNUM's base LTD plan does what it was meant to do, replace income. While the LTD Extended Care benefit helps pay up to 100% of the nursing home costs – without reducing the base LTD benefit. The result?

[1] *Master Facilities Study Data*, Department of Health and Human Services, 1982 [2] *Life Association News*, May, 1987 [3] *Ibid.* [4] *House Committee on Aging*, November, 1985 [5] *Employee Benefit Plan Review*, April, 1987

would his family be forced out of this one?

The disabled and their dependents are protected against devastating financial hardship. And assets are preserved.

LTD Extended Care is available for employees of companies who participate in UNUM's base LTD plan.

For you, LTD Extended Care means a new sales opportunity. Because it allows you to sell to those people with our popular base LTD plan. And LTD Extended Care is another good reason to approach those clients without UNUM LTD.

To learn more about this major advance in group disability coverage, call UNUM. The company that protects people's income.

UNUM®
Income Protection.

UNUM Life Insurance Company
Portland, Maine 04122

UNUM Life Insurance Company of America
Portland, Maine 04122 (All states except New York)

First UNUM Life Insurance Company
Elmsford, New York 10523 (New York State only)

Opinions

Don't destroy flex plans

FLEXIBLE BENEFIT PLANS are in grave danger of being crippled by new tax provisions (see story, page 1).

That would be a terrible setback for progressive employee benefit plan design.

It also would be extremely unfair to the estimated 600 employers that have established flexible benefit plans to provide their employees with the most cost-effective and useful benefits.

Worst of all, the proposed tax laws affecting flexible benefits would take effect Jan. 1, which would be extremely unfair to employees who made 1988 benefit choices based on current tax law.

We are not surprised that the House of Representatives again is targeting flexible benefit plans as one way to increase federal revenues. Flex plans have been under attack since 1983 as part of Congress' struggle to produce more revenue.

However, the revenue gain—estimated at $4 billion over three years—is not worth destroying a benefit plan design concept that works well for employees and employers.

For employees, a flexible benefit plan allows the selection of the amount and type of benefits to fit individual family needs. This is more important now than it was in the late 1960s when benefit consultants first suggested that allowing employees to select the benefits they wanted and needed would respond to the needs of a changing workforce. Today, employees' benefit needs vary because families vary dramatically from single parents to dual wage earners to the traditional family.

For employers, a flexible benefit plan offers cost containment, which is increasingly important. Employees are more aware of the cost of benefits under a flexible plan, and it is easier for employers to share the increasing cost of benefits with employees.

In addition, the flexible spending account feature of flex plans, which allows employees to set aside pretax salary to pay for uncovered benefit expenses, makes it easier for employers to increase health care deductibles. More important, benefit dollars are not wasted under flexible plans because duplicate coverages are eliminated.

These advantages aside, it seems extremely unfair to change so abruptly the tax rules governing flexible benefits. Employers developed and implemented these plans in good faith, counting on the government not to change the tax rules so quickly.

Finally, the Jan. 1 effective date for tax law changes affecting flexible plans would penalize employees because there simply is not enough time for them to alter their 1988 benefit choices.

For all these reasons, we think Congress should leave flexible benefit plans alone, this year and in the years to come.

At the very least, any change in the tax rules governing flexible benefit plans should come after public debate on the merits of these plans and the impact any changes would have on their usefulness. It is an outrage that many flexible benefit plans could be killed in Congress' sudden haste to respond to demands to decrease the federal deficit.

Letters

Hunter's arguments still not on target

To the editor: J. Robert Hunter's letter in your Oct. 12 edition requires that I reply and add to the content of your Sept. 21 editorial to which he objects.

As far as unrealized capital gains are concerned, those have been taken care of by the latest drop in the stock market. This shows how foolish it is to consider unrealized gains in income. Now shouldn't we reduce our income by the amount of unrealized capital losses?

Dividends to policyholders are really return of premium. When the company has a good year in a particular line, generally workers compensation, it returns some of its profits to the policyholders. This reduces overall premium.

On the one hand, Mr. Hunter is complaining about excess profits and, on the other hand, he does not want to recognize the return of premium to policyholders to reduce those profits.

Really, this return of premium is not voluntary; it is a competitive necessity. All insurers are doing it. Ones that do not will lose the business.

The money has been given back. It is no longer in the hands of the insurance companies. The reason why should not matter. Money not in hand should not be included in income. This presents a false picture of income. If we are not going to recognize these dividends, then shouldn't we add those amounts to our net worth and increase that? Wouldn't this present a false picture of the company's financial strength?

As far as profits are concerned, because of the cyclical nature of this business, you can't look at one year. Profits go up and down. For example, in 1975 insurance companies' return on investment was 2.7%, in 1977 it was 21.3% and in 1984 it was back down to 1.7%. However, in the average, insurance companies do not have a higher return than other industries. Regardless of how the General Accounting Office wants to show income in a particular year, it admits that on the average property/casualty insurance company income is not more than other industries'. In fact, it is generally a little less.

Mr. Hunter says there is no need for tort reform. It is all a hoax. How does he explain that from 1979 to 1985 the gross national product grew at a 59% rate while paid losses for commercial liability lines grew 117%? In dollar amounts, property/casualty paid losses went to $116.5 billion in 1986 from $79 billion in 1982, an increase of $46.5 billion in a five-year span.

The insurance industry has its faults, and we should be working with others to solve them. But the mess that has been caused by the courts' liberalization of the tort system has to be addressed as well.

Mr. Hunter needs to come out of the dark and into the light to recognize that the insurance industry is not the "Evil Empire" but is just another business trying to do the best it can with what is has to work with.

Harry D. Boyd
Senior Vp, Secretary
and General Counsel
Harbor Insurance Co.
Los Angeles

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

Risk Retention Act attack unfounded

To the editor: Richard Waterman's attack on the Risk Retention Act (*BI*, Oct. 19) clearly demands a rebuttal. Let's take a look at the amorphous and contradictory issues he raises:

• Mr. Waterman asks: "How risk retention groups will be able to offer insurance coverage at rates that the traditional insurance market has shown are inadequate."

First, Mr. Waterman wrongly assumes that the impetus behind risk retention group formation is rate reduction. The driving force behind risk retention group formation should be availability, quality of coverage and lessening one's vulnerability to market cycles. Given the time, expense and expertise that it takes to establish a risk retention group, anyone who attempts to establish such a facility for the purpose of riding out the hard market will quickly become disillusioned.

Secondly, Mr. Waterman cavalierly dismisses "better risk selection" and "efficiencies of operation" as factors in a risk retention group's success. Is the traditional market invulnerable to challenges on any of these factors? I think not. The property/casualty insurance business is currently running at an expense ratio of about 30% ("Self-Insurance Boom to Continue: Kloman" (*BI*, Oct. 19)). According to Dan McNamara of the Insurance Services Office, expense growth is outpacing premium growth even in today's hard market ("Cycles Inevitable, ISO President Says" (*BI*, Oct. 19)).

I'm most surprised that Mr. Waterman, as one who is in the reinsurance industry, would also dismiss "better risk selection" as a factor where a risk retention group can succeed. Primary carriers' net retentions have risen dramatically because the reinsurers have lost faith in the insurers' underwriting capabilities. Is it Mr. Waterman's position that the primary carriers' underwriting skills have improved so dramatically that risk retention groups can't compete with them?

• Mr. Waterman then asks: "What happens to the poor fellow who is deemed to be an inferior risk by the group's standards? Does that risk go uninsured?"

Is Mr. Waterman suggesting that all underwriting standards be thrown out the window? Would he be willing to obtain reinsurance for a risk retention group adopting such a philosophy? Or is he engaging in wishful thinking that risk retention groups will serve as the residual market mechanisms for the traditional insurance industry?

Continued on page 10

Business Insurance ®
Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Associate Publisher/Editor: Kathryn J. McIntyre, A. R. M. *(Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Assistant Managing Editor: Dave Lenckus *(Chicago)*
Assistant Managing Editor/Graphics: Holly E. Seguine *(Chicago)*
CHICAGO: Stacy Adler *(Assistant Copy Editor)*, Karen Brown *(Assistant to the Editor)*, Linda J. Collins *(Agent/Broker Editor)*, Meg Fletcher, A.R.M. *(Associate Editor)*, Mark A. Hofmann *(Associate Editor)*, Karen Huelsman *(Copy Editor)*, Marilou Jones *(Directory Editor)*, Laura Mazzuca *(Agent/Broker Topics Associate Editor)*, Amy Palmer *(Graphic Artist)*, Roger Schillerstrom *(Editorial Cartoonist)*, Stephen Tarnoff *(Associate Editor)*, Paul Winston *(Assistant Copy Editor)*, Joanne Wojcik *(Copy Editor)*, Christine Woolsey *(Editorial Assistant)*
DALLAS: Michael Bradford *(Associate Editor)*
LONDON: Stacy Shapiro *(International Editor)*, Carolyn Aldred *(Associate Editor)*
LOS ANGELES: Donna DiBlase *(Bureau Chief)*, Glenn Huntley *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*, Judy Greenwald *(Associate Editor)*, Collin Nash *(Editorial Assistant)*
WASHINGTON: Jerry Geisel *(Washington Editor)*, Deborah Shalowitz *(Associate Editor)*
Corporate: H.L. Stevenson *(Corporate Editor)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*, Margaret Hikido *(District Manager/ Classified Sales)*, Elmer Kerstowske *(Production Manager)*
LOS ANGELES: Michael J. Sharpe *(District Manager)*
NEW YORK: Charles A. Horvath *(District Manager)*, Jack Forrest *(District Manager)*, Martin J. Ross *(District Manager)*, Courtney Bauer *(District Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*
Corporate Marketing Manager: Alice Sieloff *(Detroit)*

EDITORIAL: Chicago: 312-649-5398; Dallas: 214-363-1066; London: 01-404-4228; Los Angeles: 213-651-3710; New York: 212-210-0100; Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133; Chicago: 312-649-5276; Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

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

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. $1.75 a copy. $68 a year in U.S. Canada and all other foreign add $16 for surface mail. Europe and Middle East only add $47 for air delivery. First-class mail to U. S. and Canada only, add $48. Bermuda only, $105 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229.

BPA Member of Business Publications Audit of Circulation ABP

These days, directors and officers are safer at Home.

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

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

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

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

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

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

Home Insurance

There's no place like it.

The Home Insurance Company is a member of The Home Group, Inc.

Letters

Continued from page 8

• Lastly, Mr. Waterman comments: "It is inevitable that some risk retention groups will not be able to meet their obligations sooner or later; glaring solvency issues need to be addressed. The public will not have guaranty fund protection because risk retention groups are not allowed to participate in these safeguards."

Come on Mr. Waterman, cut the demagoguery! I'm sure you know better! Have you ever heard of Mission, Transit, Ambassador and a host of other insolvencies having nothing to do with the Risk Retention Act? Are you willing to scrap state regulation of insurance because of these insolvencies? And, if you think that our present guaranty fund system offers anything but a dubious lottery system of indemnification, I have numerous Risk & Insurance Management Society members/Mission and Transit policyholders who would like to discuss this issue with you.

With regard to the regulatory solvency overview, Mr. Waterman should note that a state insurance commissioner has more powers in this area over a risk retention group under the act than over a traditional insurer. A commissioner can go to federal court to enjoin a risk retention group from operating *nationwide*, if it can establish that the group is operating under a "hazardous financial condition." Under the traditional regulation of insurance, a commissioner has authority only in his or her state. This was precisely the regulatory tool that the Florida commissioner used successfully against a risk retention group.

In short, Mr. Waterman, the problems you raise are not with the Risk Retention Act, but with the insurance industry and the state regulation of insurance. I suggest that the industry and regulators address the fundamental issues directly, rather than attempting to set up the Risk Retention Act as a straw man that they can attack for their own shortcomings.

Jon Harkavy
Director of Governmental Affairs
Risk & Insurance Management Society Inc.
New York

Buyers shoulder insolvency burden

To the editor: A comment by Maurice R. Greenberg, president of American International Group Inc., requires clarification. In the article, "Industry Must Learn from Past," he writes: "A company can lose its business to a rate-cutter that knows nothing about the business. They then go broke, and the company that lost the business to them has to pay for the insolvency" (*BI,* Oct. 26).

In California this is not factual. The insurance-buying public bears the cost of the insolvency through charges added to the premium for a policy.

The role of the insurer is to act as a collection agency for the California Insurance Guaranty Fund and rest assured the fee is not coming out of the pocket of Mr. Greenberg.

Hermann P. Schlander
Palm Desert, Calif.

Seminar eases reinsurer doubts

To the editor: I noted in your report from the Rendez-Vous de Septembre (*BI,* Sept. 21) that risk retention groups are not being looked upon favorably by reinsurers. Part of the problem is that foreign reinsurers (as well as some domestic reinsurers) do not really understand what a risk retention group is or what they should look for when receiving a submission from a risk retention group.

To increase the knowledge of reinsurers, I participated in a seminar jointly sponsored by Glen Nyhan & Associates and PWS Group in London on Sept. 18 (after the Rendez-vous) on this very subject. It was held at the Institute of London Underwriters and was extremely well attended, with more than 30 of the major London and international reinsurance underwriters present.

The seminar focused on the issues involved in establishing a risk retention group, including the state regulatory issues and unresolved questions. But, most importantly, we stressed the necessity of adequate initial financing, long-term commitment of the members and projected income statements.

I believe this seminar went a long way toward easing the skepticism of the professional reinsurers and will allow them to view (and review) the reinsurance needs of risk retention groups with their arms a bit more open if not yet fully embracing the idea).

Beth Kravetz
Attorney-at-law
Washington, D.C.

Education stories worthy of praise

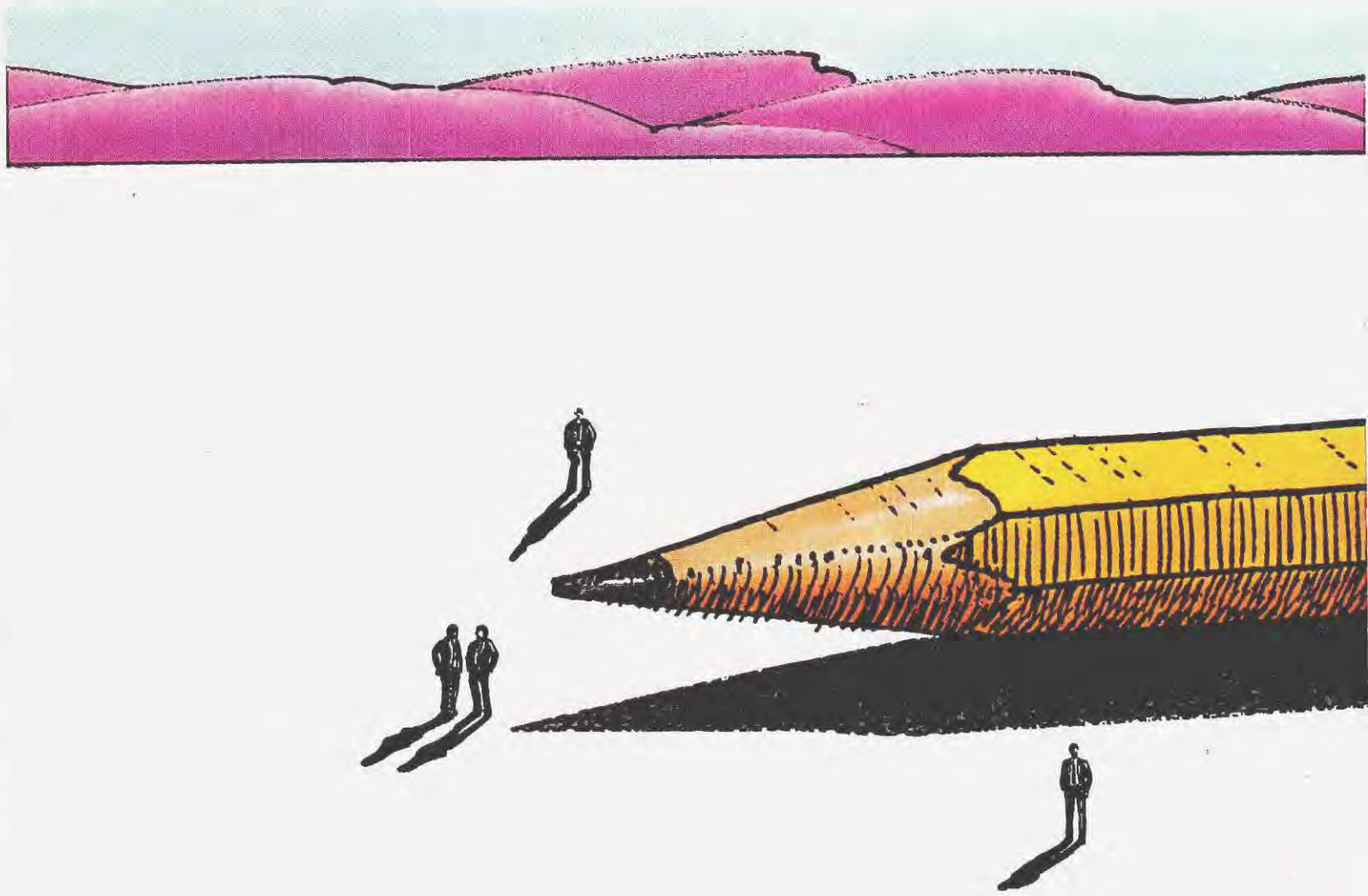
To the editor: I read with great interest the article titled "Frat Fosters Interest in Insurance" (*BI,* Oct. 12). The author, Mark Hofmann, did a fine job of capturing the many positive aspects of Gamma Iota Sigma.

Having been involved with this organization on the local level as a college student and on the national level for the past six years, I can attest first hand to its many accomplishments. I have witnessed numerous men and women involved in Gamma Iota Sigma become successful people in our diverse industry.

I would like to publicly compliment *Business Insurance* as the only major trade publication that routinely covers insurance education at the college level. Your commitment to this field is commendable and will help to attract the many talented people needed to lead our industry into the 21st century.

Stephen M. Fino
Nationwide Insurance Co.
Columbus, Ohio

Our biggest point is service.



Stop the industry roller coaster, Page urges

By KARI BERMAN

NEW YORK—The health of the commercial insurance industry will again be threatened unless steps are taken to control the unpredictable underwriting cycles that continue to plague the market, says Richard M. Page, chairman and chief executive officer of Fred S. James & Co. Inc.

Although there have always been cycles in the commercial property and casualty insurance business, Mr. Page contends that it is not necessarily the industry's cyclical nature that poses the threat.

'As we meet today, we are in the 11th month of a continuing market decline,' says Richard M. Page. 'The kind of price competition that got this industry into so much trouble two years ago has returned, and there is no end in sight.'

Rather, "the volatility of those cycles" are dangerous because of the instability that they create, he said.

"I strongly believe that our very future will be endangered if the commercial insurance market continues its roller-coaster approach to the cost and availability of coverage," Mr. Page said at the Conference of Special Risk Underwriters held in New York last week.

After recapping the most recent cycle—the soft market of 1979 to 1984, during which prices dropped to levels that experts never believed possible, and the rash of ensuing insolvencies and the record hard market of 1985 to 1986—Mr. Page advised the audience to stop history from repeating itself by taking measures to control insurance pricing.

"As we meet today, we are in the 11th month of a continuing market decline.

"The kind of price competition that got this industry into so much trouble two years ago has returned, and there is no end in sight," he said.

As the industry continues to live up to its reputation of being unstable and unpredictable, commercial insurance buyers remain wary of the possibility of another hard market, resembling the one of two years ago.

"Buyers want to be told that they will have affordable and dependable insurance protection in a stable market environment," Mr. Page said.

Mr. Page

"At this time, we can't give them the assurance they want, and they haven't forgotten what they describe as the price gouging they received from our industry over the last two years."

Concern over the industry's yo-yo pricing cycles has extended to the federal government, Mr. Page reported, noting that Sen. Howard M. Metzenbaum, D-Ohio, has insisted that the federal government step in to force the industry to become more responsive to its customers.

In response to the industry's roller-coaster pricing, Sen. Metzenbaum has proposed S.B. 1299, "The Insurance Competition And Improvement Act of 1987."

Mr. Metzenbaum's proposed legislation would amend the McCarran-Ferguson Act to remove its antitrust exemption for insurance companies, thus presumably increasing competition among them.

However, Mr. Page believes that the there is already too much competition in the marketplace and that increasing competition is not the answer.

"Far from a lack of competition, there is competition from more than 3,000 companies offering property and casualty insurance coverage," Mr. Page said.

"The only difference between their products is often the price," he added.

Because of the industry's inability to regulate itself, the prospect of federal intervention is growing closer and closer to becoming a reality, Mr. Page said.

"The day is being hastened by our inability to put our houses in order," he added.

In an effort to initiate positive industry reform and create a more stable pricing arena in the marketplace, Mr. Page is publicly calling for the organization of a blue-ribbon commission to study the insurance industry and recommend proper measures for reform.

The commission will not only include insurers, brokers and buyers, but also federal and state legislators and members of the business community and consumer groups, he explained.

"I hope that by involving objective people from a variety of areas of business, we will be able to find the answers that will enable us to establish an environment that brings stability to our industry and dependable and affordable coverage to those who rely on us," Mr. Page told attendees.

"I would like to think that we have learned enough to come together, putting emotions aside, and chart our future for ourselves before the government does it for us." ■

No matter what size policy we write, service is our biggest selling point. That's why brokers are starting to see Appalachian and Affiliated from a different perspective.

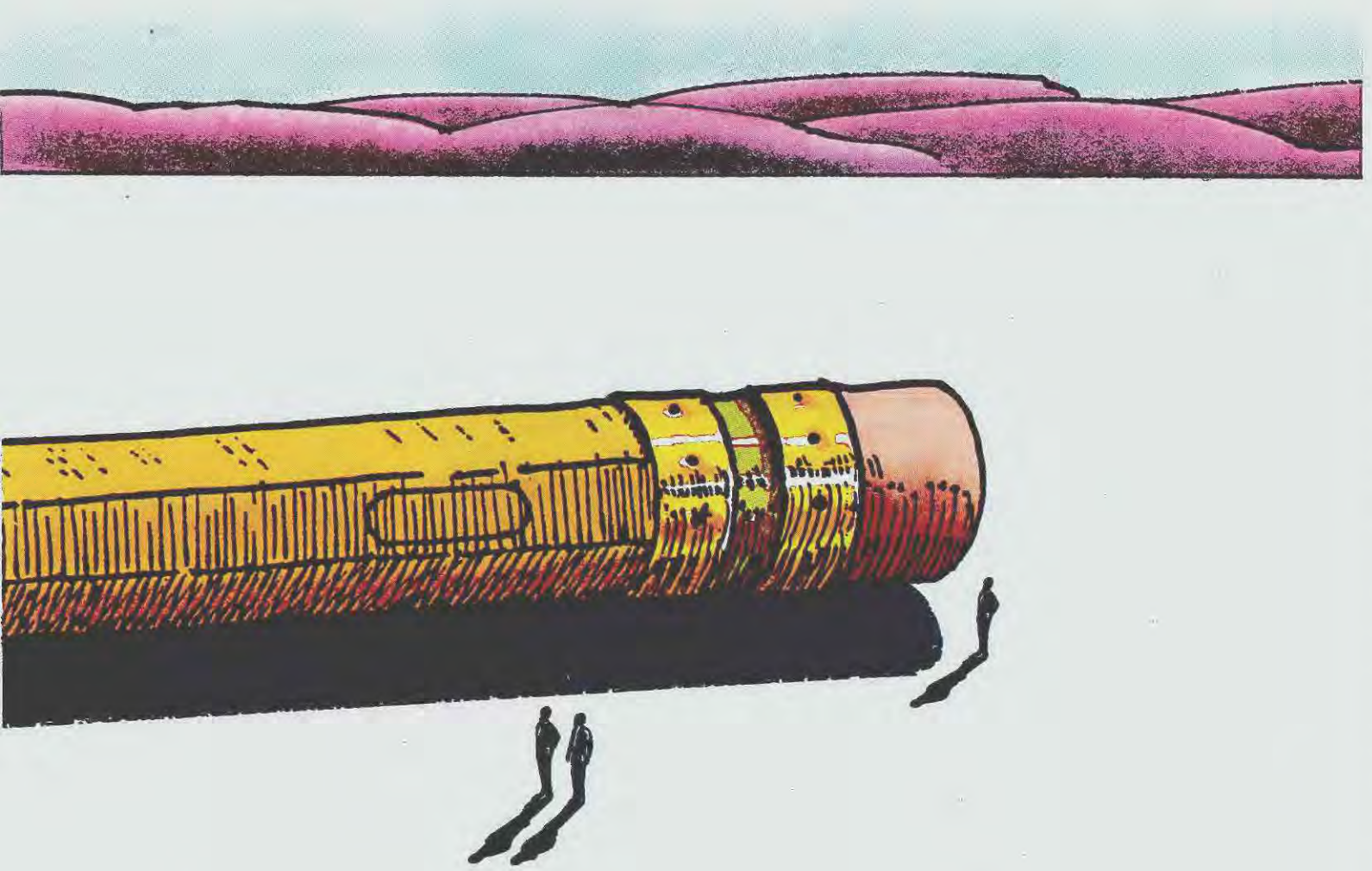
We have the proven capacity to write policies for companies of all sizes. Large and small. It's one of the reasons we've earned Best's A+ property insurance ratings.

Appalachian and Affiliated offer a complete product line—including an "all risk" policy that's simple, comprehensive, and flexible. We have a proven track record of serving brokers who require fast, competitive, and complete service. We put you directly in touch with our underwriters for fast responses. And, our claims settlement and paperwork response is just as fast, just as efficient, and certainly, fair. We've even been known to hand deliver a policy in a pinch.

We can also make available the expertise of Factory Mutual engineering—expertise helpful in reducing or controlling property losses and in satisfying your clients.

So, if you want insurers who provide capacity, coverage, and service, talk to Appalachian and Affiliated. We'll help give you a new perspective on property insurance.

Affiliated FM Insurance Company
Appalachian Insurance Company
Associated with Allendale Mutual Insurance Co.
Allendale Park, P.O. Box 7500, Johnston, RI 02919.
Telephone (401) 275-3000.



RENT-A-CAPTIVES AVAILABLE
FOR
PRODUCTS, D&O, E&O AND OTHER LIABILITY
FINANCIAL TECHNOLOGY INC.
Consultants specializing in Captives, Risk Retention Groups, Cash Flow, Self-Funded, Loss Portfolio Transfer Programs. Feasibility Studies, Formation and Management.
1888 Century Park East, Suite 910, Los Angeles, CA 90067
(213) 879-3991

D&O liability

Continued from page 3

to amend their bylaws to limit or eliminate financial liability for directors when the directors did not deliberately act in bad faith.

"Numerous companies incorporated in Delaware are planning to ask their shareholders to amend the bylaws in order to limit director liability, as are many respondents in other states where similar legislation is expected to be enacted," say the survey's authors.

Some 77% of the chief executive officers surveyed say they believe that the Delaware law—and, they hope, others like it—will partially solve the D&O coverage crisis.

Meanwhile, insurance industry sources report that D&O insurance market conditions are easing, with companies doubling their limits on renewal this year and paying the same premium (*BI*, Oct. 12).

However, the survey reveals the depth of the crisis during 1986.

For example, 9% of the surveyed companies had been denied D&O coverage within the past year.

As a result of coverage denials and rate increases, 30% of the respondents said they were considering self-insuring their D&O risks in 1986, compared with only 19% the year earlier. And, among companies with annual revenues of more than $5 billion, the percentage considering self-insuring their D&O risks jumps to 46%.

In addition, 52% of all the companies—and 65% of those with at least $1 billion in annual revenues—said they had been approached to join a consortium aimed at establishing a captive insurance company for D&O liability risks. Fifty-two percent of all the respondents said they would consider joining such a group.

The survey's specific findings in the area of D&O coverage include:

- The largest percentage premium increase by type of business in 1986 was 796%, reported by industrial companies with less than $200 million in annual revenues. In 1985, these companies reported an average premium increase of 208%.

Following close behind were retail companies, which reported an average D&O premium increase of 744% in 1986, on top of a 337% hike in 1985.

- The smallest percentage premium increase was 305% in 1986, reported by industrial companies with $200 million to $399 million in annual revenues.
- Other reported D&O premium increases in 1986 were: service companies, 706%; insurance companies and industrials with $3 billion to $4.9 billion in revenues, 670% each; industrials with $400 million to $599 million in revenues, 577%; industrials with $600 million to $999 million in revenues, 558%; industrials with $5 billion or more in revenues, 489%; banks and other financial institutions, 462%; and industrials with $1 billion to $2.9 billion in revenues, 446%.
- The largest percentage decrease in D&O limits in 1986 was reported by industrial companies with $200 million to $399 million in revenues, which reported a decline of about 56% to $8.9 million in limits from $20.5 million in 1985.
- The smallest percentage decrease in 1986 in D&O coverage limits was reported by retailers, whose limits fell 29% to $24.3 million from $34.5 million in 1985.
- Other average decreases in limits were: a 53% decrease in limits for both industrials with less than $200 million in revenues to $14.3 million in limits from $30.7 million, and industrials with $400 million to $599 million in sales, whose limits shrank to $18.1 million from $38.7 million. Industrials with $1 billion to $2.9 billion in revenues saw limits drop 50% to $21.2 million from $42.6 million.

Also, insurance companies reported a 49% decrease in limits to $16.8 million from $33.2 million; industrials with $600 million to $999 million in revenues reported a 46% decrease to $18 million from $33.2 million; and service companies saw a 42% decrease in limits to $23.7 million from $41.1 million.

Banks and other financial institutions reported a 41% decrease in limits to $22.5 million from $38.3 million; industrial companies with $5 billion or more in revenues reported a 36% decrease in limits to $63.3 million from $99.3 million; and industrials with $3 billion to $4.9 billion in revenues saw limits decrease 32% to $45.1 million from $65.9 million.

Despite these glum numbers, however, the authors of the Korn/Ferry survey are confident that the D&O crisis is ebbing.

"For the time being, at least, it seems that the boards have weathered this crisis," the authors say. "And, they seem to have learned a great deal from it."

The Korn/Ferry survey covers several other areas involving boards of directors, including the composition of boards and compensation of board members.

●

Copies of the "Fourteenth Annual Board of Directors Study" are available for $20 each from Board Services Division, Korn/Ferry International, 237 Park Ave., New York, N.Y. 10017.

PROTECTION.

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

GROUP INSURANCE FROM THE GUARDIAN

The Intelligent Choice in
Employee Benefit Plans

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

© 1987 The Guardian

The Guardian

The Guardian Life Insurance Company of America • Est. 1860

Mentor argument

Continued from page 2

The liquidators' pleading goes on to argue that one of the court's functions is to decide whether another adequate forum exists to hear the case, a forum that will not deprive the parties of legal remedies or treat them unfairly.

It says: "Bermuda is a totally inadequate alternative forum because not all of the plaintiffs' claims will be entertained by a Bermuda court. Indeed, under ODECO's view, none of the plaintiffs' causes of action would be heard in Bermuda. If the ODECO defendants are right, plaintiffs would be deprived of all of their remedies, both statutory and common law, if this case were brought anew in Bermuda."

It warns that there is no "demonstrated assurance" that all 11 defendants or other parties will submit to the jurisdiction of a Bermuda court or appear at trial and says that Bermuda's procedural rules preventing pre-trial depositions would work to the disadvantage of the liquidators, who would be seeking such testimony from numerous third-party witnesses.

"It would be highly unfair to restrict plaintiff's ability to prove their case. . .by forcing them to operate under a foreign country's limited discovery rules."

The court memorandum also makes use of one of the defendants' own arguments in favor of the action being heard in Bermuda: that vital witnesses outside U.S. subpoena powers can be compelled to appear. It says that if the suit is brought in Bermuda, the liquidators will be unable to compel equally vital U.S.-based witnesses to appear. These, it says, would include:

- Former Mentor President Herman Shwide, who resigned because he was not permitted to fulfill "normal responsibilities" of a president.
- Former Mentor actuary John Swift, who was "on the scene" when Chairman Douglas Higley was fired and has a wealth of information about Mentor's true and deteriorating financial condition.
- The relevant staff of Mentor's bankers—Morgan Guaranty Trust Co., Manufacturer's Hanover Trust Co., BankAmerica International, Irving Trust Co. and First City National Bank of Houston—which may be called upon to help show that ODECO induced the banks to extend unsecured credit to Mentor on the basis that ODECO would honor all Mentor debts.
- Directors of ODECO's 60% shareholder, El Dorado, Ark.-based Murphy Oil Corp.
- ODECO directors and employees other than those named as defendants.
- Former Mentor underwriter Michael Quinones.
- Members of the New York law firm of Wilson, Elser, Moskowitz, Edelman & Dicker, who provided Mr. Higley with the legal opinion that the Pinnacle contracts transferred true reinsurance risks.
- ODECO's D&O insurer, National Union Fire Insurance Co. of Pittsburgh, Pa., an American International Group Inc. unit, which is seeking to have ODECO's policy declared null and void on the same grounds as the liquidators' action.

The liquidators' pleading adds that the defendants have not offered a single affidavit demonstrating materiality of the Bermuda witnesses or their unwillingness to come to New Orleans to testify.

It says: "While we don't dispute that partner Robert Steinhoff of Peat Marwick Main & Co.'s Bermuda office (Mentor auditors) will be a witness, ODECO merely argues that he is beyond the subpoena power of the U.S. court and carefully makes no representation that he or other Bermudian staff of PMM would be unwilling to voluntarily appear at trial in the United States. Nor does it make any showing in fact that they cannot be compelled to testify by service of a subpoena on PMM in the United States."

The liquidators also dispute the defendants' argument that they would need testimony from Bermuda government officials on the economic and regulatory context in which certain decisions were made in June 1985 to force Mentor into liquidation and begin a compulsory winding up of the insurer. "Such testimony would be completely irrelevant," they maintain, adding that even if it were relevant, they would not require that the trial take place in Bermuda. And they point out that Bermuda government officials are allowed to assert immunity from giving testimony or producing documents.

A spokesman for the Bermuda government's Ministry of Finance said that if the need arose, the Ministry would seek legal advice concerning the Mentor suit and the provision of evidence in court. But, he pointed out that in criminal and civil litigation, Bermuda's 1978 Insurance Act allowed public officers to disclose information received in the course of their work—information they would not normally divulge.

Mentor's liquidators urge that the defendants' dismissal motion be given 'short shrift.'

The pleading further argues that ODECO's claim that the liquidators are foreign and that foreign plaintiffs' choice of forum is entitled to 'little deference' in the United States, does not take into account the fact that Messrs. Kempe and Arnold, despite their "nominal Bermudian residence," represent the interests of at least 150 Mentor policyholders in Louisiana alone. It says the liquidators are not "run-of-the-mill foreign plaintiffs with no particular connection to the U.S." and stresses that the United States has a major interest in the suit.

And, it asserts that a judgment from a Bermuda court in favor of the liquidators would be difficult to enforce. "The only defendant with assets in Bermuda is Pinnacle," it says. "Although the remaining defendants have purported to agree to subject themselves to the jurisdiction of the court in Bermuda, they have not represented that they will in fact pay any judgment entered against them by a Bermuda court. Nor has their D&O insurer."

The liquidators' pleading also claims that the suit would take longer to come to trial in Bermuda: four years or more. And, once before the court, the trial could last for months "in view of the fact that the Bermuda trial judge would himself record the evidence heard in longhand and because legal and factual submissions are presented to the judge orally rather than in written briefs."

In a U.S. federal court, by comparison, the parties would complete discovery in six months and be ready for trial thereafter.

Messrs. Kempe and Arnold urge that the defendants' dismissal motion—which the liquidators expect to be followed by another "crafty strategy"—be given "short shrift."

"Ten of the 11 defendants are Louisiana residents," says the court memorandum. To initiate litigation in the only forum in which jurisdiction can be obtained over all the defendants may hardly be characterized as forum shopping. As we all, including ODECO, appreciate, if forum shopping there be, the shoppers are the moving parties." ■

To A Lot Of Insurance This Was A Stop Sign.

Most insurance companies view heavy construction as a risky business. And when R. E. Hazard Contracting Company applied for liability and workers' compensation coverage three years ago, insurers saw Hazard the same way. Trouble, waiting to happen.

But Argonaut took a closer look and saw something more.

One of the best safety records in the industry.

And we've been insuring Hazard ever since.

To provide workers' comp and liability coverage for a construction project that employs dozens of trades takes flexibility and resourcefulness. It takes a company like Argonaut.

International agency set up to fight fraud

By TONY THOMPSON

TORONTO—A new organization aimed at strengthening the battle against insurance fraud across international borders is the byproduct of a conference held last month in Toronto.

Delegates from Canada, the United States, Great Britain, Norway and the Bahamas decided the time was ripe to form the International Assn. of Insurance Fraud Agencies, an international association along the lines of the International Criminal Police Organization (Interpol), to keep track of mobile fraudsters.

"We heard from our U.S. counterparts that the U.S. authorities were active in moving gangs of insurance tricksters out of the States," said Phil Yakubovich, director of the investigations branch of the Ontario Ministry of Financial Institutions. "We also knew they were moving into other jurisdictions."

Mr. Yakubovich, who was formerly a Royal Canadian Mounted Police officer with experience using Interpol in dealing with criminals, said that a similar intelligence-gathering organization for the insurance industry seemed viable to several of the delegates.

'We heard from our U.S. counterparts that the U.S. authorities were active in moving gangs of insurance tricksters out of the States,' says Ontario's Mr. Yakubovich.

An agency along the lines of Interpol may be a long way off, but Mr. Yakubovich said he hopes that by the early 1990s the foundation laid in Toronto will be a reality.

Currently, the association is processing 20 applications from insurance investigators around the world interested in membership and several more applications are expected, including some from United Kingdom enforcement agencies.

The founding members of IAIFA are to meet in the spring to discuss the agenda for its first conference under its own name, likely to be held in Philadelphia next fall.

The IAIFA's objectives are:

- To identify the scope of fraud committed in all areas of the insurance industry.
- To combat insurance fraud through education and interaction of those engaged in regulatory enforcement.
- To establish lines of communication on an international basis among regulators and investigators.
- To encourage the industry and others to work with regulators to combat insurance fraud.

Robert McKenna, director of the Florida Insurance Fraud Bureau in Tallahassee was elected president of the new association. The three vps are Aaron Mazen, director of the New York Insurance Fraud Bureau; Mr. Yakubovich; and Clarke Walker, director of the California Insurance Fraud Bureau.

There will be several classes of members:

- Charter members, who will be those with authority to investigate insurance frauds in any jurisdiction.
- Active members, who are qualified by training or experience and are members of law enforcement agencies.
- Non-law enforcement personnel, which includes those charged with investigations but not necessarily prosecutions.
- Advisory members, who will include those involved in the industry and others who have peripheral but significant input into the uncovering of fraud, such as certified public accountants. ■

Companies,

Argonaut looks at the company, not the category. The specifics, not the stereotypes.

Because every customer is unique. And every situation demands the responsiveness and flexibility that a company of our size and resources is ideally equipped to provide.

To get more projects off the ground, we look at your company not your category.

Our loss control plan makes your project a safety zone.

Call (415) 326-0900 and talk to our president, Michael Crall. He just might get you what a quick once-over won't:

The high sign. Argonaut

Life insurers in Canada irked by tax proposal

By TONY THOMPSON

OTTAWA—Canada's life insurance companies are angry with tax revisions proposed by the Canadian government, which insurers say would raise their tax liabilities more than 300%.

Life insurers are especially critical of the tax increases sought by Finance Minister Michael Wilson to close tax loopholes because the insurers will be hit harder than any other group of financial institutions. Based on government statistics, life insurers are expected to pay 44% of the new corporate taxes to be raised under the 1988-'92 tax reform package, says the Canadian Life & Health Insurance Assn.

The CLHIA says that banks, trust companies, property/casualty insurers and other financial institutions combined will pay only 24% of the new corporate taxes levied during that period.

"While we are prepared to pay our full share of corporate taxes, the present tax reform proposals place an unreasonably heavy load on the life insurance business and its policyholders," says Earl Orser, the CHLIA's chairman.

By 1992, when the tax reform proposals are fully effective, it is estimated that life insurers will pay $710 million Canadian ($539.6 million U.S.) in increased federal tax, compared with from $170 million Canadian ($129.2 million U.S.) in 1988. Banks, trust companies and other financial institutions will have to find an extra $275 million Canadian ($209 million U.S.) for the tax collector, while property/casualty insurers will be responsible for an additional $85 million Canadian ($64.6 million) in taxes.

The CHLIA is lobbying to have the proposed 15% tax on investment income tax deleted.

In the end, the people who will really be hurt by the tax law changes are consumers, Mr. Orser says.

"These changes will upset the financial plans of millions of Canadians," says Mr. Orser. "They (tax reform proposals) will have a retroactive effect on policies already in force.

"While the tax is technically a corporate tax of life insurance companies, in concept and effect it is a tax on policyholders."

The CHLIA in its brief to the government said that "in order to compete (in the new environment) life insurers will need to be able to attract new capital. A disproportionately large tax burden will make this very difficult." ■

MANY PROBLEMS . . . ONE SOLUTION.

No matter how many Workers' Compensation problems you have, Cost Care's Workers' Compensation Case Management System is the only solution you need.

At last there is a **single** comprehensive system designed to:

✔ Mitigate disability and reduce litigation.
✔ Assist in early return to work.
✔ Reduce both medical and indemnity costs.

Cost Care -- the single solution for Workers' Comp Case Management.

COST CARE™

Call:
Burt Feldman, Director
1-800-762-3029 Nationwide

WORKERS' COMPENSATION
CASE MANAGEMENT

Markets

Shand, Morahan & Co. forms consulting division

Underwriting manager Shand, Morahan & Co. Inc. of Evanston, Ill., has launched a new consulting division.

The new division, dubbed ALTIS for Alternative Insurance Services, will assist in the formation of risk retention groups, purchasing groups and captive insurance companies.

Fluctuations in the pricing and availability of insurance have forced many groups to explore new methods of managing risks, said ALTIS President Robert N. Liston.

Among the services offered by ALTIS—on an unbundled basis—include feasibility studies, underwriting, supervision of claims handling and loss prevention programs.

The division specializes in environmental impairment liability coverage and is in the process of launching Environmental Protection Insurance Co., a risk retention group domiciled in Illinois (*BI*, June 22). EPIC is a project launched by Alexander & Alexander Services Inc., which is in the process of selling Shand, Morahan (*BI*, Sept. 28).

ALTIS is also forming Barristers Insurance Co., a risk retention group for lawyers domiciled in Florida.

Neither risk retention group will begin writing business until they develop sufficient capital and surplus, Mr. Liston said.

Other areas of of specialization include architects and engineers liability coverage, medical malpractice and agents errors and omissions.

"The division is complementary to Shand, Morahan," said Mr. Liston, adding that the ALTIS will serve Shand, Morahan clients as well as outside clients.

In 1988, Mr. Liston plans to expand ALTIS' services to include specialized services such as claims handling and claims auditing.

ALTIS currently employs five people, and Mr. Liston says the staff will grow as needed.

One unique aspect of ALTIS, according to Mr. Liston, is that the division acts "an implementor as well as a consultant." In addition, ALTIS clients have access to all of Shand, Morahan's resources including underwriting staff, claims staff and computer services, he said.

For more information contact Mr. Liston or Donald Brayer at ALTIS, Shand, Morahan Plaza, Evanston, Ill. 60201; 312-866-6066.

Marine reinsurance

Marine Office of America Corp., a New York-based subsidiary of Continental Insurance Co., has launched MOAC Reinsurance Management Co.

MOAC Re will underwrite and manage the domestic and international assumed marine and aviation treaty portfolio formerly handled by MOAC for Continental Insurance Co. and Continental units Niagara Fire Insurance Co. and Firemen's Insurance Co. of Newark, N.J.

MOAC Re will write an estimated $55 million in premium in 1987.

James Q. Stevens, formerly vp-assumed treaty reinsurance at MOAC's New York office, has been named president of MOAC Re.

For more information, contact Mr. Stevens at MOAC Re, 180 Maiden Lane, New York, N.Y. 10038; 212-440-3196.

Benefit consultant

Thomas M. Maloof, a former principal at William M. Mercer-Meidinger-Hansen Inc. in New York, has launched his own benefit consulting firm.

The new firm, TMA, specializes in designing benefit programs for small to medium-sized employers. TMA services include consulting on plan design, communication and administration.

For the past six years Mr. Maloof was a principal consultant at

Continued on page 18

THE BEAST OF MANAGING THREE HEALTH PLANS IS NOW IN ONE TAME PACKAGE.

Health care cost management doesn't have to be wild. Because Met Life now offers a traditional fee-for-service option, a PPO option, and an HMO option in one package—The Met Life Multi-Option Health Plan.

Under this new plan, the entire health care package is experience rated. So, young healthy members are in the same plan as those who require more health care.

We even keep extra paperwork down. You pay only one bill, since all employees are under a single contract. And data on the entire plan is always there for you to review.

Find out if The Met Life Multi-Option Health Plan is now available in your city. Call your broker/consultant, Met Life Group Representative or write to Neil Waldron, Metropolitan Life Insurance Company, One Madison Avenue, Area 24W, New York, NY 10010.

GET MET. IT PAYS.

Metropolitan Life
AND AFFILIATED COMPANIES

© 1987 Metropolitan Life Insurance Company, NY, NY

SNOOPY: © 1958 United Feature Syndicate, Inc.

GIVE ANY SIZE GROUP BIG GROUP PENSION PLAN FLEXIBILITY.

LOOK FOR THE PRINCIPAL EDGE.℠

To give you and your employees an edge in the changing world of financial products. That was our goal in designing the most flexible pension investment concept in America today. PENSION PROVIDER from The Principal Financial Group (formerly The Bankers Life®) gives employees in companies of all sizes the big company freedom to choose from a broad range of investment tools, just right for their personal goals.

Retirement dollars can be custom-directed to six investment areas: guaranteed interest, money market, international and domestic common stock, real estate, bonds and mortgages. When an individual retires, the contract allows further flexibility with both annuity income and cash alternatives. And behind each investment stands the expertise of The Principal, a financial services giant which manages $18 billion in assets.

The PENSION PROVIDER is another part of The Principal Edge, the advantages we give Americans throughout 108 years of experience in providing benefit services and products. It's another reason we are now one of America's largest financial services groups. The more things change, the more you can depend on us.®

The Principal Financial Group.
711 High Street, Des Moines, IA 50309

Financial products that give you an edge.

the Principal℠ Financial Group

Markets

Continued from page 16

Mercer and a consultant with A.S. Hansen Inc., which merged with Mercer earlier this year.

TMA is located at 144 Idlewood Drive, Stamford, Conn. 06905; 203-968-2321.

New wholesaler

W.E. Love & Associates Inc., a Burlington, N.C.-based wholesaler specializing in trucking risks, has spun off an affiliate company to handle non-trucking excess and surplus lines insurance.

The new company, Innovative Excess & Surplus Lines Inc. in Burlington, N.C., is managed by Executive Vp Bernard C. Brook. Previously, Mr. Brook served as vp of Seaboard Underwriters Inc. in Burlington.

Innovative Excess & Surplus Lines Inc. is located at 1147 S. Church St., Burlington, N.C. 27216; 919-226-1191.

Insurer licenses

First Central Insurance Co. of Lynbrook, N.Y., has received licenses to operate in Delaware and Pennsylvania.

Formed in 1980, First Central writes—among other lines—commercial multiperil, commercial auto, fire, general liability and workers compensation coverages in New York through 26 managing general agents.

First Central is in the process of selecting MGAs to represent the company in Delaware and Pennsylvania.

According to President Marin J. Simon, the new licenses represent a key step in the insurer's goal to become a major regional insurer.

"We believe our conservative approach to operations and risk underwriting will find as much favor among general agents, independent brokers and their clients in other states as they have in New York," Mr. Martin said.

First Central, which reported a year-end 1986 surplus of $10.4 million, wrote $11.7 million in net premiums last year.

First Central is located at 50 Broadway, Lynbrook, N.Y. 11563.

Principal buys HMO

Principal Health Care of Des Moines, Iowa, has acquired its first health maintenance organization, Personal HealthCare of Omaha, Neb.

Personal HealthCare, an operating division of Group Health Plan Inc. in Minneapolis, provides prepaid health care services to 3,000 people in the Omaha area. More than 160 Omaha-area physicians are members of the Personal HealthCare provider network, which has been in operation since May 1986.

Once the purchase of Personal HealthCare is finalized, the name will be changed to Principal Health Care of Nebraska.

Principal Health Care, a subsidiary of The Principal Financial Group, was formed in January for the development of managed health care systems nationwide.

For more information contact Ken Linde, President, Principal Health Care Inc., 1700 Rockville Pike, Suite 450, Rockville, Md. 20852; 301-881-1033.

Travelers expands

Travelers Preferred-San Francisco, a preferred provider organization, has expanded its health care services to include the North Bay area.

The expanded PPO has been renamed Travelers Preferred-Northern California and includes 28 San Francisco Bay and North Bay area hospitals, a provider network of more than 3,000 physicians, the Patient Advocate utilization review program and the Taking Care wellness program.

For more information contact Director Roland King, Travelers Health Network, 981 Mariner's Island Blvd., Suite 680, San Mateo, Calif. 94404; 415-341-0810.

Name changes

Scottsdale, Ariz.-based **Industrial Claims Services Inc.** has changed its named to **Omega Claims Services Inc.** The name change is part of an overall corporate marketing strategy to increase exposure to new markets, explained President and Chief Executive Officer Richard Ensbury.

Mergers/acquisitions

The Johnson Cos., a benefit and compensation consulting firm in Newtown, Pa., has acquired **Stephen Heartt & Associates**, a compensation consulting company in Boston.

London-based holding company **W.S. Moody Holdings P.L.C.** has acquired 50% of **Pettit-Morry Co.**, a Seattle brokerage.

The **Tillinghast Division** of Towers, Perrin, Forster & Crosby has acquired **LMC & Associates**, a Seattle risk management consultant. Lawrence M. Cooksey, founder and president of LMC & Associates, was elected a vp of Tillinghast and will be based in the firm's Seattle office.

ABI Management Inc. of San Francisco announced that **Frederick Rauh & Co.**, a Cincinnati brokerage, has signed a letter of agreement to be purchased by ABI.

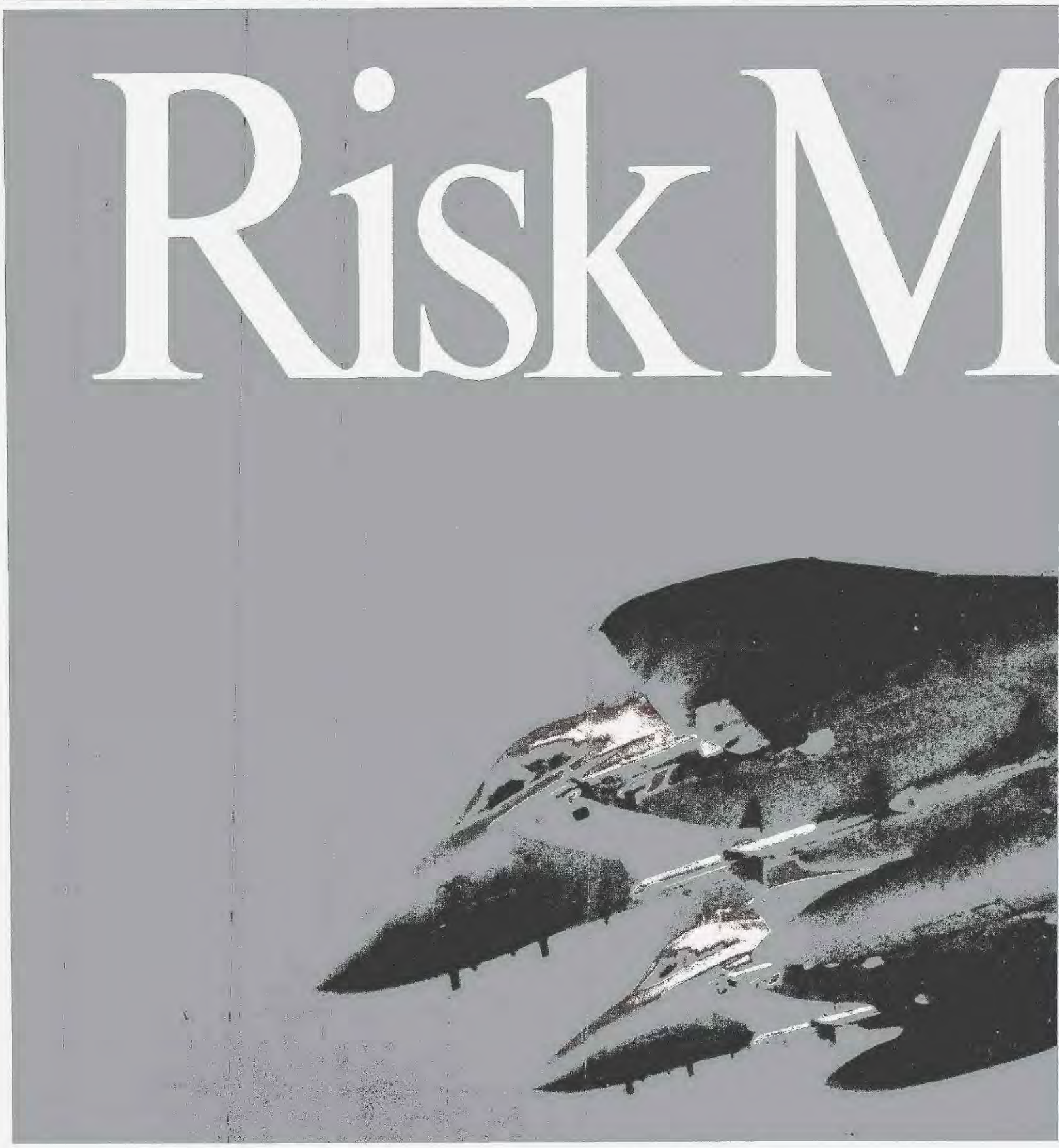
Employers Reinsurance Corp. of Overland Park, Kan., along with **Assurance-Compagniet Baltica Aktieselskab** of Copenhagen, Denmark, have executed a letter of intent to acquire **Baltica-Nordiak Reassurance Selskab A.S.**, also of Copenhagen.

New offices

American Re-Insurance Co. of New York has opened an office in Cairo, Egypt. Gamal Hamza has been appointed manager of the Cairo office.

INRE International (New York) Ltd., international insurance and reinsurance brokers, has opened an office at 117 Beekman St., Suite 3E, New York, N.Y. 10038; 212-349-9222.

Mercantile & General Reinsurance Co. of America has moved its offices to 177 Madison Ave., Morristown, N.J. 07960; 201-898-9480. ■



It's a matter of defense.

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

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

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

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

British probe professional liability woes

By CAROLYN ALDRED and STACY SHAPIRO

London

LONDON—The British government is setting up a series of fact-finding studies to examine the problems that British professionals, like auditors and engineers, face when trying to buy liability insurance.

Francis Maude, corporate and consumer affairs minister, told members of Parliament Oct. 28 that the government has decided to commission "studies into selected professions to establish the nature, scope, extent and implications of the liability problems they face."

The three groups of professions to be studied, according to Mr. Maude, are auditors; architects, consulting engineers and construction surveyors; and other surveyors.

"Over the past year the government has received representations on the liability problems facing the professions. . .and, recognizing that these problems do raise public interest questions, the government has decided to establish the facts," according to a statement from the Department of Trade and Industry.

The studies will "obtain detailed information about recent trends in the availability and cost of professional indemnity insurance. . .and the reasons," the statement continued.

E&O insurer forming

A mutual insurance company being formed to provide errors and omissions liability insurance for Lloyd's of London brokers should be operating early next year.

Reinsurance for the new mutual, which will be called Griffin Insurance Assn. Ltd., should be in place by next year, according to Roger Grover, a partner in Tindall, Riley & Co., which is managing the mutual.

About 35 small to medium brokers currently want to join the mutual, said Mr. Grover.

Griffin Insurance has not yet projected how much capital each broker will need to contribute, pending finalization of reinsurance agreements.

Tindall, Riley has been studying the possibility of forming a mutual insurer to write Lloyd's brokers' E&O risks for about two years because of increasing costs and lack of capacity (*BI*, Dec. 8, 1986).

The mutual will offer aggregate limits of up to 20 million pounds ($34.4 million) for each broker, Mr. Grover said. Initial rates are expected to be in line with the rates that brokers currently are paying, he said.

However, by ensuring high-quality standards among members, the mutual subsequently will be able to keep rates down, he said.

"We are paying particular attention to monitoring of member companies by employing consultants to check brokers' internal quality systems," said Mr. Grover.

For example, all 35 potential mutual members have been sent detailed questionnaires to complete before they are accepted into the program. And, at least six brokers already have been visited by the mutual's consultants, said Mr. Grover.

"I would expect each member to be visited at least once a year once the mutual gets going," he added.

The mutual is receiving advice from management consultant Ernst & Whinney and from Robin Copeland, formerly of Lloyd's of London broker E.W. Payne Ltd.

Rehabilitation plan

A creditors meeting called to vote on a proposed rehabilitation plan for Mediterranean Insurance & Reinsurance Co. Ltd. was adjourned last month because of questions raised by creditors.

London creditors of the reinsurance company were scheduled to vote Oct. 15 whether to approve a "scheme of arrangement" to protect the company from liquidation. However, the plan's managers said they needed more time to consider arrangements because of points raised by creditors prior to the meeting.

A scheme of arrangement is often used to discontinue business and to provide an orderly realization of a company's assets while protecting it from action by creditors (*BI*, May 4).

Such an arrangement has to be formally presented in a constitution that must be approved by creditors owed 75% of the total debt and 50% of the total number

Continued on next page

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

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

Challenge us. You'll find that we respond with innovation and expertise tempered by nearly two centuries of experience.

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

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

Test Our Response Ability.

HARTFORD SPECIALTY
The Insurance People of ITT

GENERAL AGENT (WHOLESALE) TRUCK PROGRAM

Admitted and non-admitted markets available to established GA, MGA and E + S Brokers with established transportation book of business.

Richard D. Slautterback
Chairman
Telex: 80-4319

1-800-647-3769

AMERICAN TRUCK UNDERWRITERS, INC. ®
P.O. Box 105257 Atlanta, GA 30348

© 1987 American Truck Underwriters, Inc. ®
All Rights Reserved

Working Without a Net?

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

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

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

COST CARE™

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

CATASTROPHIC CASE MANAGEMENT

London

Continued from previous page
of creditors.

The plan then must be approved by a British High Court.

The proposed scheme covers Med Re's "London account," which includes both marine and non-marine risks. The amount owed to creditors as of Dec. 31, 1986, totals about 22.5 million pounds ($33.3 million at applicable exchange rates), according to the scheme's managers. In addition, there are disputed claims on the London account totaling 15.8 million pounds ($26.5 million) as of May 31, an explanatory document states.

The managers of the plan will include a director of Med Re, a partner from the London law firm of Holman, Fenwick & Willan and a partner of London-based accounting firm Neville Russell, the document says.

"If the scheme is not entered into, the directors consider that it is almost inevitable that the company will have to go into liquidation," the document says.

Under the proposed scheme of arrangement, a dividend is likely to be paid to creditors earlier than if the company were to be put into liquidation, according to the document. Also, the "total dividend received in a liquidation would probably be smaller than under a scheme of arrangement," it adds.

However, some creditors have criticized the proposal.

"The scheme is a shareholders' protection plan which will pay shareholders in full while the rest of the company's creditors may get something, sometime, maybe," said one creditor.

Med Re was formed in October 1978 and is 50% owned by Libya Insurance Co., the Libyan state-owned insurance company based in Tripoli, and 50% owned by Compagnie Centrale de Reassurance, a reinsurance company owned by the Republic of Algeria in Algiers.

According to the scheme of arrangement proposal, Med Re's London marine account "was of poor quality and it was discovered in the renewal season for 1982 that the underwriter had exceeded his authority, (producing) an exposure on the marine account far greater than ever anticipated."

The company is also involved in several lawsuits arising from its marine business, including litigation against Dutch insurance company N.V. Rotterdamse Assurantiekas of Rotterdam and broker Hogg Robinson & Gardner Mountain (Reinsurance & Non-Marine) Ltd., in which Med Re denies claims of $8 million and 1.5 million pounds ($2.58 million).

In addition, Med Re has been forced to accept "limitation of liability" settlements with its two major retrocessionaires, Arab Insurance Group of Bahrain and Kuwait Reinsurance Co. (*BI,* May 11).

Broker requirements

American-oriented Bell & Clements Ltd. is one of the first Lloyd's of London brokers to be approved by Lloyd's under the market's tighter requirements.

Bell & Clements was formed in 1983 when Reg Bell and John C. Clements resigned as directors of Jardine Glanvill Ltd. to start their own company within Lloyd's brokerage group Benfield, Lovick & Rees (Holdings) Ltd.

The company solely handles U.S. business and specializes in arranging binding authorities for wholesale intermediaries, according to Mr. Clements, chairman.

Although Lloyd's has not finalized its new broker regulations, Lloyd's has implemented more stringent controls concerning the approval of Lloyd's brokers.

Bell & Clements can be reached at Chesterfield House, 26-28 Fenchurch St., London, EC3M 3DQ England; 01-283-4067.

Irish National

Irish National Insurance P.L.C. stopped underwriting in London in September to consolidate its operations with its ultimate parent company, L'Union des Assurances de Paris, said an Irish National spokesman in Dublin.

Irish National's business has been redirected to U.A.P.'s London office although Irish National will handle its own runoff, he said.

Lloyd's election

Lloyd's of London's annual elections usually are quiet occasions,

Continued on page 22

"Our business depends on fast, accurate exchange of information, and Pitney Bowes facsimile gets the message across at substantial savings."

"In the business of specialty insurance broking...particularly aviation broking...we need answers fast. And they must be absolutely accurate! There's no room at all for error! Our Pitney Bowes fax is exceptionally fast and the quality of the copy is superb. So when we get an insurance quote from our Lloyd's Brokers, we get it in seconds...exactly as they sent it.

"Using a Pitney Bowes facsimile has saved us money on overseas telephone calls, telex and couriers. I don't know how the insurance industry ever got by without this desk-top communications wonder.

"Pitney Bowes fax has given us a competitive edge in a very competitive industry. They've given us an excellent machine and they back it with superior service. They've got thousands of knowledgeable representatives and hundreds of service centers all across the country!"

Pitney Bowes fax provides an important link between your home office and branch offices for the quick exchange of policy information, claim procedures, cash receipt records, new applications, and claim reports. And fax will give you a communications bond between the insurance company and banks or brokerage houses, and between internal departments and the main computer centers.

Excellent rental or leasing terms are available. For complete information about Pitney Bowes facsimile systems, the systems backed by 4,000 trained representatives in 700 locations, simply call...
1-800-MR. BOWES, Ext. 881.
Or write to Pitney Bowes Facsimile, Stamford, CT 06926-0700.

Robin Skevington, President, Skevington & Company, Limited, Insurance Brokers, San Francisco, California.

Pitney Bowes

More than 100 of America's most progressive companies have made an EPIC decision.

Founders Council

Neil M. Bowie*
President
Bowie-Sims-Prange

Burton Carbino*
Vice President
Ogden Corporation

John A. DePaul*
Vice President
RSR Corporation

Bradley E. Dillon*
Associate General Counsel
American Ecology Corporation

Gerald Z. Dubinski*
President
Standard Industries

Kenneth W. Ferguson*
Treasurer
Denka Chemical Corporation

Thomas G. Gallant*
Vice President
& General Counsel
Underwood Industries

James P. Hukill*
Vice President
Hukill Chemical Corporation

Donald E. McQueen*
President
M&J Solvents Company

Carol Nist*
Risk Manager
Marion Laboratories

Kenneth Norris*
Corporate Counsel
ERT, Inc.

Dennis R. O'Meara*
President
Omega Recovery Services

David P. Peterson*
President
KDM Company

Ben S. Stiff*
Risk Manager
Lone Star Technologies

Sue E. Shultz*
Risk Manager
Gary-Williams Oil Producer

Clayton Young*
Manager,
Insurance Finance Controls
ITT Corporation

Regional Advisory Committees

Roy Agnew
Insurance Manager
Gelco Truck Leasing

Myrna Fallon
Director of Corporate Risk Insurance
The TORO Company

Richard L. Gardner
Treasurer
General Chemical Corporation

Joseph Halcorz
President
Ecco Incorporated

Judson W. Hanna, Sr.
Assistant Vice President
Reliable Production Service, Inc.

Robert G. Kastner
Vice President
S.B. Foot Tanning Company

Kenneth Neu
Treasurer
McLaughlin Gormley King Company

*Also on Regional Advisory Committee

America's leading businesses have taken steps to respond to the potential hazards of pollution. Their solution is EPIC.

EPIC is structured as a permanent facility to provide a broad base of environmental liability coverage.

Of the more than 100 companies that have signed up to date, 14 companies have sales in excess of $1 billion; 15 have sales under $10 million.

These companies represent a cross-section of America's businesses that are concerned about environmental impairment.

Common Pollution Exposures:

- Manufacturing
- Schools
- Textiles
- Aircraft
- Paper
- Pharmaceutical
- Oil Refining
- Public Utilities
- Auto Rental
- Gasoline Distribution
- Municipalities
- Banks
- Hospitals
- Waste Treatment

Coverage:

$5 million primary or excess

For more information about EPIC, contact your insurance broker/agent or:

Mr. Chuck North
Shand, Morahan & Co. Inc.
Shand Morahan Plaza
Evanston, Illinois 60201
(312) 866-2800

EPIC

THE SOLUTION YOU CONTROL

Environmental Protection Insurance Company

Risk Retention Group

PRIMARY CGL COVERAGE
FOR
ELEVATOR CONTRACTING RISKS

- Occurrence Form
- Broad Form CGL Endorsement
- $1,000,000. CSL Limit
- Admitted Carrier
  A+ XV Rating

Captive Planners, Inc.
12520 Prosperity Drive
Suite 310
Silver Spring, Maryland 20904
(301) 622-5905

London

Continued from page 20

but this year's balloting has created a stir.

Lloyd's members had until last Wednesday to mail their ballots for Council of Lloyd's vacancies to be filled by three working members and two non-working members. Ballots will be counted Nov. 18.

On Oct. 5, Lloyd's announced that 12 candidates would be running for the two non-working Lloyd's member Council vacancies, including Phil C. Gallagher, president of broker Gallagher-Cole Associates in Miami, and Mary Doreen Archer, the wife of British novelist Jeffrey Archer.

Seven days later, however, William Robert Ashley Birch Reynardson withdrew his nomination. Newspapers had discovered that Mr. Reynardson's nomination form had been signed by his friend Robin Leigh Pemberton, governor of the Bank of England.

Other external member nominees thought this was unfair advantage on Mr. Reynardson's part since the governor of the bank of England already nominates four non-Lloyd's members to the Council, including Lloyd's chief executive, noted a Lloyd's spokesman.

Six members who work in the market are running for the three working members' vacancies. The candidates include Lloyd's Senior Deputy Chairman Murray Lawrence, who may become Lloyd's chairman next year; David Coleridge, chairman of Sturge Holdings P.L.C.; Carel Mosselmans, chairman of Sedgwick Group P.L.C.; John Heynes, partner of John Heynes & Co.; Anthony Hines, director of Crowe Underwriting Agency Ltd.; and Michael John Wade, chairman of Holman Wade Ltd.

River Thames

Lloyd's of London broker Sedgwick Group P.L.C. has transferred majority ownership in its underwriting subsidiary, River Thames Insurance Co. Ltd., to Transamerica Insurance Co.

Transamerica Insurance, the property/casualty insurance subsidiary of Transamerica Corp., is paying 14.75 million pounds ($25.4 million) for new shares in River Thames, giving it a 51% shareholding in the company.

London-based River Thames transacts insurance and reinsurance business in all lines except life and automobile insurance.

"The increase in the capital base of RTI is an important step in assisting it to maintain and develop its business within the London market. The subscription by TIC will enable (RTI) to achieve this objective without increasing Sedgwick's financial commitment to insurance underwriting," said a statement from Sedgwick.

Transamerica acquired a 39% equity interest in Sedgwick in 1985 when it sold Fred S. James & Co. Inc. to Sedgwick.

Comings & goings

Bryan Wakeham has resigned as deputy chairman and director of Leslie & Godwin Marine Ltd. but is continuing as a director of holding company Leslie & Godwin Ltd.

Robert Spender has been appointed a director of Halford Shead & Co. Ltd., a subsidiary of Alexander Howden Group Ltd. Halford Shead is a Lloyd's of London broker, specializing in jewelers block, precious metals, bullion and fine art insurance. Mr. Spender was with Derek Bryant Insurance Brokers Ltd.

David Cooper, Jerome Duncanson, Stanley Hayday, Richard Lacy, John Prince and **Robert Verner-Jeffreys** have been appointed directors of C.T. Bowring Reinsurance Ltd. **John Esdaile, Robert Fenn, Farouk Ismail, David Kelly, Philip Norman, Barry Prince** and **Tim Pring** have been appointed directors of C.T. Bowring & Co. (Insurance) Ltd. **John Hyde** has been appointed an executive director of Bowring Marine & Energy Insurance Brokers Ltd. **Peter Viccars** has been appointed an executive director of Bowring Aviation Ltd.

Edward Benfield and **Colin Campbell** have been appointed executive directors of Bain Clarkson Ltd.'s London market excess-of-loss reinsurance division.

Ken Bilby and **John Allen** have been appointed directors of Hogg Robinson (Non-Marine Reinsurance Brokers) Ltd. and will be responsible for developing North American reinsurance business. ■

Wherever it's going, however it's going...

...see McGEE first.

WM. H. McGEE & CO., INC. SINCE 1887 UNDERWRITING MANAGERS

Atlanta • Baltimore • Boston • Chicago • Clifton • Columbus
Dallas • Detroit • Hamilton, Bermuda • Houston • Los Angeles
New Orleans • New York Regional • Philadelphia • Pittsburgh
San Francisco • Seattle • Syracuse • Toronto • Vancouver
Correspondents throughout the world

WORLDWIDE INSURANCE COVERAGE FROM
wm. H. McGEE & CO., INC.
UNDERWRITING MANAGERS SINCE 1887
Four World Trade Center, New York, N.Y. 10048
Telephone: 212-775-1300 • Telex: 12-9249 • Fax: 212-524-6805
Our Centennial Year 100

Unisys appoints McMullen director of risk management

Comings & goings: buyers

James G. McMullen, 38, has been named director of risk management at Unisys Corp. in Blue Bell, Pa. In this position he oversees the computer and information processing company's property/casualty insurance and management of its captive insurer. He replaces **Kenneth Hoffman**, who joined the University of Pennsylvania as director of risk management, and reports to Peter S. Knoll, Unisys' assistant treasurer. Mr. McMullen previously was director of risk management and loss prevention at The Lubrizol Corp. in Wickliffe, Ohio. He holds a bachelor of science degree in business administration from West Virginia University in Morgantown.

* * *

Michael J. Norcia, 38, has been named director of risk management at The Great Atlantic & Pacific Tea Co. Inc. in Montvale, N.J. In this position he is responsible for risk, insurance, safety and claims management activities for A&P. He replaces **Louis Cappello**, who left A&P, and reports to Nina Dinell, corporate treasurer. Mr. Norcia previously served as credit manager for M&M/Mars in Hackettstown, N.J., and was risk director for Caldor Inc., a department store chain based in Norwalk, Conn. He holds a bachelor of arts degree in finance from Fordham University in the Bronx, N.Y., and a master of business administration degree in finance from Rutgers University in New Brunswick, N.J.

* * *

Kenneth E. Brockman, 37, has ben named manager of risk and insurance at Western Union Corp. in Upper Saddle River, N.J. In this position he will manage the telecommunications company's property/casualty insurance programs, as well as its claims, risk management information and fire protection systems. He replaces **John H. Carter III**, who left the company, and reports to Raymond J. Devine, Western Union's senior director-risk management and insurance. Prior to joining Western Union, Mr. Brockman was a claims representative with Alexander & Alexander of New York Inc. He holds a bachelor of science degree in commerce and finance from Wilkes College in Wilkes Barre, Pa.

* * *

Jane A. Keegan, 37, has been named insurance administrator for the Port of Oakland, Calif. In this position she oversees administration of risk transfer, loss control and property/casualty insurance programs for maritime, aviation and real estate activities. She reports to Renee C. Benjamin, risk manager of the port. Previously, Ms. Keegan has worked for retail brokers in San Francisco for 12 years. She holds a bachelor of arts degree from the State University of New York at Potsdam and a master of business administration degree in risk management and insurance from Golden Gate University in San Francisco.

Ms. Keegan

* * *

Angela I. Counsman, 24, has been named risk management analyst at First of America Bank Corp. in Clawson, Mich. In this newly created position she will handle broker coordination and property/casualty insurance files. She will assist and report to Edward G. Weiss, the company's director of risk management and security. Prior to joining First of America, Ms. Counsman served as a paralegal with the Detroit law firm of Kerr Russell & Weber. She holds a bachelor of arts degree from Hillsdale College in Hillsdale, Mich.

•

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Paul D. Winston, Assistant Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.

Architects and Engineers Program

New capacity to $2,000,000!
Including accounts with fees up to $50,000,000
Call or Write Donald D. Preston

PETCO INSURANCE BROKERS, INC.
P.O. Box 2740 Novato, CA 94948 415/897-4666
Telex 171-806 Fax 415-898-2434

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

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

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

A 3-step plan to control workers compensation expenses.

1. The Preferred Provider Network consists of selected hospitals, physicians and other medical care providers who offer their services at reduced rates in exchange for participation in the Network. The result—injured workers receive quality care at affordable prices.

2. Industrial's special Audit Program provides thorough screening of all bills, protecting employers from invalid charges.

3. Hospital Utilization Review evaluates non-emergency admissions and excessive lengths of stay, so needless hospitalization is identified and prevented.

Lower expenses mean lower costs.

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

Industrial Indemnity, working closely with a select group of independent agents and brokers. not only helps prevent injuries, but also provides control over medical costs after they occur.

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

Industrial Indemnity

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

Barton gets post at Jardine Emett & Chandler

John Barton has been named president and chief executive officer of Jardine Emett & Chandler Inc., the ninth-largest U.S. broker and the U.S. insurance brokerage arm of Jardine Matheson Holdings Ltd. of Hong Kong.

Mr. Barton will retain his responsibilities as group chief executive of Jardine's international brokerage holding company, Jardine Insurance Brokers Group. Mr. Barton has been with Jardine Matheson for 15 years. He was named chief financial officer of JIB in 1981 and group chief executive in 1984.

Mr. Barton succeeds **Harold R. Talbot Jr.**, who has been appointed to the newly created position of deputy chairman of Jardine Emett & Chandler.

According to Richard A. Archer, chairman of Jardine Emett & Chandler, Mr. Talbot, who has been president and chief executive officer for three years, will now act as a consultant to Mr. Barton.

"Management at Jardine Matheson chose to expand the duties of Mr. Barton," said Mr. Archer, explaining the changes.

In addition, George W. Brown has been named chief operating officer of Jardine Emett & Chandler. Mr. Brown will continue to serve as executive vp.

Other agent/broker changes:

James F. Murphy named managing vp in the Los Angeles office of Alexander & Alexander Inc. Previously, Mr. Murphy was managing vp of the San Jose, Calif., office. **John J. Smrekar** will take over in that position. Previously, Mr. Smrekar was deputy managing vp in San Jose.

Thomas N. Pappas elected senior vp-national sales and marketing at Johnson & Higgins in Philadelphia. Mr. Pappas joined J&H as a vp in Philadelphia in 1982, after J&H acquired Winklevoss & Associates, an actuarial and consulting firm in that city. Mr. Pappas was vp and principal in the sales and marketing department at Winklevoss.

Mr. Pappas

At J&H in Costa Mesa, Calif., **Richard E. Valliere** elected senior vp and branch manager. Previously, Mr. Valliere was manager of the J&H Los Angeles sales department.

Mr. Valliere

Akira "Ike" Nakamura joined Jardine Emett & Chandler Inc. in San Francisco as senior vp.

William Eben Wilson appointed manager of the marine division at Fred S. James & Co. of New York Inc. Mr. Wilson joined James in 1986 as senior vp and manager of the hull department.

Also at James, **Mark A. Schumacher** appointed vp and manager of the cargo department. Most recently he was assistant manager-marine cargo at Corroon & Black Co. of New York.

Bradley N. Wright appointed vp at Winthrop Insurance Plans in San Francisco. Prior to joining Winthrop, Mr. Wright was bond manager for Cleverdon & Co., another Bay-area broker.

James R. Linley joined the California Hospitals Affiliated Insurance Services Inc. in Sacramento as senior vp. Mr. Linley is responsible for marketing and sales of the CHAIS-sponsored programs, with particular emphasis on professional liability and workers compensation insurance. Previously, Mr. Linley was with the health care division of Alexander & Alexander Inc. in Los Angeles.

Mr. Lewis

Also at CHAIS, **Thomas M. Jonker** promoted to senior vp from vp. Mr. Jonker has been with the company since 1983.

Gary N. Lewis joined Putnam, Knudsen & Wieking Inc. ar. Oakland, Calif.-based brokerage as chief operating officer. Previously, Mr. Lewis was chief financial officer of Mason-McDuffie Insurance Services in Pleasant Hills, Calif.

William J. McCarthy joined the Seed-Roberts Agency Inc. in Birmingham, Mich., as vp. Previously, Mr. McCarthy was a senior vp at Fred S. James & Co. in Troy, Mich.

Insurers

Kenneth Fujino has been elected president and chief operating officer at Fairmont Insurance Co. in Burbank, Calif. Mr. Fujino succeeds **Joseph G. Havlick**, founder of the 10-year-old workers compensation insurer, who has left the company. Mr. Fujino joined Fairmont as executive vp last April. Prior to that, he spent 22 years with Fireman's Fund Insurance Cos., most recently as senior vp-commercial insurance.

Melvin B. Bradshaw has retired as chairman of Liberty Mutual Insurance Co. and Liberty Mutual Fire Insurance Co. in Boston. Mr. Bradshaw, who will be 65 this month, was elected honorary chairman of board at both companies and will continue as a director of both companies. Mr. Bradshaw joined Liberty Mutual in 1949, and was named president in 1974. He became chief executive officer in 1979 and chairman of the board in 1981. **Gary L. Countryman**, president and chief executive officer, will serve as interim chairman until a successor is named.

David C. Woodward, president of Reliance Insurance Co., also named president and chief executive officer of United Pacific Insurance Co., a wholly owned subsidiary of Reliance in Federal Way, Wash. Mr. Woodward succeeds **Harry L. Richter** who resigned.

Mr. Woodward

Gordon E. Grant has been elected president and chief executive officer of Beaver Insurance Co. in San Francisco. Previously, Mr. Grant was executive vp and chief

Continued on next page

American business has one word for the way we handle claims:

Continued from previous page
operating officer. Mr. Grant succeeds **William T. Waste**, who will continue as vice chairman.

R. Fred Richardson has resigned as president and chief operating officer of the life insurance division of Hartford Insurance Group in Hartford, Conn. Mr. Richardson's resignation becomes effective Dec. 31. A successor has not been named.

James H. Baum named senior vp of the group department of American Heritage Life Insurance Co. in Jacksonville, Fla. Mr. Baum joined the company in January as vp and group actuary.

Maynard Axtell appointed president and chief operating officer of National Travelers Life Co. in Des Moines, Iowa. Previously, Mr. Axtell was a partner and manager of the tax division. Mr. Axtell succeeds **Paul Seltz**, who became chairman and chief executive officer of the company.

Richard R. Savage appointed vp-government and industry affairs for The Home Insurance Co. of Indiana and The Home Insurance Co. of Illinois, as well as The Home Indemnity Co. Mr. Savage will retain his current position as vp for the parent company, The Home Insurance Co. of New York. Prior to joining the Home, he was executive vp responsible for planning and implementing key programs at the Insurance Services Office Inc.

Martin Bondy appointed senior vp of The Home Indemnity Co., a subsidiary of The Home Insurance Co. in New York. Mr. Bondy will retain his current position as senior vp at the parent company. Mr. Bondy joined The Home after a 22-year career with Crum & Forster Inc., where he created the actuarial operation and most recently served as senior vp-corporate actuarial at Crum & Forster.

Philip A. Stephens appointed vp and manager of the surety division of SAFECO Insurance Co. of America in Seattle. Mr. Stephens, who joined SAFECO in St. Louis, Mo., in 1958, was named assistant vp and contract manager of the Seattle office in 1980. In 1981, he was named contract director.

At St. Paul Fire & Marine Insurance Co., **Gregg L. Hanson** named vp and general manager of the Milwaukee Service Center, **John Kiernon Jr.** named vp and general manager of the Nashville, Tenn., Service Center, and **Carmel Machado** named vp and general manager of the Birmingham, Ala., Service Center.

Mr. Coyne

Frank J. Coyne named executive vp of General Accident Insurance Group in Philadelphia. Mr. Coyne has been a senior vp and general counsel for the company since 1985.

Christophe Bellinger joined American International Group Inc.'s political risk unit in New York as a vp. Previously, Mr. Bellinger was a manager at Overseas Private Investment Corp. in New York.

Excess/surplus

Raymond L. Karnofski joined Cravens & Co. in Seattle as vp. Most recently Mr. Karnofski was president of CIGNA Corp.'s excess/surplus division in San Francisco.

Reinsurance

Frederic C. Cooper III elected vp of Constitution Reinsurance Corp. in New York. Mr. Cooper will continue to manage the company's Los Angeles branch office. Mr. Cooper, previously assistant vp, remains responsible for Constitution's western casualty facultative operation.

At Intere Intermediaries Inc. in New York, **Edward S. Rankin, John H. Burridge** and **E. Lee Bachelor** elected vps. Mr. Rankin has been with the Atlanta branch office since 1984 and handles the accident and health reinsurance program. Mr. Burridge joined the Chicago branch as a reinsurance broker. Mr. Bachelor has been a reinsurance broker in the Dallas branch since 1986.

Also at Intere, **Michael V. Levin** promoted to resident vp from assistant vp in the San Francisco office and **Timothy D. Walters** promoted to resident vp from assistant vp in the Atlanta office.

Other suppliers

Paul D. Kersting joined the Atlanta office of Buck Consultants Inc. as a benefit consultant and director in group services. Previously, Mr. Kersting was director of marketing for the southeast region at Prudential Insurance Co. in Atlanta.

Mr. Kersting

Wayne Morgan elected senior vp at captive manager Johnson & Higgins (Bermuda) Ltd. Mr. Morgan joined the company in 1980 as vp in the Bermuda office. Previously, he was assistant accountant general for the government of Bermuda.

Linda P. Holleman and **K. Randell Jones** named managers at Booke & Co. in Winston-Salem, N.C. Ms. Holleman, senior vp and consultant, will head the corporate defined contribution division. Mr. Jones, a vp, will manage the communication division.

Ms. Holleman

Mr. Jones

Also at Booke & Co., **G. Anthony Andrews, Nancy E. Brawley, Susan W. Roediger** and **James A. Yates III** promoted to vps. Mr. Andrews is a technical consultant and has been with the company since 1985. Ms. Brawley, who has been with Booke since 1976, will work as a consultant in the corporate defined contribution area. Ms. Roediger is an operations manager in the defined contribution trust operations area. Mr. Yates is a technical consultant and has been with Booke since 1985.

Wendy A. Johnson joined the risk management consulting staff of The Wyatt Co. in the San Francisco office.

Steven T. Barnett joined the The Alexander Consulting Group as a vp-international practice development in the Vienna, Va., office.

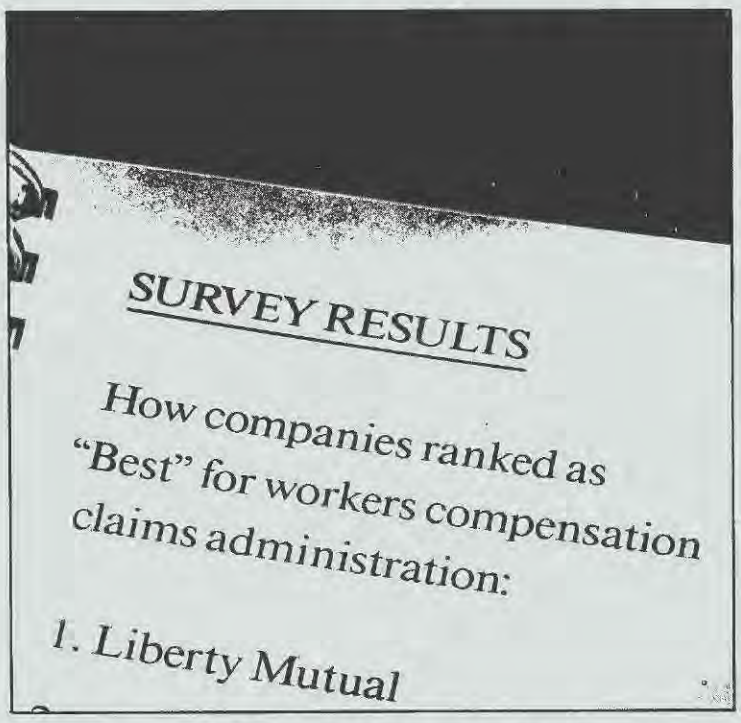
At Johnson & Higgins in New York, **Robert H. Braddick** elected vp. Mr. Braddick is a senior consultant in the New York employee benefits department. Previously, Mr. Braddick was assistant vp.

Mr. Martin

Also in the employee benefits division of J&H, **James I. Martin** elected vp. Previously, Mr. Martin was assistant vp.

Frederick A. Kolish appointed a partner at Louis A. Hellming Co., a Cincinnati-based insurance consultant. Previously, Mr. Kolish served as secretary at The Cincinnati Insurance Co. ■

Best.



In a recent national survey, more CFO's and Risk Managers rated Liberty Mutual *best* for workers compensation "claims administration" than the next two insurers *combined*.

As the largest provider of workers compensation coverage to American business, we like to think that our size is a result of our quality. A result of bringing all our experience and expertise to bear in lowering the final cost of this vital form of insurance.

Long before the term "cost containment" was coined, Liberty's Medical Advisors and Rehabilitation Nurses were doing just that. Comprehensive reviews and active management of the cases of seriously disabled workers have shortened recovery times for thousands of injured workers. And lowered the final cost of workers compensation coverage for their employers.

For 75 years, America has believed in Liberty Mutual. Because Liberty Mutual has always believed that better service to our policyholders is simply better business for us.

Results reported here are from an independent telephone survey conducted among a systematic sample of 300 respondents in selected industries.

AMERICA BELIEVES IN LIBERTY MUTUAL INSURANCE

LIBERTY MUTUAL®

75th ANNIVERSARY–1987

© Liberty Mutual Insurance Group/Boston

In 1913, when Notre Dame made football history, Allend

Notre Dame at Army. Few thought the Irish had a fighting chance. But that was before Notre Dame unleashed its secret weapon— the forward pass. In the game's last half, quarterback Gus Dorais and star receiver Knute Rockne dazzled the crowd. Thirteen times Dorais put the ball in the air for ten completions. And when Notre Dame engineered its historic 35-13 triumph over Army, Allendale's engineers had been leading a winning team for eight decades.

In a changing world where events like this shape history, this is our way of reminding you of one progressive, stable company that's been in business since 1835.

Today at Allendale, we continue to shape the history of loss control with engineering, training, research and testing, responsiveness

ıle had been tackling loss control problems for 78 years.

and fairness in the way we do business.

Throughout the years we've been more than an ordinary insurance company. Commitment to our insureds goes well beyond the property coverages we provide.

After a century and a half, that part of our philosophy is not about to change.

For a free 22" x 12" reproduction of the illustration, write on your company stationery to Michael C. McIntyre, Allendale Insurance, P.O. Box 7500, Johnston, Rhode Island 02919.

Allendale Insurance/Factory Mutual System
Over 150 years of progress and stability.

Political risks

Many misconceptions exist despite demand for coverage

By Jerome Karter

IN GENERAL, much of the coverage concerning political risk insurance belies the product's true practicality and applicability. Clearly, both political risk and export credit insurance have had difficulty in finding their proper niche in the U.S. multinational management network.

Why?

To begin, the real worth of the political risk and export credit insurance marketplace frequently is diminished by ongoing concern about the availability, continuity and pricing of coverage. These concerns lead some potential buyers to put off their purchase of political risk insurance for several years at a time.

On the other hand, many U.S. multinationals regularly review their political risk coverage needs and buy insurance accordingly. However, these same U.S. multinationals often diffuse risk management objectives by allowing their special project, sales or finance department to place insurance directly on a particular foreign trade investment, transaction or financial interest.

Actually, most U.S. multinationals purchase some form of political risk coverage. In fact, the Overseas Private Investment Corp.'s annual report lists a large number of Fortune 500 companies among its current client base. Further, the annual report of the Export-Import Bank and its affiliate, the Foreign Credit Insurance Assn., ascribes significant premium volume to U.S. export trade and sales transactions.

But while U.S. multinationals buy a convincing amount of political risk coverage domestically, our Japanese, British and European counterparts carry a weightier presence in the worldwide marketplace. European and Japanese exporters commonly link their trading schemes with the financial protection afforded by political risk and export credit insurance products. As a rule, European manufacturers also will blend political risk or export credit insurance into their project financing agreements—even when expected profit margins are low.

In Japan, the Ministry of International Trade and Industry controls the state political risk facility. But the size and number of Japanese firms that buy political risk products frequently exhaust MITI's capacity. As a result, many large Japanese multinationals and trading houses supplement their MITI placements with coverage purchased in the worldwide commercial market.

Yet, despite a growing trend toward insuring political risk and export credit exposures, some misconceptions still occur. Thus, before a big political risk or export credit loss ranks as one of your corporation's largest liabilities, let's look at the key points in support of a worldwide program.

Contrary to belief, most "shelf" political risk or export credit products are rarely used. Instead, a properly developed policy requires a careful review of the foreign contract or investment to ensure the practicality of covering the risk. Moreover, each policy should be designed to coordinate with the corporation's schedule of payments, performance or investment terms.

Once purchased, political risk policies require ongoing administration, but their terms can be adjusted to facilitate changes and alterations in a specific project.

Coverages fall into two distinct categories:

- "Political risks," or confiscations, expropriation and nationalization; contract frustration; currency inconvertibility; and land-based war.
- Export credit risks," or commercial insolvency exposures and non-payment due to political circumstances.

International issues

As stated, standard policy forms are always available, but manuscript wording is usually more suitable to a policyholder's particular needs. For this reason, one policy is generally used to insure multiple risks, such as contract frustration, import/export embargo and currency inconvertibility.

Despite data to the contrary, there is a healthy level of available political risk capacity in the world market. True, capacity levels are lower than five years ago, but many U.S. multinationals still are obtaining adequate exposure limits on either an individual or worldwide coverage basis.

A pitfall to avoid is overinsuring. Remember that proper risk analysis has a direct bearing on both the cost of coverage and the ability to structure practical, realistic policy terms.

In any event, determining the right amount of coverage can affect its availability. For example, some U.S. multinationals develop their currency inconvertibility limits on a blanket basis rather than an actual per-country basis. But "megalimits" are neither commonly available nor needed on a strict per-country basis. Instead, U.S. multinationals can obtain available capacity at more competitive pricing when coverage limits are reduced to reflect the actual exposure.

All too often, U.S. multinationals exhibit a lack of confidence in the continuity of the political risk marketplace. Over and over the question is asked: "Why purchase coverage if it will be canceled as soon as trouble develops overseas?"

For many reasons, the political risk marketplace has never borne out this legitimate fear.

First, a political risk policy is non-cancelable for the term of coverage bound with the insurer.

Second, political risk underwriters are exacting in their commitment to an ongoing product.

Third, the insurer is protected by policy terms that enjoin the policyholder from provoking a situation that can lead to or compound a loss. Thus, with careful administration on the part of both the policyholder and the insurer, a political risk program can contemplate likely changes in foreign political and social environments.

After all, political risk insurance is designed to provide ongoing protection and, historically, insurers have been doing so. Indeed, an insurer is likely to renew an existing policy, even after trouble flares up and the marketplace is closed to new submissions.

"Suspense" buyers do a disservice to themselves when they fail to approach the marketplace on an ongoing basis. Indeed, risks that are potential candidates for coverage should be regularly underwritten for a general indication. It is not a time-consuming exercise, but it is one that helps to establish a multinational's identity in this specialized marketplace.

More importantly, political risk underwriters do not maintain a secret blacklist. In fact, there are relatively few countries that are uninsurable: only those under U.S. government restrictions. For example, political risk insurance is not available in North Korea because American firms are precluded from normal commercial activities in that country.

Yet today, coverage continues to be placed for countries with political or economic problems like South Korea, Iraq, South Africa, Brazil and the Philippines. Indeed, most of the world is "open" for political risk or export credit insurance on both investments and trade. Generally, underwriting submissions will be viewed in the context of the particular type of per-country business that is transacted.

Just as a political risk program should respond to a multinational's specific foreign exposures, the insurance policy should creatively address the risks at hand. For this reason, political risk and export credit policies are specially designed for counter-trade transactions, debt-to-equity swaps, pre-export finance, export credit programs for foreign sales corporations and the potential business interruption risk that results from political circumstances.

Today more than ever, American manufacturing firms potentially face contingent liability for political risk, especially with the growth of "maquiladores" or the Mexican free-trade border zones. Just as most U.S. multinationals insure the contingent business interruption exposure that can arise from fire or an allied peril, the equally serious threat of contingent business interruption that results from a change in the local political or financial climate also should be addressed.

It is possible, in the current political risk market, to structure a program that establishes an aggregate limit equal to a U.S. multinational's bad-debt reserves with a deductible that corresponds to the corporation's annual bad-debt write-off.

In addition, the program can contemplate both domestic and foreign credit risks as well as export credit exposures. The insurance product effectively parallels the function of a "guarantee," thereby enabling the corporation to release a portion of its bad-debt reserves. This risk transfer technique can reduce corporate operating expenses measurably.

The creative approaches addressed above are, needless to say, dependent on the markets that are underwriting the risk, just as capacity is dependent on the underwriter.

Lloyd's of London and AIG Political Risk Inc. continue as consistent capacity sources.

Lloyd's provides capacity of approximately $50 million on a per-country basis but can write more than $75 million per-country when it access the line-slip facilities available through various brokers.

AIG provides capacity in the range of $20 million per country depending on the coverage provided.

In addition, several other facilities with excellent security ratings can provide lower limits of political risk coverage.

OPIC also continues to be a sound provider of government-backed confiscation insurance for U.S. multinationals. And political risk markets are more and more willing to co-insure, even with OPIC. In fact, special endorsement wording for subrogation and recovery rights has been designed to ease the application of coverage at the time of a claim.

In the export credit area, AIG Political Risk and the Foreign Credit Insurance Assn. continue as the major U.S. coverage providers. AIG's export credit capacity ranges up to $7.5 million per buyer, with a $25 million overall policy limit. FCIA can entertain the same limit, which rises significantly with extended Eximbank backing of the transaction.

In conclusion, political risk products are an important element in your multinational's international insurance program. The subject is complicated but, when viewed in its proper context, political risk insurance can be both highly practical and cost-competitive.

Jerome Karter is senior vp and manager of the New York International Department of Johnson & Higgins. His column appears the first Monday of every month.

ASK A BENEFIT MANAGER

Employers ask more from HMO contracts

Q **What is managed health care? Also, what do you think the future is for managed care?**

A This question is one that I first discussed in my last column (*BI,* Sept. 14). In that column, I discussed managed health care systems and their future. In this column, I will briefly review the history, types and current status of health maintenance organizations.

The federal HMO Act was signed in 1973 with the long-term objectives of improving the health care delivery system and better controlling costs. The government believed that making prepayments to physicians was the way to better control health care costs and utilization.

There were few HMOs operating in the early 1970s. The HMO Act provided start-up capital for new HMOs that met certain qualifications and the growth of HMOs began.

During the late 1970s, HMO growth leveled off as many of the newer HMOs began to have financial difficulties. With costs increasing and a declining membership, a number of HMOs failed.

The 1980s brought additional interest in HMOs as medical inflation and medical cost increases were reaching an all-time high, and employers and employees were feeling cost pressures.

Because of these pressures, the HMO industry had significant growth throughout the country. In 1982, there were 265 HMOs with an enrollment of 10.8 million. By the end of 1985, the number of HMOs had increased to 480 with an enrollment of 180 million members.

The federal HMO Act applies to employers subject to the minimum wage laws (under the Fair Labor Standards Act of 1938), and to state and local governments. Before a federally qualified HMO can "activate," or require an employer to offer the HMO option, these conditions must exist:

- The company must offer a health care plan and be making contributions.
- There must be at least 25 employees living in the HMO area.
- The HMO must contact the company and formally request (activate) to be included as an alternative option (dual choice) within the health care plan.

Generally, HMOs operate separately from indemnity plans and when an employee elects an HMO he or she agrees to use the HMO physician network exclusively.

The federal regulations require employers to calculate the cost of the indemnity plan as the basis for determining how much is to be paid to the HMO for their employees that choose coverage through an HMO.

An HMO is a managed care delivery system that provides comprehensive health care services on a prepaid capitated basis. HMOs fall into these categories:

- Group/staff models. This is a clinic model where physicians are either salaried or contract with the HMO.
- Individual Practice Association model. IPAs contract with individual physicians on a capitated basis to provide services. Physicians share some of the risks for specialists and hospitalization on a withhold basis.

The early HMOs were mostly community rated and not-for-profit organizations created by the HMO Act, but the newer HMOs being developed by the mid-1980s were for-profit organizations. Since some of these did not bother with federal qualifications, they were not always community rated.

The for-profit HMOs have changed the relationship to employers, insurers and other HMOs. By the mid-1980s, a number of HMOs developed under the HMO Act began to be acquired by HMOs that operated on a for-profit basis. The for-profit HMOs generally are more flexible with regard to benefits and pricing. These HMOs offer various benefit packages that allow employers to customize plans to their financial needs and their employee population.

Pricing policy has changed from standard community rating to community rating by class and experience rating.

This new flexibility makes HMOs more competitive and easier for employers to use in controlling their overall health care costs. Before this development, costs were out of control and, in many instances, employers experienced higher costs as a result of offering HMOs.

In light of the new wave of health care cost escalation we are now facing, employers are now looking for better financial arrangements with HMOs and are establishing variations to the standard models. A growing number of employers are reassessing their arrangements with HMOs and, in many cases, they are concluding that they have been overcharged, based on the risk the HMOs have assumed. Consequently, by renegotiating their arrangements or adjusting their contributions, companies now are getting more aggressive with HMOs.

In a growing number of situations, employers are providing employees with a choice of HMOs, including federally qualified and non-federally qualified HMOs and an indemnity plan.

In my next article on managed care, I will review preferred provider organizations and in subsequent articles I will review how you can combine HMOs, PPOs and indemnity plans and design tailor-made managed care programs with the cost advantages flowing to the employer, as well as the HMOs and PPOs.

Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.

Ask A Benefit Manager, Ask A Risk Manager, Ask A Casualty Actuary and Ask A Benefit Actuary answer written questions from readers on risk and benefits management issues and actuarial problems.

Mr. Duva

This month's column, on employee benefits issues is written by Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J. Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco answers risk management questions. And, William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field. Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's next column will appear in January.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Will investment produce proper return?

By The Insurance Institute of America

The following question and answer are drawn from the curriculum for the Associate in Risk Management designation awarded by the Insurance Institute of America. They represent the type of questions asked—and the possible answers—in one of the three examinations for the A.R.M. designation.

This month's material, taken from a May 1987 national examination, illustrates the determination of net cash flow and expected rate of return on a manufacturer's contemplated investment.

A.R.M. exercises

Q: The Green Corp., which manufactures fine wooden furniture, is considering the purchase of a new automatic lathe for $200,000. Because of the great efficiency of this lathe, the corporation expects that this machine will result in cost saving of $23,000 during each of the 15 years of the lathe's useful life.

Assume straight-line depreciation and a 40% income tax rate and compute the following, showing your calculations:

- The expected annual net cash flow to Green Corp. if it decides to purchase the lathe.
- Whether the lathe can be expected to exceed the 14% annual aftertax rate of return the corporation requires in its capital investments. (Discounted at 14%, the present value of $1 to be received at the end of each of the next 15 years is $6.14.)

A:

- This is the kind of question that Green Corp.'s risk manager or agent would be wise to pass on to an accountant.

But, if pressed, he or she could find the expected aftertax net cash flow by starting with the $23,000 figure, the expected annual savings produced by the purchase of the lathe.

This figure would have to be reduced for depreciation. The $200,000 investment in the lathe would be amortized over the predicted useful life of the machine, or 15 years. Therefore, the annual depreciation would be $200,000 divided by 15, or $13,333.

The taxable income is derived by reducing the annual savings of $23,000 by the annual depreciation of $13,333. Hence, the taxable income is $9,667. A 40% income tax rate, when applied to this figure yields an annual tax payment of $3,867.

The annual expected aftertax net cash flow, therefore, would be the $23,000 in savings less the tax payment of $3,867, or $19,133.

- This annual expected aftertax cash flow figure is the key to the rate of return by the net present value method. Using $6.14 as the present value of $1 at the end of each of the next 15 years, this formula would apply:

$19,133 (the aftertax net cash flow) times $6.14 equals $117,477.

Now, the fact that $117,477 is less than $200,000, the purchase price of the lathe, indicates that the investment would not generate a 14% return as required by the Green Corp. for capital investments.

The sample questions and answers used in this column are taken from the Associate in Risk Management designation curriculum of the IIA. For more information on the content of the A.R.M. program, write Dr. G.L. Head, Vp, Insurance Institute of America, P.O. Box 314, Malvern, Pa. 19355.

SO YOUR ASSOCIATION FOUND THE IDEAL INSURER?

It's the same old story.

You found an insurer who was willing to be flexible, but wasn't stable.

Then there was the carrier who was stable but didn't offer the products or service you needed.

Does the ideal insurance carrier for associations exist?

At CIGNA, it does.

Life Insurance Company of North America, a CIGNA company, has been providing insurance programs to associations for over 30 years. We're specialists in the group association business.

And, as a multi-coverage carrier, we offer a full range of products flexible enough to help meet the changing needs of organizations.

But beyond merely coping with change, the ideal insurer should be committed to providing your association with the services you need. Whether it's claims handling. Marketing and administrative support. Or member communications and enrollment materials.

We're in a position to do just that.

With over 100 representatives in 35 offices plus an extensive brokerage network, we can give you all of these services.

As you already know, not everyone is capable of handling association insurance this well. To find out how we can handle your specific needs, contact your administrator or write to Life Insurance Company of North America, Association Group Dept., 1600 Arch Street—34V, Philadelphia, PA 19103.

It may be the start of a lasting relationship.

Dependable, yet flexible insurance programs designed for your association. It's one more example of CIGNA's commitment to personalized service.

CIGNA

Benefits for some programs are provided by INA Life Insurance Company of New York and Insurance Company of North America, CIGNA companies.

ASK A CASUALTY ACTUARY

How to calculate reserve adequacy

Q **We have consistently had 20%-25% savings on closure of our liability claims, and thus have always believed that our case reserves were strong. A recent claims audit showed that our case reserves were 10% redundant, but an actuarial study indicated that there was a 20% deficiency in our reserves. How can I decide who is right?**

A Each of these indications may be correct. The problem is that each one is answering a different question!

Consider the savings on closure statistics. These provide an accurate indication of how strong case reserves are immediately prior to closure. The problem is that the total claims reserve contains only a relatively small proportion of claims that are close to settlement. The reserve also contains a significant percentage of claims that are one or more years away from settlement, and much can and often does happen in the interim.

Typically, savings on closure statistics will indicate that *final* reserves are, on the average, redundant. (This does not tell us anything, however, about how adequate initial or interim case reserves are. Nor does it include a provision for incurred-but-not-reported claims.) In most cases, the claim will settle for an amount close to the final reserve. Most adverse development in the case reserves will occur at interim points in the life of a claim, rather than just prior to settlement. In a fair proportion of cases, it will be concluded that no basis exists for payment and no loss payment will be made. This typically results in savings on closure statistics of 20% to 30%.

Another serious problem with savings on closure statistics is that they represent a cross-section of claims that is quite different from that of all currently open claims. Consider a simple example (see chart A) in which 60% of the claims settle within the year they are reported. These are usually small, easy claims with little potential for adverse development. Average settlement size is $3,000 and average savings on closure is 40%.

Another 30% of the claims are medium in size and medium in difficulty and settle within the first year after they are reported. Average settlement is $5,000 and average savings on closure is 10%.

The remaining 10% of all claims are large, difficult claims that will take more than two or more years to settle and that have significant potential for adverse development. Average settlement is $15,000 and average savings on closure is 30%.

The red area represents that claims that would be included in the average savings on closure statistics for calendar year 1986. Note that there is one block each of easy, medium and tough claims in the red area.

The green area represents all claims that are unsettled as of year-end 1986. This area represents that total claim reserve. Note that the green area does not include any easy claims, one block of medium claims and two blocks of tough claims.

In the above example, the average savings on closure for calendar year 1986 is 17.5%. However, it is *negative* 13.2% for the claim reserve. The savings on closure percentage is misleading because it represents a very biased sampling of claims (if your purpose is to draw a sample that is similar to the mix of claims in the total case reserve).

Let's compare the relative proportion of types of claims in the savings statistics and in the current year total case reserve (in terms of number of claims) (see chart B).

If we make the same comparison based in the basis of dollars of losses, we have the results found in chart c.

If savings statistics are to be used at all in estimating the degree of redundancy or deficiency in the case reserves, they should represent a cross-section of claims that is similar in mix to the types of claims that comprise the current case reserves. Savings on closure statistics seldom, if ever, come close to satisfying this criterion. One exception to this rule is the runoff situation where all claims are at least 3 years old.

A professional claims audit will provide you with critical information in terms of whether or not case reserves are being properly set in relation to the facts that are evident in each claim file. If this is not occurring, then it is important to know this and take corrective action. Otherwise, it may, at a minimum, create problems with your excess insurer or reinsurer. However it should be recognized that even the best claims auditor can only be expected to develop a reserve estimate based on what can reasonably be anticipated based on the known facts at the time. When there are few facts in the file, such as might likely occur for claims that have only recently been reported, then it is quite possible that even the best claims audit will leave case reserve inadequacies undetected. And, of course, a claims audit will not provide an estimate of the reserve for IBNR claims.

An actuarial study is the only one of the three approaches that you mentioned which, if properly performed, is designed to answer the questions of how adequate or deficient the total claim reserves are.

Figure 1: Type of claim

Year of injury	Length of time to settle: ½ year	1½ years	2½ years
1984			Tough
1985		Medium	Tough
1986	Easy	Medium	Tough

Figure 2: Types of claims
(By number of claims)

Type of claim	Savings statistics	Total case reserves
Easy	60%	0%
Medium	30%	60%
Tough	10%	40%

Figure 3: Types of claims
(By dollars of losses)

Type of claim	Savings statistics	Total case reserves
Easy	37.5%	0.0%
Medium	31.3%	33.3%
Tough	31.3%	66.7%

Ask A Casualty Actuary, which answers written questions from readers on actuarial issues in the casualty field, is written by Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco. Mr. Sherman's column appears on the first Monday of alternate months. His next column will appear in January.

Mr. Sherman

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

Injury caused by new duties compensable

Legal briefs

New conditions of employment to which an employee is introduced and expected to perform regularly do not become part of an employee's work routine until they have, in fact, become routine, the Supreme Court of North Carolina ruled. Thus, the court awarded compensation benefits to an employee injured while performing routine activities that were new to him.

Rather than being laid off by the company he worked for, Lee Gunter exercised his seniority rights to displace another employee with less union seniority in a different department. Mr. Gunter's old job did not require manual labor or heavy pushing and pulling with his arms. His new assignment required him to do all these things.

Mr. Gunter spent two days observing how the new job was done and then began doing the work himself. His first two days were without incident.

However, on his third day he ruptured a tendon as he was twisting and jerking a hose off a mandrel. Mr. Gunter applied for and was awarded benefits.

On appeal, the employer argued that since Mr. Gunter was carrying out his usual routine, there was no accidental injury within the meaning of the workers compensation law.

The appellate court acknowledged that if an employee is injured while carrying out his usual tasks in the usual ways, the injury does not arise by accident.

But the court said that an accidental cause will be inferred when an interruption of the work routine and the introduction thereby of unusual conditions likely to result in unexpected consequences occurs. The court was satisfied that here the introduction of twisting and jerking movements into Mr. Gunter's job constituted an interruption of his normal work routine until he gained proficiency at the new employment. The compensation award was affirmed.

Gunter vs. Dayco Corp., Supreme Court of North Carolina, Aug. 12, 1986 (*BI*/05/May—$10).

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

Looking...?

Looking for top notch professionals ... or your next job?
Find top-notch job offerings in risk management—employee benefits —insurance brokerages and agencies—financial management—claims administration—safety engineering—insurance underwriting —and more.
Or reach 136,500 top-notch, qualified professionals each week.
Advertise your openings in a clutter free, professional environment.
For ad rates contact Margaret Hikido, Business Insurance,
740 Rush Street, Chicago, Illinois 60611 ... or call (312)649-5340

The Professional Marketplace. Turn to page 46

Believing is not seeing.

In today's complex health care marketplace, what you think you see can hurt a lot.

So if you're going to invest in Health Care Cost Management, don't take anyone's word for it, make sure you know what you're getting. There's no substitute for meeting with staff and physicians, checking the power of support systems, and the efficiency of service.

Only one company provides you with 100% case-by-case staff physician review, complete client services, state-of-the-art support systems, and all of the programs and features you need.

Take a good, hard look, then come and see us. If you haven't seen Cost Care, you haven't seen Total Managed Care.

The harder you look, the better we look.

COST CARE™
Offices Nationwide

Call:
Ray Foose
Vice President, Marketing
800-762-3029

Utilization Review
Hospital/Surgery/
Outpatient

Case Management
Medical/Psychiatric/
Substance Abuse/
High Risk Pregnancy

Workers' Compensation

Around the states

Continued from previous page
campaign. Mr. Bernard's campaign funds totaled $451,235, with all but $55,000 from contributions.

—By Michael Bradford

Guaranty fund dispute

NEW YORK—A court-appointed referee will hear a dispute between Tambrands Inc. and the New York Insurance Department over state guaranty fund coverage of claims against the defunct Transit Casualty Co.

Tambrands sued the Insurance Department in New York State Supreme Court in August after it was denied guaranty fund coverage of claims against Transit Casualty, which was ordered liquidated by a Missouri court in 1985.

However, Tambrands withdrew its petition upon the court's appointment of a referee.

Transit Casualty wrote a $5 million first excess layer in Tambrands' liability insurance program for the periods July 13, 1981, to Jan. 1, 1982, and Jan. 1, 1984, to Feb. 28, 1985, according to Tambrands' petition.

Transit was responsible under the 1981 policy for defense of 10 product liability claims filed by plaintiffs who allegedly developed toxic shock syndrome after using Tampax tampons, manufactured by Tambrands.

The guaranty fund refused coverage of claims against Transit, asserting that the claims could only be allowed if the product had been manufactured in New York and if the product had been "located in New York at the time of the events giving rise to the injury," Tambrands' petition says.

Tambrands argues that, while some of the tampons were probably manufactured in York, it is difficult in other cases to identify the products used and their place of manufacture. It alleges that the guaranty fund was "arbitrary and capricious" in its denial.

New York is the only state to interpret guaranty fund coverage in this manner (*BI,* June 16, 1986).

—By Collin Nash

Tort law upheld

ST. PAUL, Minn.—Two portions of Minnesota's 1986 tort reform act have so far withstood constitutional challenges.

In separate rulings, the state Court of Appeals upheld discounting future damages to present value and basing discounts on either an annuity or lump-sum basis.

In the first case involving a worker who had been partially blinded by liquid ammonia, the plaintiff argued that the tort reform law's provision allowing future damages to be discounted was unconstitutionally vague.

He also claimed that the discounting provision and the law's collateral source provision, which requires other sources of compensation to be taken into account when damages are determined, should not be applied to his case because the laws were passed after his case was decided.

The worker's initial award for past damages and future damages was reduced by the amount he had received in workers compensation benefits and by the discount provision.

The court disagreed that the discounting formula was vague. According to the court, the act says that the discount is determined by subtracting the average increase in the U.S. Labor Department's urban Consumer Price Index over a five-year period immediately preceeding the trial from the average rates of interest on judgments for the same period. The discount rate cannot fall below 2% or rise above 6%.

The judges also ruled that both the collateral source rule and the discount provision applied to the case because they applied to actions that were pending on their effective dates. Under Minnesota law, retroactive statutes are constitutional as long as they do not violate vested rights.

In the other case, the court ruled that future damages for pain and suffering may be discounted on an annuity basis.

The judges said the law does not spell out which basis must be used for discounting.

Thomas Meskin, a lobbyist for the Minnesota Civil Justice Coalition, said the coalition was pleased with the appeals court's decisions. But, both decisions may be appealed to the state Supreme Court.

—By Mark A. Hofmann

Around the states

Regulator still mulling Mutual Fire, Marine fate

PHILADELPHIA—Pennsylvania Insurance Commissioner Constance Foster has at least until April 30 to determine whether Mutual Fire, Marine & Inland Insurance Co. can pay policyholder claims or should be liquidated.

The commissioner, in her role as rehabilitator, originally was given until late last month to make a decision regarding the insolvent insurer's future, but was granted a six-month extension by the Commonwealth Court of Pennsylvania. A plan to rehabilitate the insurer was approved by Judge James Crumlish Jr. in June (*BI*, July 13).

"At the end of the period, the department has the same options as before," said Thomas Manisero, an attorney with the New York firm of Wilson, Elser, Moskowitz, Edelman & Dicker, which is representing Mutual Fire in the rehabilitation proceedings.

"They can implement the plan, liquidate or ask for more time because they can't do any of the above. My hope is that they will implement the plan," Mr. Manisero said.

A spokeswoman for the Insurance Department said arbitration proceedings are continuing regarding reinsurance agreements connected to financial guarantees written by the insurer. Reinsurers are charging fraud and mismanagement by Mutual Fire in connection with the treaties and, if the dispute is not settled in favor of the insurer, the commissioner may seek to modify the plan or liquidate Mutual Fire.

Mutual Fire, which was the fifth-largest U.S. surplus lines insurer based on 1984 premium volume, is insolvent by at least $150 million (*BI*, March 30; Feb. 2).

—By Michael Bradford

At one point in the campaign, Mr. Bernard filed suit against Mr. Green, charging that his opponent was using a misleading advertisement on television. The case eventually was rejected by a state district judge in New Orleans.

Mr. Green's spokesman said the campaign "got beyond mudslinging" in the last few days before the election and had turned into such a shouting match that the media began to avoid the candidates' debates.

Mr. Green raised around $2 million, mostly in loans, to finance his

Continued on next page

Louisiana regulator

BATON ROUGE, La.—Louisiana will have a new insurance commissioner for the first time in 16 years after incumbent Sherman Bernard was toppled in an election last month that ended weeks of campaign mudslinging (*BI*, Nov. 2).

Doug Green, a 38-year-old Baton Rouge computer consultant, collected about 55% of the vote to oust Mr. Bernard, who received about 33%. Four other candidates shared the remainder of the votes.

Mr. Bernard has held the insurance commissioner post for four terms since 1971. Mr. Green, who was a member of the Louisiana Rating Commission from 1978 to 1983, will take office March 14. Both are Democrats.

A spokesman for Mr. Green said the new commissioner aims to "restore confidence, integrity and leadership to the office, which it has lacked for the past 16 years."

He said the new commissioner also would work to make insurance companies more accountable for rate deviations.

The race for the commissioner's job was marked by some spicy, Louisiana-style politicking that saw the two top candidates swap insults and innuendoes.

During the campaign, Mr. Green charged that Mr. Bernard was using state employees and office equipment in the campaign and said he would ask the East Baton Rouge district attorney to investigate the charges.

Mr. Green's spokesman said material concerning the charges had been turned over to District Attorney Brian Bush. Mr. Bush could not be reached for comment.

...ruptcy ... bombing ... taxation ... legislation ... war risk ...
...terrorism ... associations ... superbowl ... HMOs ...
... chemical ... renewal ... retirement ...
... drug ... asbestos ... employee ...
... Yuba County ... bankruptcy ... bom...

GET TO THE SOURCE

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

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

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

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

Business Insurance Editorial Incex
220 East 42nd Street, New York, NY 10017
Please send me the following Index(es):
Annual Index (hardcover) $150* each:
☐ 1981 ☐ 1982 ☐ 1983 ☐ 1984 ☐ 1985
Annual Index (softcover) $100*: ☐ 1986
Full Index Service at $100*: ☐ 1987
*Foreign Postage Additional
PAYMENT MUST ACCOMPANY ORDER
☐ Visa ☐ Mastercard ☐ Check Enclosed

Account #
Exp. Date
Signature
Name
Title
Company
Address
City State Zip
Phone Number
EI 11/9

Hartford Fire International keeps getting bigger for one simple reason: to serve you better.

The bigger we are in overseas coverages, the better we're able to serve you and your clients. That's why Hartford Fire International recently boosted its available property capacity to $25 million.

HFI can provide your multinational clients with a *complete* line of primary property/casualty coverages. Property Lines. Workers' Comp. General Liability. Auto Liability. We can also provide Umbrella and Excess coverages.

We're ready to serve you *now*. Contact James Leber or Brian Murphy at Hartford Fire International, Hartford Plaza, Hartford CT 06115. (203) 547-3030. In the Chicago area, call Ed Kist at (312) 346-3000. Or mail the coupon today and we'll be happy to send you additional information.

At Hartford Fire International, you'll get overseas service that makes a world of difference. The Hartford Difference.

Mail to: James Leber, Vice President, Hartford Fire International, Hartford Plaza, Hartford, CT 06115
☐ Yes, rush me information on HFI's growing worldwide capabilities.
☐ Better yet, have a specialist call me directly at: (____) _____
Name
Agency
Address
City/State/Zip
Business phone
BI 9

When you need us most, we're at our best.

THE HARTFORD
The Insurance People of ITT

IS IT REALLY A DRUG PROBLEM?

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

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

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

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

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

MENTAL HEALTH/SUBSTANCE ABUSE
CASE MANAGEMENT

Worldwide

Continued from previous page

all those participating contribute in a just manner without creating a problem for the country's entire economy," Mr. Simitis said.

"This means that the government has the obligation to systematically examine the system's operation in order to improve it, both with regard to performance and its operating prerequisites, which include resources."

Prime Minister Andreas Papandreou recently let it be known that major changes would be forthcoming in the system, including the consideration of transferring the Social Insurance Fund to private insurers.

Opposition political parties and the press predicted an increase in the taxes paid by the workers with a simultaneous decrease in services and benefits provided by social security.

One of Athens' daily newspapers, Ta Nea, reported that the government was studying two ways to solve the economic crisis facing the Social Insurance Fund: raising the value-added tax by two to three percentage points to cover the deficits and the formation of a social insurance bank, which would generate additional income.

It had been reported that the Social Insurance Fund alone has accumulated a deficit of 400 billion drachmas ($3 billion), compared with a deficit of 5.6 billion drachmas ($41.5 million at current exchange rates) in 1981.

The Seamen's Pension Fund, which was handed over to the socialist government by the conservative New Democracy Party in 1981 with a reserve of 250 million to 300 million drachmas ($1.9 million to $2.2 million at current exchange rates), now has a deficit of 90 billion drachmas ($667.6 million).

In total, according to the leader of the New Democracy Party, Constantine Mitsotakis, the Social Insurance Fund, the Seamen's Pension Fund and the Farmers' Pension Fund have a deficit approaching 700 billion drachmas ($5.2 billion).

The political pressure created by social security problems has been so great that the governor of the Social Insurance Fund and son-in-law of Mr. Papandreou, Theodore Katsanevas, resigned his post.

Mr. Katsanevas objected to the earlier incorporation of the Social Insurance Fund's health services into the National Health System.

In a prepared statement, the opposition New Democracy Party said, the "bankrupt (Social Insurance Fund) will be subject to the useless (National Health System) whose failure was proved by the number of deaths caused by the July heat wave."

But, Health, Welfare and Social Security Undersecretary Grigoris Solomos said measures taken by the government will not harm the working people.

Mr. Solomos said there was no margin for an increase in the contributions of employees and employers because the cost of production would be affected. The government also does not intend to raise retirement ages, he said.

In addition, Mr. Solomos said, the social insurance funds would not "crumble" nor would the pension sector be unified into a single body.

Another Athens daily newspaper, Proti, reported that the social insurance system "was moving full speed ahead toward privatization of the sector, and as soon as the working people and their trade unions become conscious of this, there would be more hope of thwarting the attack against their interests."

—By Louis Economopoulos

Insurer privatized

REGINA, Saskatchewan—Saskatchewan Government Insurance Corp., a provincial-owned insurer that writes about $100 million Canadian ($76 million U.S.) in property/casualty premiums each year, is to be privatized in the next two months.

Shares in the corporation will be offered to the public, but the Saskatchewan provincial government plans to retain the ability to veto any attempt to move SGI out of the province or to mount a total takeover bid.

The 40-year-old company will change its name to Saskatchewan General Insurance and extend its activities outside the province after privatization.

—By Tony Thompson

IRI: WORLDWIDE

IRI Insures Some 66,000 Properties in More Than 70 Countries throughout all continents, except Antarctica. In short, Industrial Risk Insurers is ready to handle your property insurance requirements just about anywhere in the free world. And, working with agents and brokers of your choice, we can offer you a wide range of coverages. These include: Fire. Lightning. Wind and hail. Leakage from fire protective equipment. Explosion. Smoke. Aircraft and vehicles. Molten material. Sonic shock wave. Riot and civil commotion. Vandalism. Business Interruption. Builder's risk. Difference in Conditions. Boiler/Machinery. All-Risk.

Property Insurance, However, Is More Than Just The Policy. That's why it makes sense to take a careful look at the financial stability of the property underwriter. (IRI is backed by more than 40 of the world's leading insurance companies, and we'd like to send you the list.) Also, be sure to determine how much underwriting capacity is available at any one time. And, most important, try to evaluate the people and their experience. Since 1890, IRI has offered underwriting, claim handling and loss prevention services to business and industry throughout the United States and more recently overseas. These services are provided by IRI Account Teams who work with you to help protect your property, production and profits.

IRI Account Teams Are Available to Help You from more than two dozen regional and district offices in the United States. Also, we offer the assistance of loss prevention consultants from four locations outside the U.S.: London, England; Frankfurt, West Germany; Sydney, Australia; and San Juan, Puerto Rico. These offices are staffed with nationals who are familiar with their country's loss prevention regulations, and who know local customs, currency and business practices. In addition, they are trained in IRI's OVERVIEW philosophy, which is a total management program for loss prevention and control, and which has been introduced into numerous countries around the world.

For a complimentary copy of "Worldwide Property Insurance," the "OVERVIEW" 6-page brochure, and a list of Member Companies, call or write Mrs. P. A. Sasso, Industrial Risk Insurers, 85 Woodland Street, Hartford, Connecticut 06102 (203) 520-7412.

Industrial Risk Insurers

66,000 properties insured worldwide

Continued from previous page
resistance" to state takeover by sleeping in their offices (*BI*, Oct.5; Sept. 21; Aug. 17).

The final straw, sources say, was when Peru's largest bank, Banco de Mercantil, which is affiliated to insurer La Real, sold all its shares to its 5,000 employees. These 5,000 new shareholders then promptly filed habeous corpus suits against the government nationalization law, a move upheld by the courts.

Following the assault on the banks, insurance companies then announced that they would close for 15 days beginning Oct. 19, giving their staff full paid leave. Insurers told *Business Insurance* the move was necessary to protect staff following the attempt to take over some banks by force. The closure also gave the insurers time to develop what they called "emergency plans" for resisting any future government actions to take over companies by force.

However, the Labor Ministry said that such a holiday was illegal and the insurers would be fined.

The government then made what Lima sources described as a "tactical retreat." It announced last week that it would no longer deploy police action to enforce the nationalization law, but would allow the courts to decide the law.

Insurers are now uncertain about how long the current phase of court hearings will take, as both the companies and the government accuse each other of having the judiciary in their pockets.

One insurer official said that the courts have to decide on compensation, as stipulated by the Peruvian constitution, before any expropriation of companies takes place. Although the process, including appeals, could drag on for a year, he said, "there is little hope that the nationalization law will be dropped. This is just a change of pace."

Another insurance official said the government had placed a deadline on the length of appeal proceedings by the companies.

Insurance business is still being transacted, but at a much reduced level, say insurers.

"The amount of work we are handling is quite low considering we are coming up to renewal time," said one insurer. "The problem with the insurance market is the uncertainty. Until things clear up small clients will not buy any more cover, but big companies have no choice as their banks require cover as collateral."

To add to the already confused picture, Juan Klingenberger Lomellini, the superintendent of banks and insurance, resigned last month for personal reasons.

One insurance company official, who asked not to be identified, said that Mr. Klingenberger had been trying to resign for the last year and a half. But, according to Peruvian law, he must stay in office until a replacement is found.

"This is not so much a resignation, but an appeal to 'help me get out of this,' " the insurer said.

Mr. Klingenberger named his deputy, Geraldo Malincovich Costa, to replace him.

—By Maria Kielmas

Canadian fruit trees

TORONTO, Ontario—Two Canadian farmers have won compensation as a result of damage to their fruit tress caused by the use of salt to de-ice roads.

But, the farmers' victory is not likely to lead to a rush of similar claims.

Canada's Supreme Court ruled that the local road authority knew that the salt spray was killing fruit trees but decided against de-icing alternatives such as urea—used to keep airport runways clear—because they would be too expensive.

Because the local authorities know of possible damage caused by salt, they cannot turn to their insurers for coverage, says John Mitchell, a senior vp at Johnson & Higgins Willis Faber in Toronto.

In fact, tons of salt will still be sprayed on Canada's highways this year to keep them clear.

Ray Bremner, Canada's commissioner of public works, said, "As long as people travel the roads, we have to keep them clear of ice and snow."

—By Tony Thompson

Greek social security

ATHENS, Greece—Economic problems are threatening the social insurance system in Greece, according to Economy Minister Kostas Simitis.

Mr. Simitis said his ministry is studying possible changes to the country's nationalized retirement income system.

"The system must be led toward a type of rationalization whereby

Continued on next page

Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,
why not have your own personal subscription?
Use the card in this issue or the coupon to
SUBCRIBE TODAY.
Business Insurance
Circulation Dept. 965 E. Jefferson Detroit, MI 48207

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

(Check here:)	Surface Mail	By Air
USA	☐ $68	☐ $116
Canada	☐ $84	☐ $116
Bermuda (air only)		☐ $115
British Isles		☐ $115 or £82
Europe/Middle East		☐ $115
All other foreign		Rates on request

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

name (please print)
title telephone
company
nature of business
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.

Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 IBCB7

Strength and security in a changing world.

Strength in our capital and surplus. Strength in our service to both treaty and facultative clients. And security in knowing that Skandia, serving clients since 1900, is the oldest operating reinsurance company in the U.S.

Headquarters: 280 Park Avenue, New York
Atlanta, Chicago, New York, San Francisco

SKANDIA AMERICA GROUP

The $100,000 Baby.

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

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

COST CARE™

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

Find out about it.

HIGH RISK PREGNANCY
IDENTIFICATION AND MANAGEMENT

Worldwide

Paris political risk pool seeks to add capacity

PARIS—A new Paris-based political risk insurance pool is hoping to offer $10 million in political risk insurance capacity next year.

The international and special risks insurance pool, which is aptly named PARIS—Pool d'Assurance des Risques Internationaux et Speciaux—was formed during the summer by a consortium of European insurers and banks.

The company currently offers limits of $7.5 million on any one risk, said Louis Habib-Deloncle. PARIS's president and director general.

"With further companies shortly to join the pool this capacity is expected to rise to $10 million by January," he said.

The pool currently writes on behalf of six French insurance companies: L'Union des Assurances, Preservatrice-Fonciere Assurances, Mutuelle Generale Francaise Accidents, Cie d'Assurances Maritimes Aeriennes et Terrestres S.A., Groupes des Assurances Nationales, Concorde, and Assurances Generales de France; Belgian insurer Assurances Generales de 1830; and Italian insurer Societa Italiana Assicurazione Crediti.

However, Mr. Habib-Deloncle hopes to also attract insurance companies in West Germany, Spain, Scandanavia, Switzerland, Austria and Denmark to the pool.

The major shareholders in the underwriting and management company, besides Mr. Habib-Deloncle, are:

- Banque Arabe et Internationale d'Investissement, a consortium of 38 international banks.
- Credit Agricole.
- Societe Commerciale de Reassurance S.A. (SCOR Reinsurance Co.)

The pool's reinsurance is led by SCOR, CCR, Kemper Re Europe and Lloyd's of London, said Mr. Habib-Deloncle.

According to a company brochure, policies written by PARIS will cover:

- Unilateral breach of contract; repudiation of a contract by a public buyer; and non-payment.
- Frustration of a contract entered into with a private buyer, for political or administrative causes.
- Inconvertibility or non-transfer of foreign currency, preventing the successful completion of international trading operations.
- The withdrawal or non-renewal of a license, resulting in inability to execute an import or export operation.
- The embargo, seizure or confiscation of goods.

"We are prepared to cover almost any country and any political risk to be found anywhere in the world," explained Mr. Habib-Deloncle.

Both Mr. Habib-Deloncle and Jean-Francois Dauvergne, PARIS' production manager, believe political risk insurance to be a growth area.

"Traditionally, political risk has been dealt with by financial managers rather than risk managers. Now, however, risk managers are gradually participating in this field," said Mr. Habib-Deloncle.

In addition, "the risk element of transacting business abroad is becoming more evident and risk managers are reacting to that," said Mr. Dauvergne, adding that the number of risk managers in Europe is growing.

—By Carolyn Aldred

How to Get a HANDLE on COBRA

Getting a handle on COBRA is not only smart but essential. Ignorance and/or non-compliance of this new group health continuation law can result in costly fines and losses.

DO YOU HAVE 4 OR MORE QUALIFYING EVENTS PER MONTH?

Proper compliance with COBRA requires expertise and if done manually can be a nightmare. The burden of producing up to 29 letters, forms and documents required by COBRA is proving to be an expensive, time-consuming operation, leaving margins for error and decreasing the time and effort that could be utilized more productively in daily business functions.

CORPORATE COBRA MANAGER

Travis Software Corp., a leader in employee benefit software packages for employers, has designed an automated system based on the expertise of employee benefit professionals that helps fully administer the complete personnel functions required by COBRA.

CORPORATE COBRA MANAGER is a system that allows large amounts of COBRA-related information to be stored without limit to the number of beneficiaries or insurance plans.

Over 700 companies, to date, find CORPORATE COBRA MANAGER is cost effectively reducing the hours it took to manually comply with COBRA.

CORPORATE COBRA MANAGER IS EASY-TO-USE

Requires only the entry of names of beneficiaries, information about their Qualifying Event and benefit plans they may elect. All other record-keeping functions, correspondence generation and premium computations are part of the system. This approach reduces the number of telephone calls you will receive in your office from COBRA continues.

CORPORATE COBRA MANAGER IS COMPLETE

The system is flexible and allows choices and customization through system parameters for each employer's COBRA administration.

Requirements of the Proposed Regulations dated June 15, 1987 are included in the program.

CORPORATE COBRA MANAGER IS WELL DOCUMENTED

The system comes with a complete User's Manual. The Manual is precise and comprehensive in training the operator as to how to install the CORPORATE COBRA MANAGER, input of information required for each Principal Qualified Beneficiary and how to use the system on a daily basis.

CORPORATE COBRA MANAGER IS SUPPORTED AND UPDATED

Travis Software Corp. supports CORPORATE COBRA MANAGER users by offering telephone support and by developing additional capabilities to the system.

The system will be updated when regulations for the COBRA law become available or when additional legislation becomes effective assuring users of the continuity and current adherence to the law.

SUMMARY OF FUNCTIONS

- Notification of Eligibility
- Enrollment Form and Times Premium Calculations
- Handles Secondary Qualifying Events
- Tracking of Eligibility Periods for Each Participant
- Management Report Module
- Change of Address Function
- Termination Letters
- Automatic Generation of Letters and Forms
- Premium Delay Capability
- Monthly Premium and Eligibility Reports to Vendors
- Monthly Premium Notices or Coupons
- Late Premium Notices (user-specified)
- 2% Add-on (user-specified) can be delayed for compliance with state continuation laws
- Additional Copies for Files
- Complete Audit Trail

SPECIAL FUNCTIONS

- Multi level Password
- Open Enrollments
- Downloading
- Custom Report Writer
- Custom Letter Writer

CORPORATE COBRA MANAGER runs with a hard disk on any 512K IBM PC* or 100% compatible; no other software required.
Reseller inquiries invited.

*Trademark of International Business Machines Corp.

To get your handle on COBRA easily, effectively and economically call or send coupon for additional information

713-496-3737

CORPORATE COBRA MANAGER

$1295

(Single Employer Version)

Also available in Multi-Employer Version for TPA's, HMO's and Taft-Hartley Plans)

"The most widely used COBRA administration software in the country."

TRAVIS SOFTWARE CORP. 1001 S. Dairy Ashford, Suite 206 • Houston, Texas 77077

NAME _____ TITLE _____

COMPANY _____

ADDRESS _____ CITY _____

STATE _____ ZIP _____ PHONE _____

Peruvian insurers

LIMA, Peru—Insurers in Peru are taking a wait-and-see stance after the government backed down from attempts to seize financial institutions by force.

On Oct. 15, police using a tank brought down the doors of the country's largest private bank, Banco Credito. In a similar operation, tear gas was used by police to gain access to Banco Wiesse, a major shareholder in Peruvian insurer El Condor.

Lima sources say that the government action was prompted by the bank managements' "physical

Continued on facing page

Osteopaths to launch risk retention group

CHICAGO—The American Osteopathic Assn. in Chicago plans to launch a risk retention group owned by member physicians that will offer primary professional liability coverage.

The Osteopathic Mutual Insurance Co.-Risk Retention Group is expected to receive its license in Oklahoma and begin writing policies by Nov. 15, said Bob Atkins, president and chief executive officer of the insurer.

The risk retention group is being formed as a result of "chaos and inadequacy in the marketplace," Mr. Atkins said. He explained that osteopathic physicians in many states have been forced to join state medical doctor associations to find coverage and then often dropped their AOA membership.

These state medical associations cater to medical doctors who have different needs than doctors of osteopathic medicine, Mr. Atkins said. An osteopath, while having a similar medical education as a medical doctor, focuses on the role of bones and muscle in health.

The risk retention group will provide claims-made coverage with limits ranging from $100,000 per claim/$300,000 aggregate to $1 million per claim/$3 million aggregate. Premiums for these policies will range from $2,000 per year to $128,000 per year depending on the osteopath's specialty, location and limits of the policy. Rates will vary by state and sometimes within a large state, Mr. Atkins said.

The coverage includes any legal defense costs and prior acts coverage is available at an additional cost, he added.

Policyholders are responsible for an initial capital contribution equal to 50% of their premium, with a minimum of $2,500 and a maximum of $7,500.

Policyholders can finance their premiums by submitting 30% of their annual premium with the application. The balance, plus an interest charge, is payable in six consecutive automated bank withdrawals beginning 30 days from inception of the policy.

The initial contribution to surplus must be paid in full and cannot be financed by the company.

Mr. Atkins expects the group to raise the $3 million in capital needed to begin underwriting by the time the group is licensed.

For more information contact Mr. Atkins at the Osteopathic Mutual Insurance Co.-Risk Retention Group, P.O. Box 12100, Tallahassee, Fla. 32317; 800-262-7741.

—By Stacy Adler

Risk retention roundup

Resorts form group

SAN DIEGO—A group of luxury resort hotels has formed a purchasing group to buy general liability insurance.

Resort Hotel Insurance Group Inc. is a consortium of 22 hotels including those owned by Colonial Williamsburg in Virginia; the Greenbrier in White Sulphur Springs, W.Va.; Hotel Del Coronado in San Diego; The Breakers in Palm Beach, Fla.; and Caneel Bay in St. John, U.S. Virgin Islands.

RHIG provides general liability coverage limits of up to $50 million per occurrence over self-insured retentions that vary from $10,000 to $100,000, said Robb Tarr, vp of Robert Driver Co. in San Diego, which serves as the program's broker. Each hotel was left to decide whether it wanted to self-insure to $10,000, $25,000, $50,000 or $100,000, he explained.

The group started operations Oct. 1 and includes 22 resorts out of a study committee of 34 that looked into the issue a year ago, he said. Annual premiums for the group total nearly $4 million.

Before formation of the group, many of the resorts were facing unacceptably high premiums or severe coverage limitations, Mr. Tarr said. In some cases, hotels were able to obtain only $2 million to $3 million in limits.

"They were literally all over the board," Mr. Tarr said of the previous policies.

Liability coverage was particularly difficult to obtain because of the wide variety of activities involved at the resort locations, Mr. Tarr said. Visitors at the resorts have access to such varied activities as swimming, golf, boating, trapshooting, horseback riding and skiing.

"It's hard to think of anything that these hotels don't do. That's what made it so difficult," Mr. Tarr said.

Despite the potential exposures, most of the resort hotels have had an "excellent" claims history, and all have had above-average experience, he added.

The program is led by Planet Insurance Co. and United Pacific Insurance Co., both units of Reliance Insurance Co. Other insurers participating in the program are Lexington Insurance Co., National Union Fire Insurance Co. of Pittsburgh, Pa., and Insurance Co. of the State of Pennsylvania, all American International Group Inc. units; Aetna Life & Casualty Co.; and CIGNA Corp. units.

Claims under the program will be administered by Carl Warren & Co. of Los Angeles, Mr. Tarr said. The law firm of Lewis, D'Amato, Brisbois & Bisgaard, also of Los Angeles, will provide legal services and oversight.

Mr. Tarr said he will serve as overall manager of the plan for the first year. A full-time manager will be hired next year.

Although many of the resort hotels' premiums will be lowered under the new program, it's difficult to determine how much of the immediate savings is attributable to the group arrangement or to the general softening of the insurance market, Mr. Tarr said.

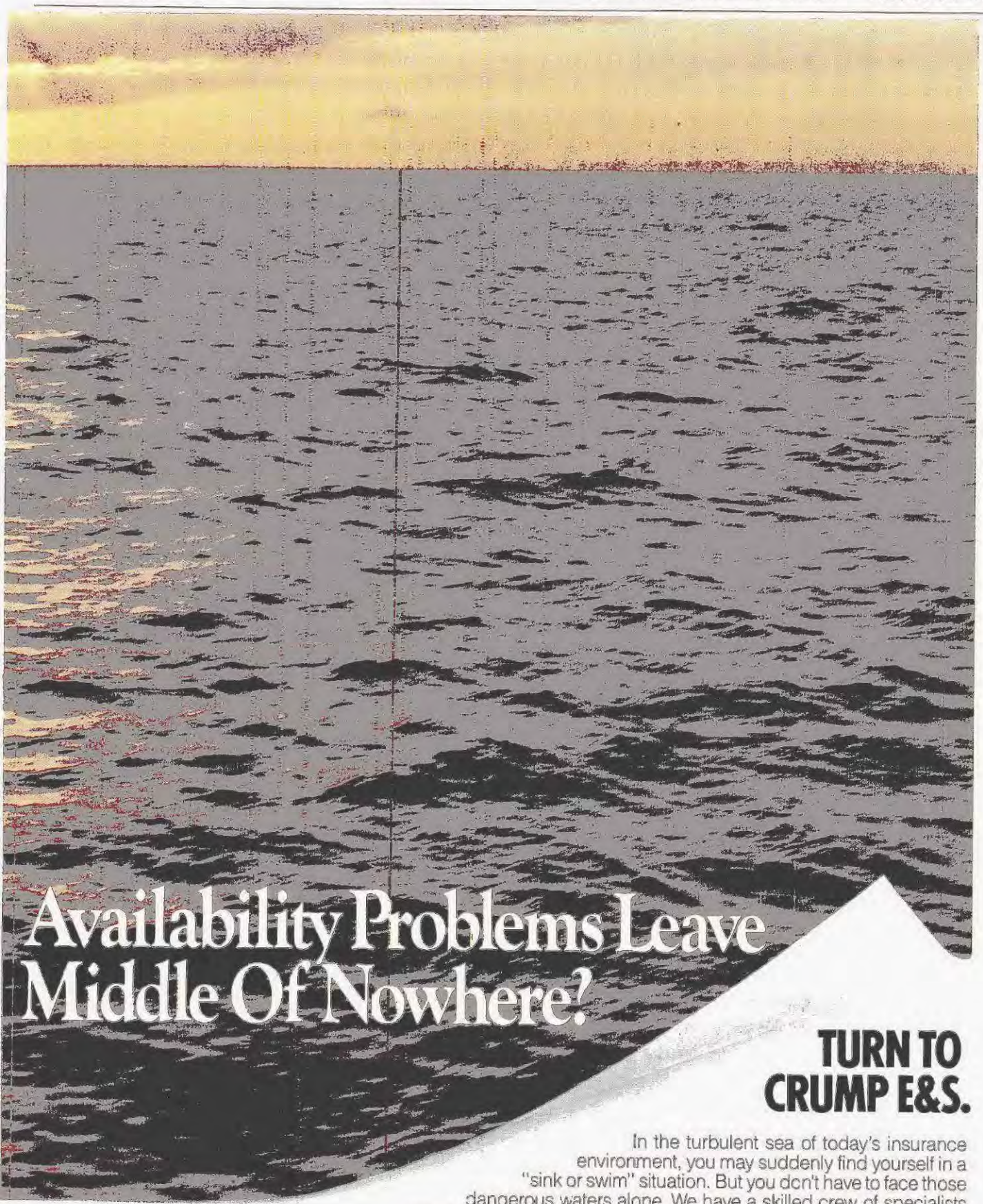
While some hotels saved up to 50% by purchasing insurance on a group basis, one hotel had to pay more for much expanded coverage, said Robert Walters, the risk manager for the Hotel Del Coronado and consultant to the group. "They were elated to get that kind of coverage and were willing to pay more for it," he said.

For some resorts, the program marks a return to commercial insurance.

Hotel Del Coronado, for instance, had gone bare for two years, Mr. Walters said. During that time its liability losses totaled only $20,000 annually despite 1 million visitors, he said.

Although only 22 resort hotels joined the purchasing group initially, others may be added later if they meet underwriting requirements, he said.

—By Glenn Huntley



The Biggest News In Excess Liability Is Buried At The Bottom Of This Ad.

The availability of a single policy of $75 million over $25 million in excess liability insurance is major news to anyone in need of this type of coverage.*

But the biggest story is the American Excess Insurance Association. A new facility comprised of domestically admitted insurance companies with the underwriting skill and capacity to bring stability to the excess liability market.

The members of the American Excess Insurance Association (you may have heard us called the "American Slip") are among the nation's largest and strongest insurance institutions. The association is qualified to do business in almost every state of the union.

Within our single policy you can avoid missing layers, inconsistent policy language, offshore captives and disputes among multiple carriers.

You enjoy the benefits of one claim manager, one underwriting facility, one policy of $75 million beginning at $25 million.*

Your premiums are tax deductible and there's no added investment or "reserve premium" to lock you in. Our underwriting standards are designed to satisfy a broad spectrum of American business.

We're stable, consistent, and here to stay. For the rest of the good news, just ask your broker or company agent to call this number: (203) 528-1931.

*Note: A few classes are restricted to $50 million in excess of $50 million.
Each member is severally and not jointly liable for its share, as specified in the policy, of any assumed risk. Terms and conditions of coverage are as stated in the policy.

American Excess Insurance Association

Ætna Life & Casualty; American International Group; CNA Insurance Companies; Chubb Group of Insurance Companies; The Continental Corp.; Crum and Forster Insurance Organizations; General Accident Insurance; General Star National Insurance Company, Subsidiary of General Re; The Home Insurance Company; Insurance Company of North America, a CIGNA company; Maryland Casualty Company, a subsidiary of American General Corporation NAC Re Group; Royal Insurance Company of America, a member company of Royal Insurance group; The Travelers; Zurich-American Insurance Group.
(Underwriting member companies: The Ætna Casualty and Surety Company; American Home Assurance Company; Continental Casualty Company; Federal Insurance Company; The Continental Insurance Company; United States Fire Insurance Company; General Accident Insurance Company of America; General Star National Insurance Company; The Home Insurance Company; Insurance Company of North America; Maryland Casualty Company; North American Company for Property and Casualty Insurance; Royal Insurance Company of America; The Travelers Indemnity Company; Zurich Insurance Company, U.S. Branch.)

Stock jitters create rate uncertainty: Panel

By MARK A. HOFMANN

CHICAGO—Global stock market instability is adding a degree of uncertainty to the 1988 commercial insurance marketplace, though property and casualty insurance rates probably will drop somewhat during the next few months, brokers and insurers say.

"We're looking into a very cloudy crystal ball. Where we are and where we are going is not an easy question to answer," said Robert Hughes, managing vp of the Chicago office of Alexander & Alexander Inc., setting the overall tone for a seminar last month sponsored by the A&A office.

About 15% of the property/casualty industry's surplus vanished during last month's stock market plunge, said Michael K. White, president and chief executive officer of A&A Inc., the brokerage subsidiary of New York-based Alexander & Alexander Services Inc.

(The Insurance Information Institute has since estimated a 10% drop to about $98 billion.)

Mr. White also said the industry may have been underreserved before the recent decline in equity value and that $10 billion in reinsurance may be uncollectible.

In all, one-third of the industry's surplus "may be suspect," Mr. White warned.

Robert A. Leibold, president of Northbrook Property & Casualty Insurance Co., a subsidiary of Allstate Insurance Co. in Northbrook, Ill., shared Mr. White's sentiments.

"Even before Black Monday, we were an industry that faced serious issues, but we were acting like a healthy, robust winner," he said, referring to Oct. 19, when the Dow Jones 30 Industrials average plummeted 508 points.

"We can no longer count on insolvencies hitting just the small specialty companies," he said, noting that a spurt in insolvencies, including Mission Insurance Co. in liquidation in California, has strained state guaranty funds.

Mr. Leibold also cited the civil justice system as a continuing problem for insurers.

"The reforms of 1986 and 1987 had very little impact on claim activity," he said. The tort reform movement seems to be running out of steam, and opponents of tort reform may be readying to overturn reforms made by state legislatures in the past two years, he said.

Before the market crash, "I would have told you 1988 would be a good year for companies and buyers," Mr. Leibold said. Now, the market slide will have some type of negative impact on the insurance industry, he said, although he could not estimate how severe the impact will be.

Mr. Leibold still predicts some market capacity expansion next year, though he said the market will expand more cautiously now.

The market for directors and officers liability insurance will continue to soften, he predicted.

"Pricing is the primary unknown for 1988," Mr. Leibold observed.

But Richard Drain, director of the North American property/casualty division of Alexander Howden Ltd. in London, a unit of A&A Services, sounded a somewhat more optimistic note for buyers.

"London underwriters are under substantial pressure to compete in price and product," he said. The pressure may force British underwriters to rethink their insistence on claims-made forms for U.S. liability coverages, he said.

London underwriters will turn back to writing American business on a selective occurrence basis if they cannot maintain business written on a claims-made basis during the first quarter of 1988, Mr. Drain said.

However, he stressed that occurrence coverage would not be available for all risks.

And a combination of three major losses will prevent the London market from competing as aggressively as it otherwise would, he said. The precipitous fall and subsequent fluctuations of the international equity markets the approximately $100 million in insured losses caused by the recent earthquake in Los Angeles and roughly $1.5 billion in insured losses stemming from the freak storm with hurricane-force winds that battered Great Britain in mid-October will temper London's willingness to compete with U.S. underwriters, he said.

(The Property Claim Services division of American Insurance Services Group estimates insured losses from the earthquake at $30 million.)

While all of the panelists who offered opinions agreed that casualty insurance rates probably will decline during year-end renewals, they disagreed as to the degree of decline.

Mr. White predicted an average decrease of 15% to 20%, while Mr. Leibold estimated a 10% to 15% drop.

Mr. Drain said three of his clients with Jan. 1 renewals had been quoted rates 8% to 10% lower than last year, and all of the clients had increased exposures. But he wondered whether those reductions would be competitive enough for the quoting insurers to retain the accounts.

But reinsurance rates probably will remain stable, according to Dan Ryan, a Chicago-based assistant vp of Thomas A. Greene Co., an A&A unit, explaining that the reinsurance marketplace lags behind the primary insurance marketplace in its reaction to insurance cycles.

Mr. Ryan also said that reinsurers probably will not compete for business anytime soon. "Prices are going to stay where they are," he predicted.

During the next year, reinsurers will rely more heavily on actuarial expertise, and some reinsurers already have told clients that there will be no 1988 renewals without underwriting audits, he said.

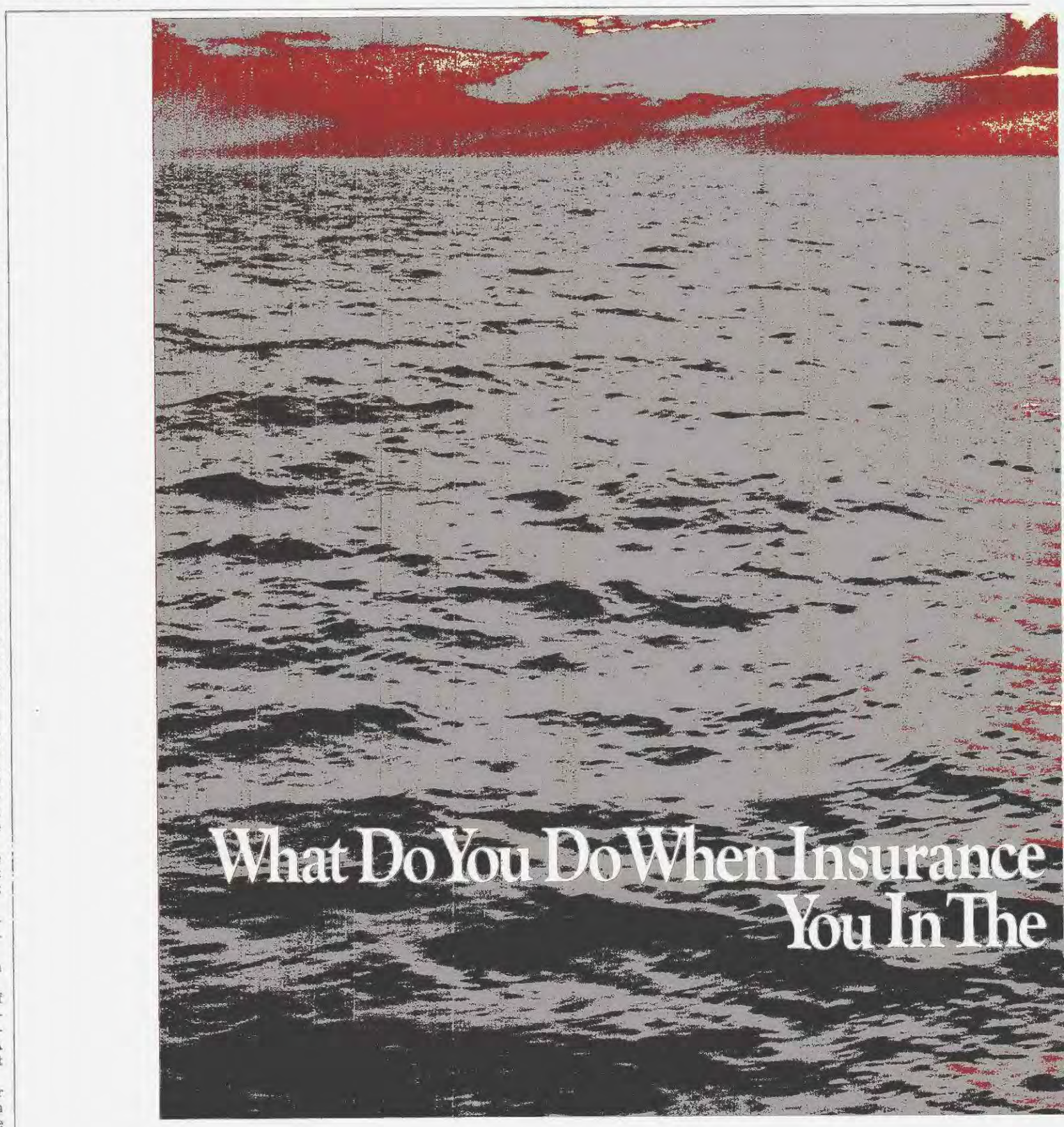
Luther Griffith, chief executive officer of A&A's New York-based Risk Management Services Group, advised risk managers to develop a 1988 strategy now by defining their objectives and devising trade-off analyses.

"There is no question that there will be more self-assumption of risk" in 1988 and beyond, he said.

Because of the economic uncertainty insurance buyers face, the level of service offered by brokers and insurers will be even more important to clients in the future, according to two of the speakers.

"Our industry does not have a good record of service, and people will no longer accept second-class service," Mr. Leibold said.

Mr. White also emphasized the need for brokers have to develop and maintain quality standards. "Those firms that are not dedicated to quality service will in time disappear," he predicted. ■



Creative Insurance Specialists, Inc. Orlando
Crump-Davis, Inc. Dallas, Denver, Oklahoma City
Crump-Davis of Houston, Inc. Houston
Crump-H&W Insurance Services Encino, Long Beach, Los Angeles, San Diego, San Francisco
Crump London Underwriters Memphis
Crump London of Ohio, Inc. Columbus

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

Business Insurance

Published by Crain Communications Inc

Photo by Lowell Cohn

New York: (212) 210-0133 Chicago: (312) 649-5275 Los Angeles: (213) 651-3710

Info

● **"Understanding Legal Issues in Employee Relations"** examines questions that benefit and human resource officials have on topics including employer's responsibilities for dealing with AIDS patients, comparable worth and age discrimination. In addition, the booklet, published by the Life Office Management Assn., covers issues such as equal employment opportunity and affirmative action and includes an index of key employee relations legislation. The guides are available from the research association for $4 each by contacting LOMA's Accounting Department, 5770 Powers Ferry Road, Atlanta, Ga. 30327; 404-951-1770.

● Past issues of "Bankrisk," a **banking risk management quarterly** published by the Tillinghast Division of Towers, Perrin, Forster & Crosby, are available. The issues cover topics including risk analysis and control, risk funding and administration and income-producing and profit-center opportunities in banking and insurance. A free listing of articles from Volumes I-V and back issues for $20 per copy are available through Tillinghast Publications, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

● The International Foundation of Employee Benefit Plans has published **"Employee Benefit Plans: A Glossary of Terms."** The book includes more than 2,200 definitions and 600 acronyms and abbreviations. The alphabetical entries are derived from sources in fields including accounting, actuarial science, benefit design and administration, government, health care and law. The glossary is available for $12.50 for foundation members and $20 for non-members from the Publications Department, International Foundation of Employee Benefits Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

● A **supervisor's safety planning program**, which includes outlines for 30 safety training sessions, is now available. The handbook gives training personnel hints for making their own presentations on topics including reporting hazards, forklift safety and working with hazardous materials. The books are available for $2.95 each, with discounts for larger orders, from Bureau of Business Practice, Division of Prentice-Hall Inc., Waterford, Conn. 06386; 800-243-0876.

● **"The Aged as Plaintiffs, Part I"** analyzes recent cases surveyed by Jury Verdict Research Inc. The survey shows female plaintiffs aged 80 and older had the greatest range of awards—$5,000 to $10 million—and female plaintiffs aged 65-69 had the smallest range of awards—$1,364 to $1.8 million. Copies of the study are $25 each and are available from Jury Verdict Research Inc., 5325 Naiman Parkway, Suite B, Solon, Ohio 44139-1065; 800-321-6910; or collect in Ohio at 216-248-7960.

● Results of a 1986 research project **on the duty to defend** by the Greater Milwaukee Chapter of the Society of Chartered Property & Casualty Underwriters is available. The project traced policy wording and presented cases that gave no clear trend in court decisions of continuing or extinguishing the duty to defend. It also includes survey results of insurers' responses to possible solutions through policy provisions. Copies of "Duty to Defend-Whose Duty to Pay" are $10 and inquiries should be sent to Susan Barbeau, USF&G Corp., 2525 N. Mayfair Road, Milwaukee, Wis. 53226; 414-476-3600.

● The **"Primer on Workers' Compensation"** handbook outlines the most common workers compensation complaints and examines cases currently being tested in the courts. The handbook, published by BNA Books, a division of the Bureau of National Affairs Inc., is available for $23 plus applicable state sales tax and a shipping charge of $2.50. Copies are available through BNA Books Distribution Center, 300 Raritan Center Parkway, C.N. 94, Edison, N.J. 08818; 201-225-1900.

● A new brochure describing the Insurance Institute of America's restructured **Program in General Insurance** is now available from the institute. Details of the three revised courses that make up the INS program and its new textbooks are offered in the brochure. Program study costs as well as textbook and course guide information is included. For a free copy, contact the Insurance Institute of America's Field Services Department, 720 Providence Road, Malvern, Pa. 19355-0770; 215-644-2100.

● Custom-tailored plan documents and summary plan descriptions for **self-funded health care plans** are offered by Hunter & Associates, a writing and consulting firm. Samples of the plan documents and summary plan descriptions are available for $4.15 by contacting David H. Gluck, Hunter & Associates, 9842 Hibert St., Suite 152, San Diego, Calif. 92131; 619-578-7461.

● A guide to the use of safety mechanisms to prevent hands from entering dangerous areas of machinery has been updated by the Alliance of American Insurers. **"Safe Openings for Some Point of Operation Guards"** provides information to machine manufacturers, equipment designers, guard manufacturers and safety personnel. Copies are available for $2.50 each for Alliance members and $4.50 for non-members from the Alliance of American Insurers, Order Department, 1501 Woodfield Road, Schaumburg, Ill. 60173-4980; 312-490-8500.

● Florida Insurance Commissioner Bill Gunter's office is offering a free **consumer guide to purchasing commercial insurance**. The booklet explains the coverages available under the realm of commercial insurance. Free copies are available from the Department of Insurance, Bureau of Field Operations, Room 335, Larson Building, Tallahassee, Fla. 32301, or by calling 800-342-2762.

● **How to Select the Best Child-Care Option for your Employees** is a new book aimed at helping U.S. and Canadian businesses begin and manage a child-care operation or assist employees in finding existing child-care facilities. Author Penny O'Brien has included governmental source lists and examples of businesses that have employer-supported child-care programs. The book is available for $11.95, plus $1.50 postage and handling, from Almar Press, 4105 Marietta Drive, Binghamton, New York, N.Y. 13903; 607-722-0265; attention: A.N. Weiner.

● "Product Liability Guide for Manufacturers" is a 20-page publication tailored for manufacturers and their employees responsible for handling **product liability** cases, from the initial inquiry to final settlement. The booklet is written by manufacturers and attorneys, based on their actual experiences. The publication is available for $3 from the Hand Tools Institute, 25 N. Broadway, Tarrytown, N.Y. 10591. Payment must accompany order.

● **"Analysis of Workers' Compensation Laws,"** a 64-page booklet on statutory provisions of workers comp laws around the United States, is available from the U.S. Chamber of Commerce. The booklet covers regulations of all states, territories, federal programs and the Canadian provinces. It also includes changes resulting from more than 165 new laws enacted in 1986. Copies of the booklet, publication No. 6983, are available for $12 from the U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 301-468-5128.

● The American Society of Safety Engineers has published a 72-page "Directory of Safety Related Computer Resources." The book is designed to assist safety professionals in locating products and services related to the use of **computers in safety activities.** The directory includes a comprehensive list of computer software and references by name, subject, description, computer language, system requirements and general costs. Copies of the directory are available for $10 to ASSE members and $15 to non-members by contacting Department F, American Society of Safety Engineers, 1800 E. Oakton St., Des Plaines, Ill. 60018; 312-692-4121.

● A series of **speeches on tort reforms** advocated by the Alliance of American Insurers is available in booklet form. The speeches include: "Civil Justice Reform: The Future is Now," by Franklin W. Nutter, Alliance president. A seven-point program for industry stabilization is outlined and the need for changes in the civil justice system is emphasized. "In One Era and Out the Other," a speech by Rodger Lawson, Alliance senior vp, discusses the nature of industry cycles and reasons they occur. The text stresses the importance of civil justice reform for insurers to maintain a healthy financial condition. "Tort Reform—Who Won?," by Dee Ann Bernhard, assistant vp and South Central regional manager, emphasizes the growing importance of national and state coalitions from the public and private sectors that support tort reforms. "A Special Message to Insurance Communicators," a speech by Mr. Nutter, pinpoints public misconceptions about the insurance industry and provides responses to counter these industry myths. The free booklets are available by writing the Alliance of American Insurers, Public Affairs Department, 1501 Woodfield Road, Schaumburg, Ill. 60173-4980.

● Exporters and importers may receive a free 41-page guide to shipping arrangements, financial considerations and insurance protection titled **"The Ocean Cargo Handbook"** from the Chubb Group of Insurance Cos.' Ocean Marine Department. Packaging, shipping and contractual arrangements, ocean cargo insurance, financial arrangements and claims are among the topics examined. The handbook's import and export guides also provide step-by-step procedures for moving merchandise to and from an ocean-going vessel. Buyers' and sellers' responsibilities for providing insurance also are included. Copies of the handbook are available by writing on company letterhead to Chubb Group of Insurance Cos., Ocean Marine Department, 15 Mountain View Road, P.O. Box 1615, Warren, N.J. 07061-1615.

● **"Health Maintenance Organization Selection: A Sourcebook for Employers and Unions"** is available from the New York State Public Sector Coalition on Health Benefits. The publication summarizes the legislative history of HMOs, purported advantages and disadvantages of HMOs and criteria that may be used in selecting a health care delivery system. Copies of the report are available for $5 each. Checks payable to the New York City Public Sector Coalition on Health Benefits may be sent to Donna Gwynne, Employee Benefits Program, 110 Church St., 12th floor, New York, N.Y. 10007.

●

Have a new report, booklet or educational brochure you'd like to send to buyers of insurance? Business Insurance will describe material costing less than $25 as an editorial service in the Info column. Simply send us a copy of the item to be offered and a short description of it, along with the cost and a mailing address. Address all contributions to Info, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590.

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

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

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

HOUSTON CASUALTY COMPANY

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

3250 Wilshire Boulevard, Los Angeles, California 90010-1684
(213) 380-1884

Medicare

Continued from page 1

paid Health Care.

"We'd like to do three demonstrations to see if this idea doesn't have some merit, and we think it does for both government and corporate America," Mr. Moley pointed out.

Under the MIG program, self-insured employers or union trusts contract with the HCFA to provide Medicare benefits to their retirees. The employer or union receives a monthly experience-rated capitated premium equal to 95% of what HCFA estimates it would cost it to provide Medicare benefits for that specific group of retirees, Mr. Moley said.

For example, "if we projected that the cost would be $1 million for that group, we would pay the employer or union $950,000," he explained.

The total amount of Medicare funds that could be paid to an employer or union would be capped at $15 million annually if pending budget reconciliation legislation, H.R. 3545, becomes law, Mr. Moley said.

However, HCFA is "working with the House to either increase the limit or eliminate it altogether, since the cap would make the MIG project difficult," he added.

The MIG program would allow employers to offer retirees managed care or cost-containment initiatives—like health maintenance organizations and preferred provider organizations—because all retiree health care benefit programs would be combined under one plan, he said.

Currently, retiree medical benefits are provided under both the Medicare program and the supplemental retiree health care plans offered by some employers. This two-tier system makes it difficult for employers to enroll employees in managed care or cost-containment programs, since the Medicare program as administered by HCFA is based on a fee-for-service model.

Retiree enrollment in a MIG program will be voluntary, offering retirees the opportunity to withdraw from the managed care program and return to the regular Medicare fee-for-service program at any time.

If employers are able to contain or reduce retiree medical benefits costs through the MIG, they would be able to keep any excess Medicare premiums to fund their supplemental retiree benefit plans or to pass the savings along to retirees in the form of enhanced benefits, Mr. Moley said.

But if retiree health costs exceed expected norms, "we're presuming that the 95% premium would enable employers to buy some type of stop-loss coverage just as they would as a self-insured entity under ERISA" to protect themselves from taking a large financial hit, he said.

If a MIG operates in the red, HCFA does not intend to absorb the deficit.

Both ALICO and HCFA believe there are many advantages for employers, retirees and the government under the MIG program.

"A major advantage of this agreement is that we will be able to work out PPO arrangements so there will be managed care instead of just the open fee-for-service plan" for retirees, concurred Mr. Fine, ALICO's representative.

"We believe this is a win-win-win proposal" offering advantages to the beneficiaries, employers and the federal government, Mr. Moley said.

Medicare beneficiaries would benefit from having two health care options in addition to the traditional fee-for-service Medicare insurance program, he said. "Currently, Medicare beneficiaries have only one choice: the fee-for-service program. In some areas they also now have the choice of an HMO. But, now they'll have the third choice of remaining in a system they enjoyed as an employee," because under the MIG retirees can continue to have all health care benefits administered by their employer or union, he explained.

"Corporate or union America retirees also tend to be healthier, so this is a group we'd like to get at in a managed care setting," he added.

In addition, "the corporation or union would be able to use government money in combination with their own premium dollars to provide retiree medical benefits. Because of the unified administration of Medicare and their own retiree health benefits, they also would have increased purchasing power," Mr. Moley said.

Along with enhanced purchasing power and simplified claims administration, employers also would be able to better control their own retiree health care costs because they would be able to offer managed care programs, he said.

"The government will be able to achieve that known 5% savings on a group of retirees that many people believe tend to be high utilizers of benefits because they are used to rich union benefit plans they had as employees. This savings will narrow the significant Medicare deficit," Mr. Moley said.

"But, the most important point is that the government has altogether too long been experiencing the negative aspects of providing individual insurance, such as adverse selection and high utilization. With the MIG concept, we're trying to move toward the principles of group insurance to address the problems of the Medicare deficit," he explained. ■

Workplace deaths are reduced: Study

ATLANTA—The U.S. Public Health Service's goals of reducing work-related deaths to 3,750 and disabling injuries to 8.3 per 100 annually by 1990 have been met several years ahead of schedule, according to a study by the National Institute for Occupational Safety and Health in Atlanta.

Workplace deaths at companies with more than 11 employees dropped to fewer than 3,000 in 1983, and there were fewer than 3,750 workplace deaths per year through 1985, the last year for which data is available, said the study. In comparison, more than 4,600 workplace deaths were reported in 1978.

Work-related disabling injuries dropped to fewer than eight per 100 workers in 1981 and remained at that level through 1985. In 1978, there were nine work-related disabling injuries per 100 workers.

A NIOSH spokesman attributed the declines in part to public and private workplace safety programs. ■

MULTI-MARKETS
PHYSICAL DAMAGE
CARGO
GROUP

Call:
Richard D. Slautterback
Chairman

Telex: 80-4319

1-800-647-3769

American Owner/Operator Underwriters Inc.®
P.O. Box 105257 Atlanta, GA 30348

© American Owner Operator Association, Inc.®
All Rights Reserved

HOT OFF THE PRESS

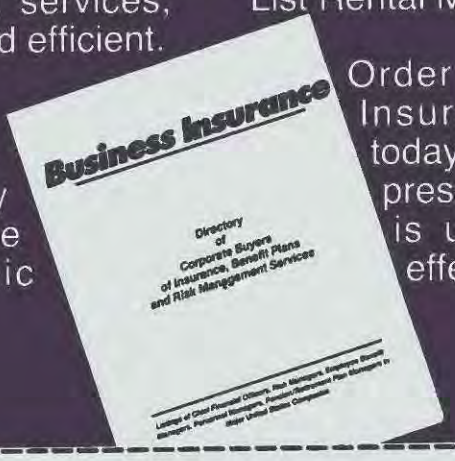
The 1987/88 Business Insurance Directory
of Corporate Buyers of Insurance,
Benefit Plans and Risk Management Services

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

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

Vital information on over 2,200 U.S. corporations — they are listed alphabetically and indexed by employee population and geographic location. There are approximately 9,000 individual corporate buyers listed by name, title and area of responsibility. The Directory also gives you company size - by employees and assets or sales.

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



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

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

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

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

For further information, or to charge your order by phone, please call: **Fanny Franklin (313) 446-0477**

☐ Please send me Business Insurance subscription information

Mail this card and your check/money order to:
Business Insurance Directory: Single Copy Sales
965 East Jefferson Avenue, Detroit, MI 48207

BID 11/9

Stock plunge may benefit Lloyd's: Miller

By CAROLYN ALDRED

LONDON—Lloyd's of London could benefit from the worldwide stock market plunge because its surplus has not been hurt as much as some of its competitors', according to Lloyd's Chairman Peter Miller.

While Lloyd's syndicates have "less than 5%" of their surplus in equities, many competitor insurance companies have a much greater position in the stock market, Mr. Miller said at a press conference at Lloyd's last week.

The stock market upheaval is bound "to have an effect on the insurance market, which will not be in a position to be as competitive. This could be an advantage to Lloyd's," Mr. Miller observed.

However, Mr. Miller expressed alarm at the sliding U.S. dollar and urged the U.S. government to act to prevent its further fall.

"We are very concerned about the weakness of the U.S. dollar as 80% of Lloyd's business is conducted in U.S. dollars. I hope the U.S. government will take the measures urged by the chancellor to strengthen the dollar," he said, referring to the chancellor of the exchequer, who is the British counterpart to the U.S. Treasury secretary.

The stock market upheaval is bound 'to have an effect on the insurance market, which will not be in a position to be as competitive. This could be an advantage to Lloyd's,' says Mr. Miller.

The chancellor, Nigel Lawson, spoke of the U.S. government's need to take action in a speech last Wednesday in London.

"The need for the U.S. budget deficit to continue to fall significantly remains crucial," Mr. Lawson said.

"The key is that the current talks between the U.S. administration and Congress should lead to early agreement on a clear and credible package of measures," Mr. Lawson said, adding that the measures should go "beyond the $23 billion to which the president is committed."

Mr. Miller said it was too early to tell whether Lloyd's profits will be affected by the dollar's slide.

"Individual underwriters' profits will depend on how great their exposure is in U.S. dollars," Mr. Miller said, noting that underwriters who experienced greater losses than anticipated on U.S. business would actually benefit from the dollar's fall if forced to buy U.S. dollars at depressed exchange rates to pay losses.

Meanwhile, Lloyd's is "constantly monitoring" the value of member's assets as a result of falling stock prices, Mr. Miller pointed out.

"We have not yet asked anyone to supplement funds, but it is a matter which we are examining," he said.

A+15

BEST RATED INSURER

ALL FORMS OF MARINE INSURANCE INCLUDING

PERSONAL BOAT PACKAGE

$1,000,000 LIABILITY (P&I)

- *Medical Payments & Trailer Coverage Available*
- *Merit Rated*
- *No Tax*
- *Minimum Value $20,000*

PALACIO & WEINRAUB, INC.

100 N. BISCAYNE BLVD.
SUITE #1100
MIAMI, FLORIDA 33132
PHONE: (305) 381-9877
FAX: (305) 577-0480
TELEX: 522037 PANDW MIA
1-800-822-2608

ASK FOR A BOAT QUOTE

INSURANCE SERVICES FOR AGENTS

PHYSICAL DAMAGE INSURANCE ON

PORSCHES

AND

ALL
HIGH VALUE CARS

(UP TO $120,000 IN HOUSE)

Also All Terms Of Marine And Aviation Coverage

CONTACT US FOR QUOTES AT:

PALACIO & WEINRAUB, INC.

100 N. Biscayne Blvd.
Suite 1100
Miami, Florida 33132
Phone: (305) 381-9877
Fax: (305) 577-0480
Telex: 522037
1-800-822-2608

INSURANCE SERVICES FOR AGENTS

Superfund coverage ruling

Continued from page 1

the terms of comprehensive general liability insurance policies. In the Mraz case, the court ruled that pollution response costs represent an economic loss that is not based on damage to property.

"The cases presented by moving parties (insurers) are compelling," Judge Markey said.

"We will be appealing it," said George Rosenstock, an attorney for Union Oil, now called Unocal Corp.

"The court's opinion is unrealistic as a practical matter," said Mr. Rosenstock, with the Los Angeles firm of Lillick, McHose & Charles. He said the opinion is based on poorly reasoned federal court decisions and some older state court decisions.

Mr. Rosenstock also asserted that the "vast majority" of state court decisions on this issue have favored policyholders.

He also pointed out that Los Angeles-based Union Oil paid more than $6 million in premiums to its excess liability insurers to cover liability risks at the Western Processing site in Kent, Wash., and has not received any coverage in return, nor have insurers paid defense costs.

The decision is the first California ruling on insurance coverage for Superfund cleanup costs to cite the Maryland and Mraz decisions, said Robert Zeavin, who represents various American International Group Inc. companies involved in the litigation.

"They are very important decisions and becoming increasingly important because we are finding in these cases that the cost of cleanup is worth significantly more than the property," said Mr. Zeavin, who is with the Los Angeles firm of Buchalter, Nemer, Fields & Younger.

'They are very important decisions because we are finding in these cases that the cost of cleanup is worth. . .more than the property,' says Mr. Zeavin of Buchalter, Nemer, Fields & Younger.

"It's very significant," said Timothy Russell, who represents Long Grove, Ill.-based American Manufacturers Mutual Insurance Co., a unit of Kemper Insurance Group.

"It is the fourth decision that has agreed with insurers that environmental cleanup costs are not damages within the meaning of comprehensive general liability policies," said Mr. Russell, who is with the Washington office of the Philadelphia firm of Drinker, Biddle & Reath.

The decision also is significant because the case was litigated in California, which is not perceived as a state that favors insurers, Mr. Russell pointed out.

The dispute between Union Oil and its insurers arises out of suits brought by the U.S. Environmental Protection Agency and the state of Washington against Union Oil and numerous other defendants concerning alleged environmental damage at the processing site in Washington between 1975 and 1982.

Union Oil and its primary and excess liability insurers since the 1940s also are litigating over coverage for cleanup costs at the McColl Air Force Base site in Fullerton, Calif. However, Judge Markey did not address the McColl site coverage issues.

The approximately 15 insurers involved in the decision wrote excess policies totaling hundreds of millions of dollars. For some of the years in question, Union had a self-insured retention of $1 million.

For example, Granite State Insurance Co. of Manchester, N.H., an AIG company, wrote excess insurance above a $1 million Union Oil SIR from 1979 through 1982.

American Manufacturers wrote $1.5 million in excess coverage between November 1972 and November 1975.

Cleanup of the McColl site alone could cost more than $100 million, according to insurers.

According to papers filed by insurers in the case, Union Oil was named as a "generator" defendant on the basis of allegations that oxazolidone from Union Oil's Kenai, Alaska, plant was shipped to the Western Processing facility and released into the environment.

The oxazolidone contained traces of arsenic, which the EPA has defined as hazardous.

Union Oil's shipments of oxazolidone apparently continued until April 1983, the papers say. The insurers allege that Union shipped a total of approximately 980,402 gallons of oxazolidone to the Western Processing site.

In the underlying litigation, the United States seeks reimbursement from Union Oil and other defendants for investigative, cleanup and other pollution response costs, the abatement of the condition of the site and injunctive relief.

The state of Washington also seeks reimbursement for response costs.

At issue was whether these costs were covered by the excess policies, which included language providing:

- Insurers would ". . .pay. . .all sums. . .which the insured shall become legally obligated to pay as damages because of. . .injury to, or loss or destruction of property, including loss of use of property."
- "The words 'injury to' or 'destruction of property' shall include but not be limited to damage to or loss or destruction of property or property rights of every description, damage to property caused buy or arising out of the creation and maintenance of a public or private nuisance, disparatement of property, loss of use of property and indirect or consequential damage to property."
- "The company will indemnify the insured for loss, resulting from:. . .property damage. . ."

Among insurers' arguments was that the federal and state governments were seeking removal costs or remedial action incurred by the U.S. government under the Comprehensive Environmental Response, Compensation and Liability Act of 1980, commonly known as Superfund, and also injunctive and restitutional relief, which are not covered under the policies.

"Each of these claims in the complaint seeks relief that, by virtue of its restitutional or injunctive character, is wholly equitable in nature," AIG and Kemper insurers say in court papers. "None of the claims seek compensatory 'damages.' "

Moreover, the counts in the complaint addressed by the court did not assert any claim against Union Oil under Section 107(a)(4)(c) of the Superfund act, which says that parties may be liable for "damages" for injury to, destruction of, or loss of natural resources, the insurers contend.

Insurers also argued that response costs are not property damage within the meaning of the policies and are not compensation for any damage to the government's property.

Among Union Oil's arguments was that the obligations of the parties are defined by the insurance contracts, not by statutes such as Superfund, under which liability against the policyholder is sought to be imposed, said the company's attorney, Mr. Rosenstock.

The court agreed with the insurers.

"Plaintiffs in the federal action do not seek damages for injury to property; relief under section 107(a)(4)(c) of CERCLA is not sought," Judge Markey ruled.

"Reasonably interpreted, the language of the insuring agreement on its face refers to damage to property in the traditional sense."

The court did not address whether there is coverage for other counts in the underlying complaint, including those which allege that Union caused natural resource damage and those involving the McColl site.

However, attorneys for insurers believe that Judge Markey's decision probably will dismiss some of those claims as well. ■

M&M third-quarter revenues jump 15.6%

New York-based Marsh & McLennan Cos. Inc., the world's largest insurance brokerage, produced a third-quarter revenue increase of 15.6% to $533.7 million from $461.8 million in the third quarter of 1986. Net income grew 21% in the period to $77.7 million from $64.2 million in the third quarter of 1986.

For the first nine months of 1987, M&M's gross revenues increased 20.1% to more than $1.6 billion from less than $1.4 billion in the first nine months of 1986. Net income for the period rose 28.7% to $249.5 million from $193.9 million in the first nine months of 1986.

Financial briefs

Hilb, Rogal & Hamilton

Hilb, Rogal & Hamilton Co., the 12th-largest U.S. insurance brokerage, reported a 17.8% increase in gross revenues in the third quarter of 1987 to slightly less than $9 million from $7.6 million in the third quarter of 1986. Net income for the quarter jumped 119.7% to $771,000 from $351,000 in the third quarter of 1986.

For the first nine months of 1987, the Richmond, Va.-based brokerage reported gross revenues of more than $27.3 million, a 20.1% increase from $22.8 million in the corresponding period of 1986. Net income jumped 99.6% during the first nine months of 1987 to $2.6 million from $1.3 million in 1986.

St. Paul

The St. Paul Cos. Inc.'s net income for the first nine months of 1987 jumped 95.9% to $293.7 million from $150 million in the first nine months of 1986.

Operating income in the first three quarters ballooned 146.8% to $242.9 million from $98.4 million.

Nine-month revenues totaled $2.5 billion, up 7.8% from $2.3 billion in the year-earlier period.

For the third quarter, net income rose 14.6% to $97.4 million from $85 million in the 1986 period.

Operating income in the third quarter of 1987 nearly doubled to $95 million from $48.2 million in the third quarter of 1986.

Third-quarter revenues also improved, rising 6.8% to $859.7 million from $804.6 million in the year-earlier quarter.

"These are the best quarterly results we have ever achieved and come as the result of strong earnings in our property/liability underwriting operations," said Robert J. Haugh, chairman and chief executive officer.

Property/liability insurance operations produced nine-month pretax earnings of $271.8 million, a nearly three-fold increased from $90.8 million in the 1986 period.

The combined ratio for the first nine months improved to 104.9% in 1987 from 110.6% in 1986. For the third quarter, the combined ratio was 102.0% compared with 104.0% in the third quarter for 1986.

"The controls we have diligently employed throughout the underwriting function of our insurance operations have been key to this improvement," Mr. Haugh added, noting underwriting losses have been reduced by more than $133 million in the first nine months of 1987 compared with 1986.

Aetna Life & Casualty

Aetna Life & Casualty in Hartford, Conn., reported net income for the first nine months of 1987 dipped 4.8% to $723.1 million from $758.2 million.

Operating income for the first three quarters increased 38.5% to $189.1 million from $136.5 million.

Aetna's 1987 nine-month revenues also rose 13.4% to $12.4 billion from $11 billion in 1986.

For the third quarter of 1987, net income dropped 4.4% to $254 million from $265.1 million.

Operating income rose 13.8% in the third quarter to $65.1 million from $57.2 million.

Third-quarter revenues increased 19.2% to $4.4 billion from $3.7 billion.

"Earnings in our casualty/property business continue to show significant improvement over last year," said Aetna Chairman James T. Lynn. "Their performance more than offsets lower results in our group insurance operations." ■

Datebook

NOV. 11-13. New Age Retirement Planning workshop in New York City, sponsored by Retirement Advisors; $495; $395 if registration is made three weeks in advance. Retirement Advisors, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

NOV. 11-13. Fundamentals of Property and Casualty Reinsurance Agreements conference in Los Angeles, sponsored by Executive Enterprises Inc.; $975; $875 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

NOV. 12. Coping With Change—Directors and Officers Liability symposium in Boston, sponsored by The Wyatt Co.; $525; $425 for additional registrants from the same organization. The Wyatt Co., Suite 5600, Sears Tower, 233 S. Wacker Drive, Chicago, Ill. 60606; 312-876-2000.

NOV. 12. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.) workshop in New York City, sponsored by the Health Research Institute; $250. **Also Dec. 10** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

NOV. 12. Cost Containment Through Communications and Education workshop in New York City, sponsored by the Health Research Institute; $250. **Also Dec. 10** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

NOV. 12. Basics of Employee Benefits-One Day Intensive Program seminar in Waltham, Mass., sponsored by the New England Employee Benefits Council; $175 for NEEBC members; $235 for non-members. Carol Greenfield, Executive Director, New England Employee Benefits Council, 617-423-6146.

NOV. 12. 1987 Fall Insurance Conference in Chicago, sponsored by the Illinois CPA Foundation; $175; discounts for three or more member registrants from same firm; $205. Illinois CPA Foundation, 222 S. Riverside Plaza, 16th Floor, Chicago, Ill. 60606; 800-572-9850; 312-993-0393 within Illinois.

NOV. 12-13. Going Bare: A Survival Course for Self-Insureds conference in Orlando, Fla., sponsored by the American Bar Assn.'s Section of Tort & Insurance Practice and Division of Professional Education; $375 for ABA members; $350 for TIPS members; $325 for young lawyers; $75 for law students; $400 for non-members. American Bar Assn., Division for Professional Education, Department NI 487, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-6200.

NOV. 12-13. Buying Right—Managed Care Workshop in Key Biscayne, Fla., sponsored by the National Assn. of Employers on Health Care Alternatives; $350 for NAEHCA members; $450 for non-members. Registrar, National Assn. of Employers on Health Care Alternatives, 304 Key Building, 104 Crandon Blvd., Key Biscayne, Fla. 33149; 305-361-2810.

NOV. 13. Health Care's Image: Multi-Perceptions symposium in Chicago, sponsored by Blue Cross and Blue Shield of Illinois; $95. Rosemary Longo, Blue Cross and Blue Shield of Illinois, 233 N. Michigan Ave., Chicago, Ill. 60601; 312-938-6160.

NOV. 13. Seventh Annual Economic Issues in Workers Compensation seminar in Philadelphia, sponsored by the National Council on Compensation Insurance; $60 for members; $85 for non-members. Pushpa Bhavnani, NCCI Economic and Social Research Department, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1065.

NOV. 15-18. 1987 Annual Meeting of the American Academy of Actuaries and the Casualty Actuarial Society in San Antonio, Texas; $230 for AAA/CAS members. American Academy of Actuaries, 1720 I St. N.W., Seventh Floor, Washington, D.C., 20006; 202-223-8196.

NOV. 15-19. National Assn. of Independent Insurers' 42nd Annual Meeting in Maui, Hawaii; $250 for members; $350 for subscribers and guests; $100 for spouses. National Assn. of Independent Insurers, 2600 River Road, Des Plaines, Ill. 60018-3286; 312-297-7800.

NOV. 16-18. Utilization Review Systems workshop in Scottsdale, Ariz., sponsored by the Group Health Assn. of America Inc.; $425 for GHAA members; $500 for non-members. Group Health Assn. of America Inc., 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3275.

NOV. 16-20. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; $500. John Garis, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

NOV. 17. Directors and Officers Liability Workshop in Arlington, Va., sponsored by the Society of Chartered Property & Casualty Underwriters; $130 for Society of CPCU members; $160 for non-members. **Also Dec. 1** in Seattle, **Dec. 3** in Philadelphia. Mari Jennings, Professional Services Coordinator, Society of CPCU, Kahler Hall, 720 Providence Road CB#9, Malvern, Pa. 19355; 215-251-2741.

NOV. 17. Covering Your Employees: COBRA/DEFRA/TEFRA course in New York City, sponsored by the College of Insurance; $195 for college sponsors; $215 for non-sponsors. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

NOV. 18. Risk Management and Safety Techniques for Public Agency Recreation Programs and Facilities seminar in Sacramento, Calif., sponsored by Risk Management Seminars; $150 in advance; $175 at the door. **Also Nov. 19** in Fresno, Calif. Risk Management Seminars, P.O. Box 1601, Sonoma, Calif. 95476-1601; 415-943-1405.

NOV. 18-19. Health Care Reform: The Challenge for North America conference in New York City, sponsored by Americas Society/Canadian Affairs; both days: $220 for members, $270 for non-members; Nov. 19 only: $200 for members, $250 for non-members. Americas Society/Canadian Affairs, 680 Park Avenue, New York, N.Y. 10021; 212-249-8950, extension 584.

NOV. 19-20. Drafting and Negotiating Reinsurance Contract Wordings and Market Presentations seminar in New York City, sponsored by Executive Enterprises Inc.; $875: $775 for additional registrant from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

NOV. 19-20. Property and Casualty Insurance: Opportunities in International Expansion seminar in New York City, sponsored by the Tillinghast Division of Towers, Perrin, Forster & Crosby; $495. Conference Director, Tillinghast/TPF&C, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

NOV. 20. Political Risk & Credit Insurance seminar in New York City, co-sponsored by The College of Insurance and Cook & Miller; $125. Professional Development Division, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111, extension 303.

NOV. 24. Professional Insurance Wholesalers Assn. of New York State Inc.'s Ninth Annual Conference in New York City; $110 for PIWA members; $150 for non-members. Professional Insurance Wholesalers Assn. of New York State Inc., Old Route 9W, P.O. Box 997, Glenmont, N.Y. 12077-0997; 518-434-3111.

NOV. 30-DEC. 1. Behavioral Science as an Approach to Accident Prevention course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; $375. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

DEC. 1-2. Garage Risks Seminar in Chicago, sponsored by the American Assn. of Managing General Agents; $195. American Assn. of Managing General Agents, 1001 Connecticut Ave. N.W., Suite 800, Washington, D.C. 20036.

DEC. 1-2. Third Annual Technical Briefing on Captives and Corporate Insurance Buying conference in London, sponsored by the Risk & Insurance Research Group Ltd.; 320 pounds plus 15% VAT ($633 total). Risk & Insurance Research Group Ltd., 4 Henrietta St., Covent Garden, London WC2E 8PS; 01-836-0614.

DEC. 2-3. Legal Aspects of Occupational Safety & Health course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; $385. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

DEC. 2-3. Preparing and Analyzing Property and Casualty Statutory Financial Statements seminar in Los Angeles, sponsored by Executive Enterprises Inc.; $875; $775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

•

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

YOUR BUSINESS IS OUR BUSINESS

Your business is protection.

Protection from risk.
Protection from excessive liability.

Our business is protection, too. We provide the Hazardous Materials Identification System (HMIS®), a Right-To-Know system for managing risks in the workplace. Simply, effectively, economically.

With the expansion of the OSHA Hazard Communication Standard to cover all employers, practically every workplace in America needs us—both.

For more information on how the HMIS® System can benefit you and your clients, please call...

American Labelmark Co.
Labelmaster Division
Chicago, IL 60646

CALL TOLL-FREE:
1-800-358-6200
(In IL: 312-478-0900)

Insurance Mergers & Acquisitions

GOLD CITIES INSURANCE
Grass Valley, California

has been acquired by

ABI MANAGEMENT, INC.
San Francisco, California

The undersigned initiated this transaction and acted as financial advisor to Gold Cities Insurance

RUSSELL MILLER, INC.
Specialists for the insurance industry

New York
(212) 619-3670

300 Montgomery Street
San Francisco, CA 94104
(415) 956-7474

London
920-9392

Mississippi OKs medical malpractice rate hike

JACKSON, Miss.—The Mississippi Insurance Commission granted a 45% rate hike to St. Paul Fire & Marine Insurance Co. for doctors' medical malpractice coverage.

In September, the commission had denied the St. Paul, Minn.-based insurer's full 45% rate increase request, approving instead a 29% increase. But, the insurer said that rate would not allow the insurer to continue to offer malpractice coverage in the state.

"We must be allowed to charge a price that covers the growing size of claims against Mississippi doctors," the company said.

Robert Gibson, rating director for the Mississippi Insurance Commission, said the three-person appointed panel subsequently voted 2-to-1 to approve the full increase because "it was the only thing to do" to keep St. Paul writing medical malpractice policies in the state.

The rate increase includes a retrospective rating "safety valve," under which premium refunds would be granted with interest if the claims experience of doctors in the state is better than St. Paul projects. The new rates take effect Dec. 31.

Policyholders also can choose a deductible on their coverage, a feature not regularly included in medical malpractice policies.

The St. Paul spokesman said the insurer writes malpractice coverage for about 1,300, or 40% of, Mississippi doctors.

The insurer was granted a 30.5% rate increase for doctors medical malpractice coverage in October 1986, the spokesman said.

Meanwhile, Mississippi Insurance Commissioner George Dale will take over the responsibilities of setting property/casualty insurance rates from the Insurance Commission on Jan. 1, when the three-person appointed panel will be disbanded.

In accordance with a law passed earlier this year, the Mississippi Insurance Department will assume all administrative duties now handled by the commission.

Mr. Dale, the state insurance commissioner since 1975, ran unopposed in last week's election. ■

The professional marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $92.75 per column inch, minimum of one inch. Straight classified is $7.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $15.00 charge for all blind box ads. Only those reponses which fit into a business size envelope will be fowarded. Responses are fowarded daily.*

Closing: *Published every Monday. Copy must in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340.*

COMMUNICATIONS MANAGER

An established and rapidly expanding San Francisco Compensation and Benefits Consulting firm has an immediate opening for a manager of its Communications Department. Candidates should have five to ten years of experience in all phases of employee benefits communications and have proven business development, managerial and budgeting skills. This is a top level position reporting directly to the President and Chief Executive Officer. Compensation will be commensurate with experience and qualifications. Outstanding benefits including a bonus program tied to revenue and profit results.

Please send a resume for confidential consideration:

Gene Anderson
C&B Consulting Group
Coates, Herfurth & England, Inc.
550 California Street, Suite 1400
San Francisco, CA 94104
(415) 433-4440

ACCOUNTANT

The Vermont State Insurance Department seeks an individual to audit captive insurance companies and to train entry level personnel. Accounting degree required and minimum of 2 years auditing experience. Please send resume to:

Edward E. Meehan
Department of Banking & Insurance
120 State Street
Montpelier, VT 05602

AGENCIES WANTED

Our aggressive acquisition program is underway. We are desirous of securing agencies in the North Shore area or in Lake County.

Agency Expansion
P.O. Box 1493
Highland Park, IL 60035

BUSINESS OPPORTUNITIES

RETAIL TRUCK PRODUCERS WANTED

We are currently seeking experienced, licensed retail producers to represent Best's A+ Rated truck liability, physical damage and cargo market in the following states: CO, NV & WY. Please reply to: **Box 2346, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**

FOR SALE MGA LICENSE

Texas Grandfathered
License For Sale.
Reply to:
D. Mallace
P.O. Box 1663
Evanston, IL 60204
312/866-7400 x-210

BUSINESS OPPORTUNITIES

PROGRAM BUSINESS

Brokers and Agents looking for an insurance company to support their program or association should contact Box 2134, Business Insurance, 740 Rush St., Chicago, IL 60611. We are a firm specializing in program placement, development and control.

REQUEST FOR PROPOSALS

The State of Louisiana, through the Board of Trustees of the State Employees Group Benefits Program, cordially invites proposals from any Utilization Review Organization, having an established office engaging in that profession, such firm having a minimum of two (2) years experience in utilization review, and who currently provides such services to at least one (1) health and accident benefit plan with a group size of ten thousand (10,000) covered employees or more. Proposals must be received by the State Employees Group Benefits Program prior to 10:00 a.m. on November 24, 1987. For more information contact: **Dr. James D. McElveen, Executive Director, State Employees Group Benefits Program, P.O. Box 44036, Baton Rouge, Louisiana 70804.**

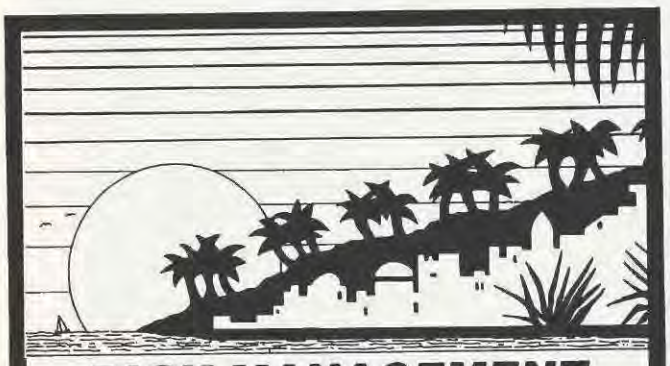
HELP WANTED

UNDERWRITER

K&K Insurance Agency, Inc. (a subsidiary of the Lincoln National Corp.), a unique writer of motorsports, sports (pro and amateur), and entertainment business needs a hard-working, commercial lines underwriting professional. Minimum of three years experience. Agency/Specialty experience a plus. Good relocation package and company benefits. Send resume to: **K & K Insurance Agency, Inc., Attention: Melissa Kindley, P.O. Box 2338, Fort Wayne, IN 46801.** EOE.

AGENCY MANAGER

Reporting directly to CEO needed for agressive Scottsdale, Arizona, agency with over 15 mill premium. Position requires 5 years experience in managing a successful ins agency. Salary range $38K to $50K annual + bonus. Responsible for managing key accounts, account executives, and producers. Starting early 1988. Send resume to: **Box 2349, Business Insurance, 740 Rush St., Chicago, IL 60611-2590**



RISK MANAGEMENT CONSULTANT

$40,000 to $50,000 (Tax Free!)

Saline Water Conversion Corporation (SWCC) is a public utility owned by the Saudi Arabian Government. Plants now in operation produce approximately 500,000,000 gallons of desalinated water and 3500 MW of electric power per day.

Reporting directly to the Deputy Governor of Operation & Maintenance, you will be responsible for overall supervision and coordination of our Risk Management Program, including: risk identification & measurement; preparation of requests for proposals and bid specifications; analysis of proposals and recommendations to management; maintenance of our property, machinery, casualty, aircraft and marine policies; claims handling; inspection and loss prevention; and necessary risk management files and records.

Minimum requirements include a bachelor's degree and four years of insurance and risk management experience in a public utility, or similar industry environment.

This is an excellent opportunity to live and work in the ideal coastal climate of Riyadh, Saudi Arabia. In addition to an outstanding tax-free salary, your housing, car (for business & personal use), and two round-trips to city of hire with 30 days annual paid vacation will be provided!

For full consideration, please send your resume to: **A. Rashid Khan, P.O. Box #6265, Albany, CA 94706**

INSURANCE OPPORTUNITIES

ACCOUNT EXECUTIVE (Servicing) DALLAS.
Unique situation exists with Dallas metroplex property and casualty agency/broker requiring skills and experience in servicing large commercial accounts. **No production responsibilities** but must have excellent verbal skills and coverage knowledge. Will be calling on corporate Risk Mgrs. & other insurance buyers within corporate environment. Our client requires a minimum of 10 years P&C agency/brokerage experience. CPCU desired. Starting compensation package in the range of $45,000 to $60,000.

PENSION SPECIALIST. Texas based corporation seeks person with a minimum of 5+ years of diversified pension plan experience at corporate level. Must also have some supervisory or management experience plus necessary pension plan interpretation background with the ability to provide technical adv ce to plan administrators. Salary to mid $50s.

GILBERT — HAFNER & CO.
Insurance Staffing Consultants
6060 N. Central #470, Dallas, TX 75206, (214) 361-9341

ANNOUNCEMENT OF VACANT POSITION BENEFITS MANAGER

The State of Kansas is seeking a highly qualified individual to analyze, design, implement, and manage an employee benefits program for Kansas state employees to ensure cost effectiveness and efficiency. This individual will work in the Kansas Department of Administration in coordination with the director, Division of Personnel Services.

The qualified candidate must have demonstrated the ability to administer a comprehensive employee benefits program; ability to supervise staff responsible for liability determination and risk management, especially in the areas of health care, workers' compensation, and self-insurance; ability to communicate effectively in written and oral form; must possess in-depth knowledge of computer systems related to employee benefits.

Excellent salary and benefits package. For consideration, submit a letter of application and resume with salary history and professional references by December 15, 1987 to:

Director, Division of Personnel Services
Room 951-South, Landon State Office Building
900 S.W. Jackson, Topeka, Kansas 66612-1251

State of Kansas — Equal Opportunity Employer

NATIONAL ACCOUNT COORDINATOR

NATIONAL CLAIMS

We are a large international insurance broker with an immediate need for a Claims National Account Coordinator. The position is based in Chicago,IL. This individual will have had experience in providing claims coordination service for multi-location accounts. Also, this individual will have 6 to 8 years casualty adjusting experience with heavy emphasis on workers compensation (multi-state experience preferred). This candidate will coordinate service among our clients and our adjusting locations throughout the US and will have experience in performing client file reviews, working with State Agencies and coordinating the set-up of bank accounts. This coordinator will work with our offices in preparing proposals for service and will be involved in client presentations. This service oriented position reports to the division's senior vice-president. The position title is Vice-President-National Account Coordinator.

Excellent communications and supervisory skills are necessary plus experience in operating a personal computer 40% national travel. We offer an excellent compensation package consistent with ability and experience plus comprehensive fringe benefits including full expenses.

For immediate and confidential consideration please write or send resume including education, experience and salary requirements to:

M. Susan Hackley
Fred S. James & Co.
Claims Management Services
230 W. Monroe Street
Chicago, Illinois 60606
Equal Opportunity Employer M/F

INSURANCE

MANAGER OF REINSURANCE

Property Casualty Insurance Co. in liquidation is searching for individual with heavy knowledge of Treaty, Retrocession, IBNR, Collections & Reporting to determine amounts collectable from ceding companies. Salary open. Please call H. RUIS, Personnel Dept.

201-262-9300 ext. 270
equal opportunity employer m/f

RETAIL TRUCK PRODUCERS WANTED

Due to program expansion, we are currently seeking experienced, licensed, retail producers to represent "A" rated truck physical damage program in the following states: Florida, Georgia, Kentucky, Mississippi, Oklahoma, Virginia and W. Virginia.

Please reply to:

Box 2320, Business Insurance
740 Rush St.
Chicago, IL 60611-2590

ACCOUNT EXCUTIVE

Industrial commercial property casualty insurer seeks experienced Account Executives to handle **FORTUNE 1000 NATIONAL ACCOUNTS** in the Toronto, Boston, New York/Jers., Cleveland, Atlanta, Chicago, Dallas and L.A. markets. Must have current related successful sales experience.

$50-70,000 SALARY + $10,000 GAUR. DRAW + COMM. TO $50,000 +

JR. ACCT. EXECUTIVE
POSITIONS ALSO AVAILABLE
$35-50,000 SALARY +

MARKETING MGR
OPPORTUNITIES IN ATLANTA, CLEVELAND, CHICAGO AND SAN FRAN.
$35-50,000 SALARY +
Co. Car Expenses, Benefits
All Relocation Expenses paid
Call Confidentially for immediate local interview:

312-790-4545
Joe Ross or Charles Chase

Business Insurance Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,570
Vice-Presidents, General Managers and Other Administrative Personnel 3,210
Financial:
Chief Financial Officers and Vice-presidents of Finance 2,787
Secretaries, Treasurers, controllers and other Financial Personnel 5,600
Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 9,701
Sub-total 23,868
Associations 500
Government, Unions and Educational Institutions 914
Commercial Consumers Sub-total 25,282
Insurance Agents and Brokers 10,858
Insurance Companies 7,140
Financial Institutions 989
Actuaries, Attorneys, Adjusters, Appraisers and Consultants 4,617
Others Allied to the Field 1,792
TOTAL 49,689

* Source Business/Occupational breakdown of qualified circulation, May 25, 1987 issue, as submitted to BPA for June 1986 BPA Publisher's Statement.

Crash to have little impact: Taylor

By COLLIN NASH

NEW YORK—Last month's stock market plunge will have little impact on the property/casualty insurance market in 1988, despite cause for concern in some areas, speakers at a recent conference sponsored by Johnson & Higgins agreed.

"The economy is only one of several important internal and external forces that affect insurers, their brokers and clients," said Wilson H. Taylor, vice chairman and chief operating officer of Philadelphia-based CIGNA Corp.

There is cause for concern due to increased competition throughout 1987, which created pressure on pricing, said Mr. Taylor, who will succeed CIGNA Chairman Robert D. Kilpatrick when Mr. Kilpatrick retires in March 1989 (*BI*, Nov. 2).

Property rates are down from last year's favorable levels, in some cases considerably, and casualty rate increases have been slow, he said. Only workers compensation prices are increasing at a steady pace, he added.

"Today, there is no real consensus as to whether the property/casualty market is preparing to shoot itself in the foot again and start the next down cycle," Mr. Taylor observed.

However, he contends that even where there have been some slowdowns in price increases, prices are still adequate and appropriate, providing a favorable market for insurers in 1988.

"We are in the midst of a correction stemming from good equilibrium in the market in 1987 and not impending disaster," assured Mr. Taylor.

The impact of the stock market plunge must be considered in the context of other forces such as the state of the insurance industry's loss reserves and capital position, tax reform, the expanding tort liability system and better internal price information within the industry, Mr. Taylor said.

'Today, there is no real consensus as to whether the property/casualty market is preparing to shoot itself in the foot again and start the next down cycle,' says Wilson H. Taylor, vice chairman and chief operating officer of Philadelphia-based CIGNA Corp.

Although the stock market lost its gains for the year, it is not down from 1986 levels. Also, the significant improvements in the bond markets since the severe summer decline should create optimism since property/casualty insurance companies largely invest in bonds, not stocks.

"The sharp decline in the equity market is not going to result in a great number of insurance insolvencies," Mr. Taylor said. Although common stocks make up about 30% of the industry surplus, only about 10% of assets are invested in common stocks, he said.

About $11 billion in surplus disappeared in the insurance industry, Mr. Taylor pointed out.

"Obviously, the evaporation of that much underwriting capacity will tighten the capacity in the market," he said.

Although property pricing is expected to be lower in 1988, Mr. Taylor said he did not think the insurance industry is heading toward a "tumultuous downslide." Pricing will vary by coverage and will not be cutthroat, although it will be relatively competitive, he said.

The property insurance market, which peaked in 1986, had some redundancies built into the prices of the previous years and "the industry was ready to give some of that redundancy back," said William H. Boornazian, senior vp at Aetna Casualty & Surety Co.

"The key to all this is that we don't give too much back and then find ourselves in the position we were in during the mid-1980s," he said.

Insurance brokers should "not fan the flames of competition," Mr. Boornazian warned, but should "truly sell their services and professionalism."

New players entering the property market are the same ones that ran away when things got difficult, Mr. Boornazian pointed out. But, "since we are in a period of the market which I describe as adequate and falling—the next stage being inadequate and falling—" these new players "have entered the market at the wrong time," he said.

These "hit-and-run" players will face price reductions rather than price increases, he said.

Harry E. Coor, vp of Industrial Risk Insurers, sees 1988 "as a year of modest expectations." Although increased competition is expected, "the cutthroat pricing of the early 1980s will not return," he said. "There is no shortage in (highly protected risk) business," he assured, "and we expect this trend to carry through to 1988."

"The HPR insurance product will continue to be based on very broad all-risk insuring agreements," Mr. Coor added. However, on the West Coast, earthquake coverage will continue to be expensive and in short supply. There will not be major capacity increases from IRI.

The pattern in United Kingdom insurance markets is very similar to that of the U.S. market, said David N. Slade, director of Willis Faber & Dumas Ltd. But, the peaks and troughs of the market cycle tend to be less extreme in the London market.

In 1984 and 1985, British insurance companies strengthened their financial positions, he said.

"The market peaked in 1986 then softened in 1987," Mr. Slade said.

"We anticipate more capacity as the number of Lloyd's underwriters and new syndicates continue to expand," he said. Marine rates have tumbled, and the London marine market is hungry for premiums. Capacity for casualty risks is not expected to decline.

"The London market continues to be gung-ho and continues to be responsive towards financial risks, political risks, (kidnap and) ransom (coverages), and all the products Lloyds handles so well," Mr. Slade said.

Asbestos-related claims are coming in quicker and heavier than anticipated and are causing some concern, he added. Also, "pollution, which is viewed as a potential time bomb, is causing extreme concern," Mr. Slade said.

The real question for London in 1988 is is whether the softening conditions will continue, Mr. Slade said. "If the financial markets deteriorate further, a harder market will return and London's position will become increasingly important.

"Meanwhile," he said, "it's business as usual."

Flexible benefits

Continued from page 1

benefit plans.

"If this proposal becomes law, many companies will eliminate their flexible benefit plans because the economic basis for providing the plans will not be there," said Kevin Flatley, vp-employee benefits at American Express Co. in New York.

As employers gear up for their lobbying effort, at least they now know exactly what they are fighting against.

"Congress does not realize the damage this proposal will do to flexible benefit plans," agreed Catherine Corse, assistant vp at Barnett Banks Inc. in Jacksonville, Fla.

A detailed legislative report prepared by the House Ways and Means Committee staff—which was not available to the public when the committee and the full House acted on the reconciliation legislation last month—spells out how the $500 cap would work.

Under the legislation, the maximum pretax salary that an individual employee in a flexible benefit plan could contribute toward benefit expenses would be capped at $500 a year. This cap would also apply to flexible spending accounts, into which employees can funnel pretax dollars through salary reduction to pay for eligible expenses like unreimbursed health care costs, legal costs and child care expenses, even if the account is not part of a larger flexible benefit plan.

'Congress does not realize the damage this proposal will do to flexible benefit plans,' says Catherine Corse, assistant vp at Barnett Banks Inc. in Jacksonville, Fla.

In addition, the legislation would affect those plans that give employees a choice of either non-taxable benefits or cash.

Typically, in such plans, the employee is given "flex dollars" or "flex credits" to buy different benefit options, which are assigned a monetary value. To the extent that the employee does not use all the flex dollars or credits, the balance can be collected in cash.

Under the legislation, though, employees would be taxed on the amount of cash they could possibly receive exceeding $500, even if they rejected the cash and selected tax-free benefits instead.

For example, if the employee had a right to take $900 in flex dollars as cash, but instead opted for dental coverage, the employee would still have an additional $400 in income for federal income and Social Security tax purposes.

The legislation would damage flexible benefit plans in several ways, experts say.

For example, allowing employees to use pretax dollars through salary reduction to pay for uncovered health care expenditures makes it easier for employers to impose higher deductibles and coinsurance requirements.

In addition, salary reduction is a tax-effective way for employees to pay for expensive dependent care costs, such as day-care center tuition, that an employer could not afford to provide on its own.

Observers point out that limiting an employee's salary reduction to $500 would hardly put a dent in a parent's day-care costs.

"This is a backdoor attack on child care benefits," said Lance Tane, manager of The Wyatt Co.'s flexible compensation team in Washington.

Through salary reduction in a flexible plan, "an employer helps employees fund dependent care benefits without putting extra money on the table because there is no extra money," said Don Hasbargen, a partner in the Minneapolis office of Hewitt Associates.

Benefit observers also contend that a $500 limit on "cashable" benefit credits would help defeat the very essence of flexible benefit plans' appeal: providing a wide assortment of benefits to meet the needs of an increasingly diverse workforce.

For example, employees who shun available cash and instead use all their flex dollars to pay for needed benefits would, in effect, be taxed on a portion of their employee benefits.

That would place them at a disadvantage compared with employees who receive tax-free benefits outside of a flexible plan.

On the other hand, if employers limited available cash to $500 to ensure that employees would not be liable for additional taxes, the appeal of flexible benefits to employees who select low-cost benefit options in order to receive more cash would be reduced.

"Cash availability is very important to some employees," said Hewitt's Mr. Hasbargen.

Experts also say that the proposal's Jan. 1 effective date would cause administrative problems. Many employees covered by flex plans already have selected the mix of benefits and cash they want for 1988, and employers would have to start the enrollment process over again—something that could not be done in a month.

"The impact would be administrative chaos," said Tom Butterworth, a partner in the Rowayton, Conn., office of Hewitt Associates.

Among other things, employers would have to prepare new flexible benefit plan communication devices, explain the changes to employees, make the necessary changes to their administrative and payroll systems and start the enrollment process over again.

"The enrollment process alone can take two to three months," observed Grady Butts, manager of compensation and benefits at Northern States Power Co. in Minneapolis. ■

Newspaper ad opposes tax on flex plans

WASHINGTON—It would be hard for a member of the Senate or House reading last Wednesday's Washington Post to miss the ad.

Opposite to the Federal Page, a widely read Post feature reporting the latest legislative and regulatory developments, appeared a full-page ad with the headline: "Taxing Cafeteria Benefits Doesn't Make Sense."

The ad, which was written and paid for by Hewitt Associates and signed by 200 employers, was prepared to make both Congress and the public more aware of the damage that House-passed budget reconciliation legislation would do to flexible benefit plans (see story, page 1).

'We thought the issue was not getting the attention it deserved,' says Hewitt's Mr. Friedes.

"We thought the issue was not getting the attention it deserved by Congress, the public and employers," said Peter Friedes, Hewitt's chief executive.

"A few well-chosen words and a good argument delivered to the right people is what we were aiming for," Mr. Friedes said.

In just two full days, Hewitt was able to round up some 200 employers to sign the ad, far more than the 60 to 100 companies Hewitt originally thought possible in such a short period of time.

Among other things, the ad notes that imposing new taxes on employees in flexible benefit plans would especially hurt low-income workers and that employers could not implement the changes by Jan. 1.

"The proposal comes too late for us to get new information to our employees and revise our record-keeping systems in time to comply," the ad says.

The ad also says that flexible benefit plans are meeting congressional objectives.

"Cafeteria plans are producing the positive effects Congress intended when enabling legislation was passed in 1978. These plans are meeting the needs of single parents, dual-income earners and traditional families."

The ad cost $32,200.11.

Equal Opportunities

Each weekly issue of ***Business Insurance*** gives you an equal opportunity to reach and motivate BI's more than 133,000 purchasing influentials . . . top administrative and financial executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach ***your*** prime audience, the ***Business Insurance*** audience is unequalled!

Publishing Dates	Closing Dates
~~Nov 2~~	~~Oct 20~~
~~Nov 9~~	~~Oct 28~~
Nov 16	~~Nov 3~~
Nov 23	Nov 11
Nov 30	Nov 18
Dec 7	Nov 25
Dec 14	Dec 2
Dec 21	Dec 8
Dec 28	Dec 16
1988	
Jan 4	Dec 23
Jan 11	Dec 29
Jan 18	Jan 6
Jan 25	Jan 12
Feb 1	Jan 20
Feb 8	Jan 27
Feb 15	Feb 2
Feb 22	Feb 9
Feb 29	Feb 17
Mar 7	Feb 23
Mar 14	Mar 2
Mar 21	Mar 9
Mar 28	Mar 16
Apr 4	Mar 23
Apr 11	Mar 29
Apr 18	Apr 5
Apr 25	Apr 12
May 2	Apr 19
May 9	Apr 27
May 16	May 4
May 23	May 11

Business Insurance
New York: (212)210-0133
Chicago: (312)649-5275
Los Angeles: (213)651-3710

Competition

Continued from page 3

(Mr. Oglesbee sat on the panel in place of Robert J. Clark, president of the commercial insurance division of Aetna Life & Casualty Co. in Hartford, Conn., Mr. Clark announced last month that he plans to retire soon after more than 30 years with Aetna.)

While the panelists agreed that more efficiency is needed in the independent agency distribution system, the insurance pricing cycle dominated the panel discussion.

"Can we do something in the industry to mitigate the cycle?" asked Mr. McCormick, noting that with every tight market the insurance industry loses customers to alternative markets and becomes subject to more regulation.

"The cycle makes us look foolish. It devastates our customers and upsets regulators," he said.

Commercial insurers have lost "25% of the large-risk market" to captive insurers and other alternative risk-financing mechanisms, Mr. McCormick said.

"We brought a lot of this on ourselves," admitted Mr. Marcum. He advised insurance agents to examine the balance sheets of insurance companies to identify those that are still underreserved for losses and will have a problem collecting reinsurance.

In addition, he pointed to the impact of the new taxes the insurance industry will have to pay under the Tax Reform Act of 1986. "I think that will add 2% to 3% to the combined ratio," Mr. Marcum said.

Mr. Vairo suggested that insurance companies "know more about pricing now," but he added: "I don't feel the kind of monitoring that should be taking place is. Companies have to know what their costs are."

Crum & Forster, Mr. Vairo said, "is dedicated to disciplined pricing. When the price is inadequate, we'll walk away."

Mr. Lardner of Bituminous observed that insurers previously did not factor in enough premium for toxic tort losses or assessments from assigned risk pools for workers compensation insurance. "Insurers need adequate income to pay toxic tort claims and a 115% loss ratio from workers compensation pools," he said.

Mr. McCormick suggested that the wide swings in insurance pricing could be mitigated if insurance companies were subject to tougher accounting rules, including marking bonds to market value, and if regulators stepped in sooner when an insurance company was beginning to head into financial difficulty.

Mr. Vairo suggested that "balance sheet integrity comes from charging the right prices in the first place."

"We are not going to manage the cycles," countered Mr. Oglesbee of Aetna. "They are going to come and go." He added that Aetna learned in 1981 how not to try and manage the cycle when it announced it would not continue to lower rates and it lost "a half-billion in premium."

'Can we do something in the industry to mitigate the cycle?' asks William M. McCormick, president of Fireman's Fund Insurance Cos. in Novato, Calif. 'The cycle makes us look foolish. It devastates our customers and upsets regulators.'

He added that he agrees that insurers "need to know our costs and be prepared to draw the line. The key is, the line is not going to be the same" in each state.

Mr. Vairo of Crum & Forster agreed: "We can't avoid the cycle. What we are trying to avoid are the excesses."

Mr. Lardner of Bituminous observed: "Absent cyclicality, we would have a cartel—price protection for the sloppy, the incompetent. If we had price stability, customers would be leaving for self-insurance," because they would see the insurance industry's inefficiencies.

"Cycles cause us to clean out the inefficient. The severity of the cycle is the problem."

The loss of $10 billion in surplus in the property/casualty insurance business in the Oct. 19 stock market crash could have a stabilizing influence on the growing price competition, the executives agreed.

"It comes at a time when companies are planning," Mr. Vairo said. "Perhaps it will be a sobering factor."

"There has been some lost capacity," said Mr. McCormick, commenting that he believes that supply and demand drives the market.

"It has the prospect of curbing irresponsible price cutting," said Mr. Lardner.

Whether or not the drop in stock values takes a "hit on capacity, it takes a hit on appetite," said Mr. Oglesbee.

When agents in the audience pointed out that the field underwriters they meet with do not espouse the same commitment to disciplined pricing, the executives admitted that not everyone in the field gets the message.

"I'm responsible for 9,000 people in 49 branch offices," commented Mr. Oglesbee. "We try to push authority down, but somebody often doesn't get the word."

Mr. Lardner of Bituminous suggested, "It's hard to convince a person not to worry about sales." Pointing out that Bituminous does not seek volume goals from agents but instead seeks to be one of the three major markets for an agent, he said that goal is often translated into dollar volume goals because "it's easier to talk dollar goals." ■

Washburn eyes reinsurance regulation

CHICAGO—Insurance commissioners' concerns for future action include improving regulation of the reinsurance business, managing general agents and groups formed under the federal Risk Retention Act, says John Washburn, director of insurance in Illinois and next in line to be president of the National Assn. of Insurance Commissioners.

The requirement that alien reinsurers—those domiciled in other countries—provide letters of credit to a ceding company for the ceding company to take credit for the reinsurance on its balance sheet "does not appear to be working on a practical basis," Mr. Washburn said last week at the annual meeting of the Assn. of Lloyd's Brokers in Chicago.

The requirement "may be stealing capacity" from the insurance market, he said.

As a result, regulators are "thinking of developing a new way of looking at reinsurance," Mr. Washburn said.

Later, Mr. Washburn told *Business Insurance* that regulators "won't totally get rid of the LOC" requirement, but that he expects a "different structure" of regulation will be developed.

"I want to talk to other regulators and then talk to a whole series of people," Mr. Washburn said. The goal is to "open markets and yet be sure that the reinsurer will pay."

Whatever form the new regulatory structure might take, it will require international cooperation, he added.

Also during his remarks to the brokers, Mr. Washburn said regulators want to develop more resources to understand the more "exotic" types of reinsurance contracts being written today, some of which even some ceding companies do not understand.

Better regulation of managing general agents also is an issue among regulators, Mr. Washburn reported. "This may be closing the barn doors two years after the horses have left," he admitted, referring to the involvement of some MGAs in the insolvencies of some insurance companies.

Regulators also recognize that they "have to get more cognizant of what is going on in the marketplace," including the activities of risk retention and purchasing groups operating under the federal Risk Retention Act.

Regulators are worried that the regulatory framework to monitor these groups may not be adequate, Mr. Washburn said. "We may be going back to Congress."

He noted that Congress may reopen the issue of state regulation of these groups under the Risk Retention Act based on a recent Commerce Department report on areas of disagreement on states' authority (*BI*, Oct. 5).

"Illinois is willing to come to grips with risk retention groups," Mr. Washburn said. "We feel it is better if the risk retention group wants to write a great deal of business in Illinois to be licensed in Illinois. And we have licensed some."

Regulators will begin to address these issues next year, he predicted.

During the Assn. of Lloyd's Brokers' annual meeting, it was noted that Illinois brokers generated an estimated $287 million in premiums this year for Lloyd's of London syndicates.

John Smith, a partner with Lord, Bissell & Brook in Chicago, said $91 million was related to admitted insurance, which was a "modest increase" from the year before; $172 million was for reinsurance, which was a "modest reduction" from the year before; and $24 million was written on a surplus lines basis, up from $14 million the previous year.

Few have long-term care: Insurer

By MARK A. HOFMANN

CHICAGO—Coverage for workers' long-term nursing home care needs is "the emerging giant in employee benefits," predicts William Leary, Chicago-based regional sales manager for UNUM Life Insurance Co.

Mr. Leary offered this assessment at a panel discussion last month in Chicago sponsored by the Portland, Maine-based life insurer, which recently introduced a group long-term care insurance product.

Disabled workers under age 65, which make up 15% to 20% of the patients confined to nursing homes, face financial ruin because the costs of long-term care are heaped onto the everyday costs like home mortgages, Mr. Leary said.

And, the overwhelming majority of those people, he said, have no insurance that covers such long-term care and are not eligible for Medicaid until they have exhausted their financial resources.

In fact, only about 3% of working-age people already confined to long-term care facilities have nursing home coverage, he said.

Although the Senate has approved extended long-term health care coverage for Medicare recipients, it is unlikely Congress will consider a federal long-term health care plan for others for at least two or three years, said Kristin Bass, associate for health policy with Government Research Corp., a think tank in Washington, D.C.

Health issues in general, she says, have been assigned a low priority by both Congress and the White House as they grapple with other economic problems.

The Medicare expansion plan to protect beneficiaries from catastrophic health care expenses has little to do with long-term care for the general working population, she noted.

Congress is divided between those who want a form of national health insurance and those who do not, she said, while the administration would rather have commercial insurance companies provide such coverage.

Another speaker, David Coble, president of the County Nursing Home Assn. of Illinois and administrator of the DeKalb County (Ill.) Nursing Home, said: "As a provider, we're looking for sources of revenue. We want to see the private sector as a provider."

However, private programs are far from widespread, Mr. Coble noted.

An informal survey conducted by James Sokol, managing vp of Alexander & Alexander Benefit Services in Chicago, showed that half of the A&A clients he spoke with knew that their long-term care coverage was minimal or non-existent. The same proportion of the employers surveyed also said that they wanted more information on long-term care coverage programs.

Mr. Sokol listed several questions corporate buyers need answered before they can make a decision on providing long-term care coverage to their employees. These include:

- Will prior hospitalization be required before coverage is effective?
- Will Alzheimer's disease be covered?
- Will the policy cover more than room and board?
- What penalties, if any, apply if an individual leaves a nursing home to be cared for at home and then chooses to return to the nursing home?

"If brokers and corporate buyers become involved in long-term care, they must be very careful in selecting vendors and carriers," Mr. Sokol said. ■

Lloyd's tax

Continued from page 1

That agreement also recognizes Lloyd's three-year accounting system, under which members of syndicates do not receive profits until two years after the close of an underwriting year.

The proposals will create chaos for Lloyd's and would reduce the profits of the 2,699 U.S. members of Lloyd's, who supply 10% of Lloyd's underwriting capacity.

Many Lloyd's members in the United States were unaware of the proposal last week. Those contacted could not comment on how it might affect their decisions to remain members of Lloyd's.

A one-year accounting period "would cause considerable administrative difficulties for Lloyd's," said a spokesman for the nearly 300-year-old insurance market.

For example, he noted, the House proposal does not specify how the unclosed accounting years prior to Dec. 31, 1987, will be treated.

However, sources at Lloyd's said they are "reasonably confident" that Congress will not pass the proposal.

Ken Randall, managing director of Merrett Holdings P.L.C., said: "We don't see how we could apply that (proposed) tax regime. It would be a fundamental change in the way we do our business."

Furthermore, both Lloyd's spokesmen and Mr. Randall contend that Lloyds' three-year accounting system has been misunderstood.

The proposal to change the Lloyd's accounting system "is based on a number of misconceptions," the Lloyd's spokesman said.

"The only reason Lloyd's operates on a three-year accounting system is to allow better estimates of future losses to be ascertained," said a Lloyd's source.

Mr. Randall explained that a risk is assigned to an accounting year and—unless the risk is insured over several years—the premiums and claims in regard to that risk are accounted for in that one year of account. It takes three years to properly estimate how large the claims will be, he explained.

However, Andre Maisonpierre, president of the Reinsurance Assn. of America in Washington, claims that the current tax arrangement treats Lloyd's preferentially.

Lloyd's has a "substantial advantage" over domestic insurers and reinsurers because it does not have to pay taxes on its premium receipts until three years after those receipts have been collected, asserted Mr. Maisonpierre.

These provisions of the budget reconciliation bill, H.R. 3545, "would certainly put us on a much more equal footing" in the tax arena with Lloyd's, he said.

The issue is most important on a prospective basis, he noted, because of the Tax Reform Act of 1986. Domestic insurers and reinsurers are liable for substantially more taxes than they had been in previous years because now they must discount their loss reserves for tax purposes, creating more taxable income.

Thus, the proposal to change the tax rules applicable to Lloyd's will avert a "prospective imbalance" between the domestic insurance industry and Lloyd's, Mr. Maisonpierre concluded.

While the RAA supports this new tax treatment of Lloyd's, the RAA did not propose the change, Mr. Maisonpierre said.

John Richardson, a partner with LeBoeuf, Lamb, Leiby & MacRae in Washington, which represents Lloyd's in the United States, characterized the tax provision as "ambiguous" and declined to comment on or interpret its meaning.

The proposal was one of many revenue-raising options the House Ways and Means Committee considered.

According to a Joint Committee on Taxation staff report, less than $50 million in new revenues would be generated in 1988, 1989 and 1990 from the change in Lloyd's accounting system.

Individual members of Lloyd's syndicates would be the losers under the proposal to tax syndicates as corporate entities, according to one attorney.

James Cameron, a tax attorney in the New York office of Baker & McKenzie, explained that the proposal inserts a layer of taxation that does not exist under current law.

For example, under current law, if a syndicate had $100 in income, then it would distribute that amount to members and they would be taxed.

Under the proposed arrangement, the syndicate would be taxed on the $100, and—assuming a 34% corporate tax rate—only $66 would remain to be distributed to members. Members would then be taxed on their smaller profits.

U.S. syndicate members would be taxed on their entire distribution from Lloyd's, and foreign syndicate members would be subject to a U.S. withholding tax on the portion of their distribution that came from insuring U.S. risks.

In some foreign countries, a foreign syndicate member would be eligible for a tax credit in his or her home country against the withholding tax.

Also under the budget reconciliation bill, a foreign property/casualty insurer must include in its taxable income both its U.S. and its foreign source investment income attributable to insuring U.S. risks, including the investment income from the capital necessary for this activity.

Previously, a foreign property/casualty insurer only had to include in its U.S. taxable income its investment income from U.S. sources. ■

House bill targets agents

WASHINGTON—The House-passed budget reconciliation bill targets not only Lloyd's of London but also U.S. insurance agencies.

One of the proposed tax increases approved by the House on Oct. 29 as part of a budget reconciliation package would prohibit insurance agencies and other service-related businesses from depreciating their customer lists as part of an acquisition.

Depreciation of customer lists offers tax advantages to agencies and others during mergers or acquisitions.

Under H.R. 3545, business would not be able to amortize or depreciate intangible property with an indeterminable useful life.

This would reduce the value of most agencies to potential buyers, according to Lawrence J. Marsh, a partner at insurance financial consultant Marsh, Berry & Co. Inc. in Cleveland. He estimates that, if enacted, the bill could reduce the value of insurance agencies by between 10% and 30%.

Agents' associations are lobbying against the proposal.

—By Linda J. Collins

UNUM offers long-term care coverage

Products & services

UNUM Life Insurance Co. now offers LTD Extended Care, an extended disability care program that provides group insurance coverage to pay for long-term nursing home care for totally disabled employees.

UNUM's LTD Extended Care provides direct cash payments to employees in the event of a catastrophic illness or injury, regardless of other sources of income the disabled employee may receive, like Social Security or medical insurance, according to the Portland, Maine-based insurer.

The insurance program is designed to supplement the disabled employee's other sources of income.

LTD Extended Care, however, is not a stand-alone product, according to David L. Potter, UNUM second vp. It is available only to employers that already offer long-term disability coverage underwritten by UNUM.

The UNUM extended care program gives employers a choice of seven plans, with benefits ranging from $1,500 to $3,000 per month.

However, benefits never can exceed 100% of billed nursing facility costs.

To qualify for benefits, an employee must be certified as disabled, already be receiving a benefit from a UNUM Group LTD plan, and must reside full time in a state-licensed nursing home.

For more information about LTD Extended Care, contact UNUM Life Insurance Co., 2211 Congress St., Portland, Maine 04122; 207-780-2211.

Insurer stock data

Charles Street Securities Inc., a New York-based private investment banking firm specializing in the insurance industry, publishes quarterly a report on financial and stock market data on companies in the insurance industry, merger and acquisition activity and initial public offerings.

"The Charles Street Insurance Review" reports financial and stock market data on more than 200 publicly traded companies.

The report includes valuation data such as price/earnings ratios, book ratios and market capital.

The report also summarizes ownership positions in excess of 5% of the insurance companies it tracks. The report also describes mergers and acquisitions in the insurance business, including date of announcement, purchase price when available, premiums earned or revenues, net income, total assets and shareholders equity.

The reports are organized by industry segment, including life/health, property/casualty, diversified financial, brokers/managing general agents and international.

The description of initial public offerings by insurers includes a summary of the company's adjusted balance sheet and income statement, IPO price per share and size of the offering.

An annual subscription to the quarterly report costs $250.

For further information, contact either Gerard Mizrahi or Mise Twaddell at Charles Street Securities Inc., 230 Park Ave., Suite 1210, New York, N.Y. 10169; 212-953-0800. ■

Update

Robins claim estimates vary

RICHMOND, Va.—A.H. Robins Co. and the committee representing Dalkon Shield claimants are billions of dollars apart in estimating how much it will cost to compensate potentially tens of thousands of women who have filed claims against the company.

In a hearing that began last Wednesday and is expected to conclude this week, the claimants committee estimated the cost to compensate claimants at $4 billion to $7 billion.

Robins' estimates range from about $700 million to $1.2 billion, a company spokesman said.

However, in a proposed reorganization plan filed with the court, in which Robins would merge with Rorer Group Inc., the company is offering claimants about $1.75 billion.

And, Aetna Casualty & Surety Co., Robins' long-time liability insurer, estimated at the hearing that the Dalkon Shield claims would total between $2.2 billion and $2.3 billion.

U.S. District Court Judge Robert Merhige, Jr., who is presiding over Robins' bankruptcy, likely will decide the value of the claims. Robins filed for reorganization in August 1985 because of the overwhelming number of claims from women who used the Dalkon Shield intrauterine device.

Shipyard fined $4.2 million

WASHINGTON—The U.S. Labor Department is proposing to fine Bath, Maine-based Bath Iron Works Corp. nearly $4.2 million —the largest fine ever—for alleged health, safety and record-keeping violations.

The department's citation of violations, stemming from a four-month investigation by the Occupational Safety and Health Administration, documents more than 3,000 instances in which the shipyard, a major military contractor, failed to meet federal safety and health requirements, as well as 641 record-keeping violations.

The OSHA report listed these conditions at the shipyard:

- Asbestos-laden dust in areas previously deemed by Bath supervisors as free of the substance.
- Employees routinely exposed to raw sewage without protective equipment.
- Workers required to work in confined spaces that were not adequately tested for flammable toxic vapors.
- No available respirators for workers removing asbestos or using toxic solvents.
- Workers exposed to radiation from routine tests of nearby radar and microwave antennaes.

In a prepared statement, William E. Haggett, chairman and chief executive officer of Bath, a subsidiary of Portsmouth, N.H.-based Congoleum Corp., said that "70% of OSHA's recommendations and directives known before (the citation) have been dealt with and the problems corrected."

RAM report loses support

JEFFERSON CITY, Mo.—The Missouri and New York insurance departments have decided not to sign a joint regulatory report on the affairs of Royal American Managers Inc., a managing general agency accused of defrauding Omaha Indemnity Co.

Omaha Indemnity sued RAM and several others last year, charging, among other things, that the Kansas City, Mo., MGA failed to report millions of dollars in premiums.

RAM denied the charges, and the dispute is in arbitration (*BI*, Oct. 20, 1986; April 28, 1986).

The Missouri Insurance Division, joined by regulators in New York, Illinois and Nebraska, subsequently launched an investigation of the MGA. After several months spent preparing various drafts of the report, however, Missouri and New York officials confirmed last week that they will not approve or release the report.

"We could not achieve a consensus on the content of the report," said Charles Renn, deputy director of the Missouri division, who added that he does not expect the division to take any regulatory action against RAM.

A New York department spokesman declined to comment on the reasons for the department's decision.

The Illinois department is "evaluating" the Missouri and New York actions, an Illinois department official said.

James R. Wining, president of Kensu Holdings Ltd., RAM's parent company, declined to comment on the actions.

Corroon increases Minet stake

NEW YORK—Corroon & Black Corp., the sixth-largest U.S. insurance broker, has purchased an additional 3.8 million shares in London broker Minet Holdings P.L.C. The purchase brings Corroon & Black's ownership in Minet to about 29.9% from 25%.

"Our affection for and interest in Minet has been no secret," said Stephen A. Crane, senior vp and chief financial officer of Corroon & Black and a member of Minet's board of directors. He added that Corroon & Black has "no specific plans at this time beyond what we have done" involving Minet.

Briefly noted

Frank B. Hall & Co. Inc. reported a third-quarter net loss of $65.6 million, compared with a $10 million net loss in the third quarter of 1986. A $43.1 million third-quarter 1987 loss from discontinued operations resulted from an increase made in reserves for the disposition of former subsidiaries and for litigation costs and expenses. . . .The Treasury Department will not ask Congress to allow **banks to write or sell insurance** because the necessary votes for approval are not there, George D. Gould, Treasury undersecretary of finance, told the House Banking Committee last week. . . .Attorneys for **Union Carbide Corp. and the Indian government** have told an Indian court that "serious efforts" are under way to settle claims arising from the December 1984 poison gas leak in Bhopal, India, which killed more than 2,000 people.

Kentucky black lung funding

Continued from page 3

Under the new law, coal industry employers typically will be assessed 63.3% of their work comp premium or its equivalent, according to Mr. Sholar.

However, a large coal-related employer with mechanized worksites and more stable labor forces may be able to reduce its losses and therefore not pay more under the new system.

About 18 to 20 companies employ 40% of the workforce and produce half of the coal in the state, Mr. Briscoe said.

Small employers with labor-intensive worksites and labor forces with higher turnover rates and increased claims will have their assessment increased, Mr. Briscoe said.

The new law is a result of a task force appointed by the General Assembly during the state's 1986 legislative session.

"Workers compensation is a problem we have worked on for two years," Gov. Collins said. "It is a problem that has been building for decades."

The Special Fund's liabilities were expanded beyond those of a typical second-injury fund—which encourages employers to hire disabled workers by sharing in the compensation to those workers for subsequent injuries—to include coverage in cases when a pre-existing condition contributed to the worker's second injury as well as about 75% liability for occupational disease claims like those for black lung.

Black lung is "a mixture of conditions difficult to diagnose, impossible to cure and producing varying and unpredictable degrees of disability among those afflicted," Mr. Briscoe wrote in a Kentucky Journal of Commerce & Industry article earlier this year. The term has been used interchangeably with coal worker's pneumoconiosis, a disease that results in the growth of fibrous connective tissue in the lungs that impairs respiratory functioning.

Although coal mine workers with an abnormal lung X-ray might have no related respiratory impairment, they have been considered unemployable as miners and therefore occupationally disabled.

And, "the lack of opportunity was pervasive, especially in eastern Kentucky," said Hervey Levin, a Dallas-based attorney who represents Actuarial Risk Services.

The Special Fund, created in the 1940s, originally was funded on a pay-as-you-go basis, but improvements in benefits in 1976 and 1980 expanded the fund's liabilities.

The Kentucky Reinsurance Assn. was established in 1982 to take a pre-funding approach through assessments and "serve as a conduit to the reinsurance and financial markets" to sell some of the Special Fund liabilities at substantial interest discounts during a period of very high interest rates, said Mr. Briscoe, whose firm advised the KRA officials.

But the KRA's plans were delayed for a variety of reasons including fact-gathering, a lawsuit stemming from legislators seizing fund monies to balance the state's general budget and debates about how to cope with the unfunded liability.

"If black lung claims had not been restructured, the unfunded liability of the Special Fund would have escalated to a much higher number than $1.7 billion," Mr. Briscoe predicted.

In addition, he said other provisions of the new law "significantly reduce" the source of the runaway liability while making needed administrative changes by:

- Tightening requirements for coal miners seeking black lung benefits by tieing income benefit levels to a worker's degree of respiratory impairment.

Until recently, nearly all claimants were accepted on the basis of an abnormal X-ray, although 80% had no lung impairment, Mr. Briscoe said.

New claimants with at least a minimally abnormal X-ray and significant respiratory impairment verified by tests still can receive 100% of the state's average weekly wage for the duration of disability.

Most claimants with minimally abnormal X-rays but no impairment are now eligible for a new one-time retraining incentive paid for by the claimant's most recent coal industry employer. The incentive consists of 66.66% of the claimant's average weekly wage for 208 weeks but not more than 75% of the state's average weekly wage for that period multiplied by 50%.

- Prohibiting employers from discriminating against employees with a diagnosis of coal-related pneumoconiosis and providing for civil remedies.
- Broadening the grounds for which a claim can be reviewed from only changes in the claimant's medical status to include changes in the claimant's occupational status.
- Speeding up payment of benefits to workers.
- Removing the state's workers compensation system from the direction and control of the governor's labor advisers. The law creates a three-member, full-time board to replace a five-member part-time board to oversee the system.
- Creating a workers compensation funding commission by disbanding the KRA and establishing a new commission under the governor's revenue cabinet and prohibiting transfer or loans of the commission's funds to the commonwealth.
- Requiring that the state's appellate courts, rather than circuit courts, perform the first court review of disputed claims. This is an effort to develop more consistent and better case law in workers compensation cases, Mr. Briscoe said.
- Prohibiting medical testimony from more than three physicians in most cases, rather than accepting statements from as many as 15 physicians, which has occurred in some cases, Mr. Briscoe said.

In addition, the provision calls for the use of fee schedules for physicians' charges and some lawyers' fees. It also provides a claimant with options and more information about how a claimant can pay his attorney's fees.

- Creating a 16-member workers compensation advisory council.
- Requiring employers, including those that self-insure their workers compensation exposure, to pay a final maintenance fund tax on Jan. 1 of 2% of employers' work comp premium or the equivalent and a special fund tax of 0.75% of premium. This specific tax then will be eliminated.

Generally, all provisions relating to benefits and funding became effective either immediately or become effective within 60 days after passage, while the administrative changes became effective Jan. 4, according to a legislative summary.

"As with any complex issue, it is difficult to come up with a perfect solution," Gov. Collins said. "But this partnership of the executive branch, the legislature, business, labor and the coal industry has established a sound course for our worker's compensation program."

The bill "not only improves the business climate in this state, but also ensures fair and equitable compensation for the working men and women of Kentucky," Gov. Collins said.

A labor spokesman was unavailable for comment.

The impact of the law on insured employers' workers compensation rates is now being determined.

The legislation is expected to result in a significant reduction in coal-related employers' loss costs for the disease portion of their work comp rate, said Ken Kennamer, who follows state developments for the New York-based National Council of Compensation Insurance.

However, insured employers will not necessarily see a comparable cut in their rates because insurers need to catch up on inadequate premium rates, pointed out Mr. Kennamer, who is based in the NCCI's Boca Raton, Fla., office.

The NCCI is now calculating the amount of the work comp rate inadequacy before it files loss cost information for the open rating state.

However, the impact of individual insurers' rate filings under Kentucky's open rating system affect employers of fewer than one-third of the state's 35,000 working miners, according to Mr. Briscoe. Most miners work for employers that self-insure their workers compensation coverage either individually or in groups.

While the new law helps solve some of Kentucky's workers compensation problems, the financing structure "will be a source of continuing controversy," Mr. Briscoe said.

When the Legislature meets in 1988 and every other year after that, the coal industry will be facing off with other employers seeking to rearrange the financing mechanism, because assessments will not decline even though the number of coal-related claims in the future will drop, he predicted.

Coal industry spokesman Mr. Duncan said the legislators passed the bill because "the public has been inflamed and yelling for a solution and politically it was the only thing available." His association intends to ask legislators to modify the legislation in the future, but he declined to discuss proposals. ■

Insurance services guide

WORKERS' COMPENSATION RISK MANAGEMENT SYSTEM FOR IBM PC AT
IDEAL FOR SELF INSUREDS, INSURANCE COS, AND TPAS. SINGLE AND MULTI—USER VERSIONS AVAILABLE. HANDLES UP TO 100,000 ON LINE CLAIMS
VALUE LEADERS IN RISK MANAGEMENT SOFTWARE
INSURANCE SOFTWARE PACKAGES, INC.
5118 NORTH 56TH STREET
TAMPA, FLORIDA 33610
(813) 621-6069 (FL)
(212) 619-2470 (NY)
(800) 237-8133 (U.S.)

DENTAL PLAN & DENTAL P.P.O.
Ideal For
SELF FUNDED GROUPS
FULL SERVICE HMOs
• • •
Dual Choice/Prepaid
• • •
GOLDEN WEST DENTAL PLAN
Call for quotes 800/223-8165
Since 1974

TOXIC CHEMICALS
HAZARD IDENTIFICATION
ENVIRONMENTAL IMPACT
INVESTIGATION AND EXPERT TESTIMONY
HAROLD I. ZELIGER, PhD.
CHEMICAL & ENVIRONMENTAL SERVICES
18 Spring Hill Terrace
Spring Valley, NY 10977
(914) 356-9448

Use the Insurance Services Guide to reach your best prospects.

ACS GROUP
Employee Benefit & Actuarial Consultants
8025 North Point Blvd., Winston-Salem, NC 27106
919/773-1313
TPA START UP ASSISTANCE
ACS offers a full range of support services to the newly formed TPA. Examples include: administration, forms, software, education, training, consulting, business plan, etc. ACS also helps with excess loss coverages, marketing, and COBRA administration. Candidates may include:
Bank-sponsored TPA (acquire and retain accounts).
Coalition-sponsored TPA (community-owned for cost containment purposes).
Employer-owned TPA (single or joint ventured).
Insurer-owned TPA (protect an eroding market).
P&C Agency-owned TPA (workers comp and medical plan integration).
Call or write for more information.

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

Texas axes ISO rate requests and suggests substitute rates

By MICHAEL BRADFORD

AUSTIN, Texas—The Insurance Services Office Inc. will not challenge the Texas State Board of Insurance's decision denying an increase in some commercial liability insurance rates and slashing others.

A spokeswoman for ISO said late last week that ISO would notify the Texas board that new rates would be filed to reflect what the board indicated would be proper for insurance companies to charge policyholders in the state.

In a hearing late last week, the state board:

- Denied any increase in rates for bodily injury coverage under product liability policies written at "basic limits."
- Suggested a 45% increase in property damage liability rates under product liability policies would be appropriate instead of the 60% increase sought by ISO.

Basic limits are $25,000 per person, per occurrence. The board said ISO's request for a 10% increase in rates for limits above that level would be granted.

- Slashed requests for rate hikes for owners, landlords and tenants coverage.

The insurance board suggested an increase of 9.1%, half of ISO's request for an 18.3% increase for OL&T insurance.

- Slashed requests for rate hikes for property damage liability rates for manufacturers and contractors.

The board approved a 16.2% increase, while ISO had sought a 35% increase.

However, the board told ISO it would approve the 50% increase sought for bodily injury liability rates written for manufacturers and contractors.

Insurers in Texas use ISO rates as a benchmark, said a spokesman for the state board. Texas is a "prior approval" state, which means rates must be filed and approved before they can be used.

Richard Geiger, the Dallas attorney who represented the policy and rate-making organization in its filing with the state board, said ISO was facing a choice it would rather not make.

"We take what we can get, knowing that we can file again later when there is data to support the filings," he said. "Or we can stand on our principles and say, 'These filings are correct and we won't change them.' "

But appealing the state's decision could take years, he pointed out.

In its rate-setting capacity, the state board can only approve or disapprove ISO's proposed rate increases. However, a board spokesman pointed out that when an increase is disapproved, the board may "give some guidance" and indicate what may be a more appropriate increase based on calculations that take into account insurance company profits, losses, expenses and other factors.

Mr. Geiger said the rate filing in Texas has been pending for more than a year but "got lost in the shuffle. The staff wouldn't approve them, but wouldn't disapprove them either."

The rate filing has been pending for more than a year but 'got lost in the shuffle,' says Richard Geiger.

The ISO rates that are approved probably will go into effect March 1, according to Mr. Geiger.

Although some regulators in the United States have expressed concern that rates should not be set so low that they would endanger the solvency of insurers, the spokesman for the Texas board stressed that "the concern here is that the board complies with the law, which calls for it to establish rates that are not excessive."

A spokesman for ISO in New York said rate increases for product liability, OL&T and manufacturers and contractors liability are pending in other states, but he would not say what increases are being sought.

Some of the increases ISO seeks in those lines appear large, he said, because rates "have been depressed for years" in some states. "The percentages run the gamut."

A spokeswoman at ISO pointed out that OL&T, manufacturers and contractors liability and product liability rates in Texas have not been increased since 1985.

She reported that nationwide, the average increase in OL&T rates since 1985 has been 19.7%, rates for manufacturers and contractors have risen an average of 27.9% and rates for product liability coverage have risen 46.5%. The figures include increases in both bodily injury and property damage rates for those lines. ■

Wrightson defections

Continued from page 2

different English brokerage houses. It remains an important part of our long-term strategy to continue to take advantage of these independent avenues of entry to the underwriting capacity in London.

"For some time, however, we have obviously been keeping a careful eye on the changing pattern of brokerage alliances both in England and the United States, and it is quite possible that we may ourselves seek a minority position in a Lloyd's broker. I cannot be more specific at this stage," Mr. Ryan said.

"We continue to have a desire to put the business (in London) where it is best handled," Mr. Ryan said. "However, with that strategy, we think it is important to have a minority position" in a Lloyd's broker.

Aon, formerly Combined International Corp., has discussed a joint venture with several Lloyd's brokers over the past few years, he said. Now, Aon plans to maintain its independent stance in London "but have a minority shareholding. We are pursuing these two strategies," said Mr. Ryan.

Despite the wave of resignations, Willis Faber Chairman David Palmer is still upbeat about the Willis Faber-Stewart Wrightson merger.

The combination of the U.K. brokerage divisions and the reinsurance divisions of both companies have progressed "extremely fast and effectively," he said, adding that the merger of the two companies' North American property/casualty divisions has been successful except for Stewart Wrightson North America Development.

"Mergers are difficult," Mr. Palmer said last week. "There is inevitable bloodshed. Very few things in life go smoothly."

Willis Faber Deputy Chairman David Rowland, formerly chairman of Stewart Wrightson Holdings, is also confident that the merged company will be successful.

"It could be foreseen that the sequence of events might occur," said Mr. Rowland. "I regret this because I have grown fond of the people I have worked with.

"Clearly there will be a loss of profit. However, Willis Faber is a large business and. . .quite substantial," he said, adding that the company "will most certainly survive the departures. And, I still believe very strongly, as I have said before, that there is a tremendous business opportunity available."

Mr. Rowland strongly denies speculation that he will be the next top-ranking Stewart Wrightson official to resign from Willis Faber. "I do not chicken out of things," he said. "One thing David Rowland does not do is bail out."

Mr. Rowland emphasized there is a positive side to the merger of the two companies, mentioning that the U.K. divisions have merged "extremely well. I think it will be tremendous.

"I will bet you that this will be an absolutely smashing company here and I have the strongest confidence in the future of the company," he said.

David Rowland denies speculation that he will be the next Stewart Wrightson official to resign. 'I do not chicken out of things.'

The exodus of Stewart Wrightson employees began in the late summer after Willis Faber announced in July that it would acquire Stewart Wrightson for more than $450 million. The acquisition created the world's fifth-largest brokerage, based on Willis Faber's and Stewart Wrightson's combined 1986 revenues of $391.9 million (*BI*, July 6).

The defections began when Willis Faber could not come to an agreement with the management of aviation reinsurance broker Nicholson Stewart Wrightson on how Nicholson Stewart Wrightson should be merged with the new company (*BI*, Sept. 21). The three directors who owned 49% of Nicholson Stewart Wrightson acquired the 51% stake held by Stewart Wrightson Holdings for 3.5 million pounds ($6 million).

Nicholson Stewart Wrightson employs just under 50 people, with aftertax profits in 1986 of 1.9 million pounds ($3.3 million).

Shortly after Nicholson Stewart Wrightson parted company with Willis Faber, Mr. Colls, chairman of Stewart Wrightson Ltd., turned down an invitation to join the board of the merged companies and relinquished his executive responsibilities. His departure rocked the London market because he had been expected to stay with the merged company.

Mr. Colls has not yet joined another company.

One week later, four more Stewart Wrightson executives resigned: George Boden, deputy chairman of Stewart Wrightson Ltd.; Tony Keys, Stewart Wrightson's group development director; Jeremy Wagner, Stewart Wrightson's group financial director; and John Sicely, Stewart Wrightson's group secretary.

Mr. Keys, Mr. Boden and Peter Allen, another former Stewart Wrightson director, have since formed Ansford Management Ltd., which consults on acquisitions. While they eventually plan to develop a new brokerage, Mr. Keys emphasizes they are not soliciting business away from Willis Faber or inducing more employees to leave the company.

The latest wave of defections began on Oct. 14, when Keith Gillies, chairman of reinsurance subsidiary Golding Stewart Wrightson Ltd., resigned after Golding Stewart Wrightson was merged with Willis Faber's reinsurance division. Mr. Gillies so far has not taken another job (*BI*, Nov. 2).

Subsequently, on Oct. 23, John Palmer-Brown, chairman of Stewart Wrightson Aviation Ltd., and Peter Butler, managing director of Stewart Wrightson Aviation, resigned from Willis Faber. About two dozen other Stewart Wrightson Aviation employees have also resigned, confirmed a Willis Faber spokesman.

Mr. Palmer confirmed that Mr. Palmer-Brown and Mr. Butler have contracts stipulating they cannot work for another brokerage for four months. Neither Mr. Palmer-Brown nor Mr. Butler could be reached for comment.

Stewart Wrightson Aviation has been ranked as one of the strongest aviation brokerages in London. The Willis Faber and Stewart Wrightson aviation units combined are said to broker up to 60% of the world's airline business.

The accounts for which Stewart Wrightson Aviation places coverage in the London market include United Airlines, which has a $5.5 billion fleet; Air France, which has a $3.3 billion fleet; Trans World Airlines, which has a $2.8 billion fleet; Air Canada, which has a $2.4 billion fleet; Korean Air Lines, which has a $2 billion fleet, in conjunction with Bowring Aviation Ltd.; World Airways, which has a $230 million fleet; and a portion of the account of the KSSAF group—led by KLM Royal Dutch Airlines, Scandanavian Airline System and Swiss Air Transport Ltd. and including Austrian Airlines and Finnair—which has an $8 billion fleet.

Three huge Stewart Wrightson Aviation accounts—United, Air France and TWA—were up for renewal when Mr. Palmer-Brown, who was responsible for non-North American airlines, and Mr. Butler, who was responsible for North American accounts, resigned.

Underwriters say renewals had been completed for two of the airlines: TWA, whose coverage renewed Nov. 1, and Air France, whose coverage renews Dec. 1.

However, underwriters were still waiting for the final order for United.

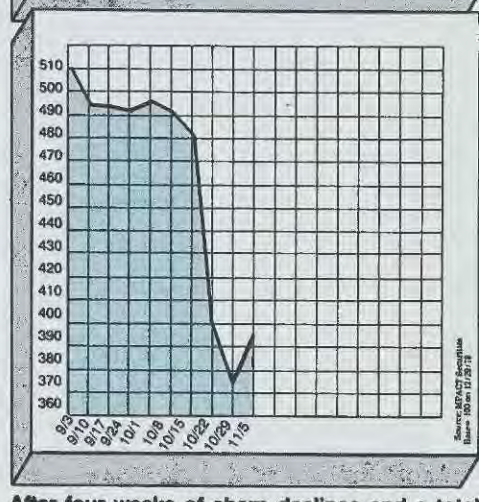
Underwriters say that the United renewal, when completed, will include a 30% reduction in hull insurance rates and a 39% reduction in liability insurance rates. In addition, the coverage will run for 16 months, rather than 12 months, underwriters say.

The total premium for the coverage was estimated by one underwriter to be about $25 million.

About 30% to 40% of the order is expected to be underwritten in the London market, led by the The Orion Insurance Co. P.L.C. and in Lloyd's led by David Peachey.

The United Airlines account is currently being handled by David Thompson, a director of Stewart Wrightson Aviation. Mr. Thompson would not comment on details of the United placement, but said the departure of the aviation division employees has had "no effect" on the placement of the United account. He added that the "final order has not yet been decided." ■

BI Insurance Index



After four weeks of sharp declines and a total loss of 120 points, the *Business Insurance* stock index rebounded 20.3 points to 397.0 points on Nov. 5, from 376.7 on Oct. 29. Advancing issues were led by: Statesman Group Inc., up 19.7%; Argonaut Group, up 18.6%; Trenwick Group Inc., up 18.4%; Washington National Corp., up 16.0%; and Kansas City Life Insurance Co., up 15.1%. Declining issues were led by: Nobel Insurance Ltd., down 9.1%; Poe & Associates Inc., down 8.6%; Aon Corp., down 7.1%; Home Group Inc., down 6.2%; and Belvedere Corp., down 5.6%. Issues showing the most activity during the period were: Sears Roebuck & Co. (Allstate), 33.3 million shares traded; ITT Corp. (Hartford Group), 19.0 million shares traded; American International Group Inc., 18.2 million shares traded; and United States Fidelity & Guaranty, 15.0 million shares traded. The *Business Insurance* index climbed 5.4% for the week, performing ahead of gains posted by other market indicators: The New York Stock Exchange composite gained 5.5 points, a 4.1% increase; the Standard & Poor's 500 gained 7.7 points, a 4.0% increase; and the Dow Jones 30 Industrials gained 47.1 points, a 2.4% increase.

British Issues

Nov. 5 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Commi Union	313	12.7	17.8	5.7	323—291
Genl Accident	765	9.0	38.3	5.0	808—750
Gdn Royal Exch	835	11.9	46.5	5.6	853—825
Royal	405	8.1	21.2	5.2	415—375
Sun Alliance	815	12.2	32.2	3.9	863—808
Brokers					
CE Heath	357	11.9	34.5	9.3	398—355
Hogg Robinson	124	7.5	9.6	7.7	154—124
JH Minet	307	11.2	12.9	4.2	352—307
Sedg Grp	185	10.9	16.4	8.9	203—185
Willis Faber	218	9.9	14.8	6.8	273—217

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

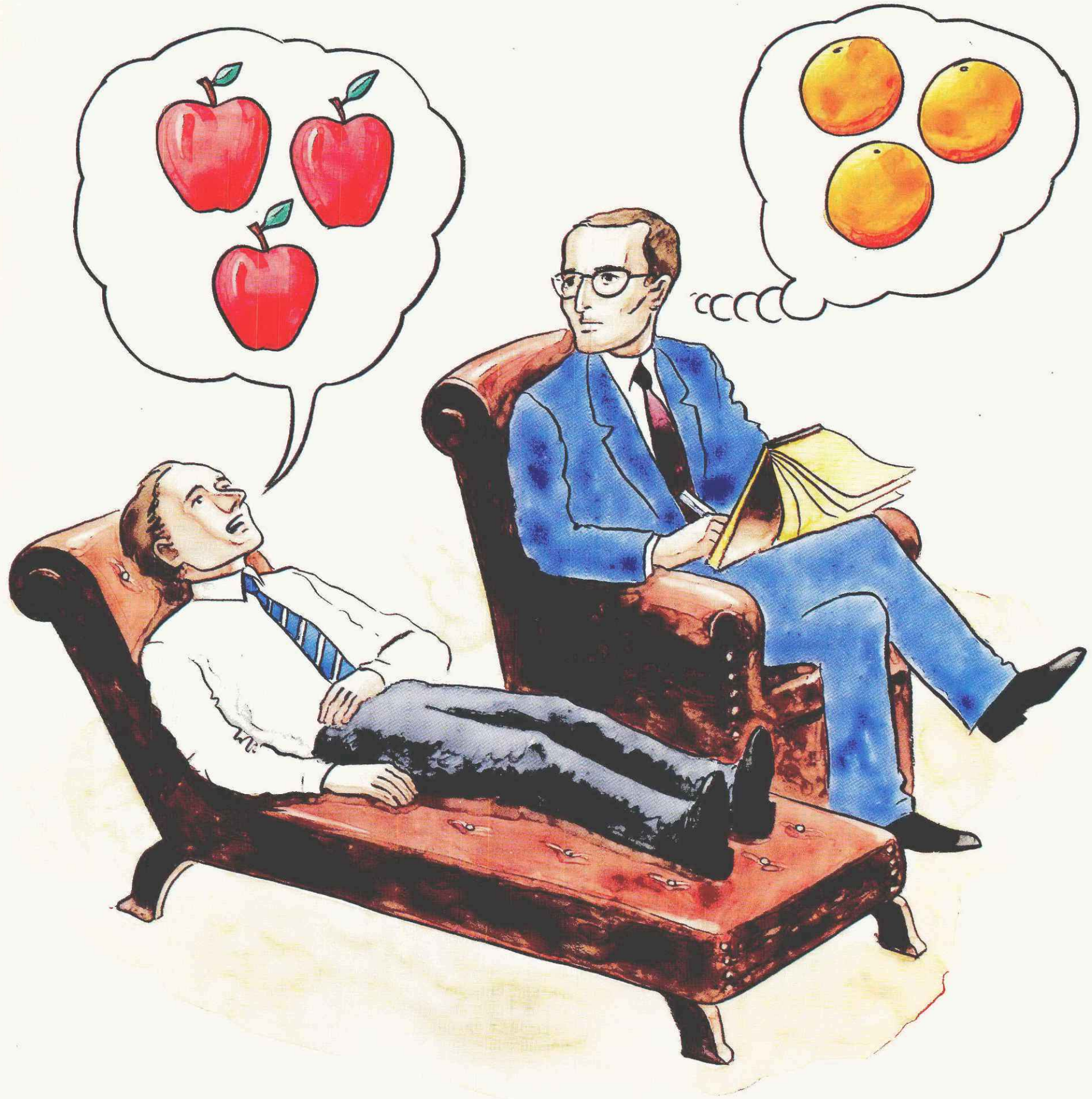
BI Industry Stock Report

OCT. 5, 1987 10/30/87 THRU 11/5/87

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander Svcs	NYSE	20.00	12.7	-24.5	32.00	17.13	622	1.00	5.0	14.0	2.98	6.71
Baldwin & Lyons Inc.	OTC	14.00	0.0	-36.4	27.00	16.00	0	0.20	1.4	5.4	16.40	0.85
Corroon & Black Corp.	NYSE	28.00	13.7	-14.2	37.50	22.00	259	0.84	3.0	13.1	6.31	4.44
Gallagher Arthur J. & Co.	OTC	16.75	1.5	-36.2	31.00	16.50	28	0.40	2.4	11.1	4.81	3.48
Hall Frank B. & Co.	NYSE	4.75	0.0	-67.2	19.00	4.00	168	0.00	0.0	11.1	0.00	N/A
Marsh & McLennan Cos. Inc.	NYSE	53.75	1.4	-11.5	72.00	46.00	697	2.40	4.5	13.4	5.14	10.46
Poe & Assoc Inc.	OTC	8.00	-8.6	-33.3	13.25	8.00	0	0.40	5.0	7.8	0.57	14.04
BROKERS	AVERAGE		3.0	-31.9					3.0	10.8		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	21.50	1.2	-18.1	37.00	18.75	54	0.28	1.3	5.4	13.72	1.57
Berkshire Hathaway Inc.	OTC	2900.00	-4.1	2.8	4400.00	2510.00	214	0.00	0.0	20.0	62.53	3.01
CIGNA Corp.	NYSE	54.63	2.6	-0.7	69.50	48.00	928	2.80	5.1	7.0	42.01	1.30
CNA Fin'l Corp.	NYSE	58.88	9.3	9.5	66.50	47.00	302	0.00	0.0	11.9	42.71	1.38
General Re Corp.	NYSE	55.75	5.2	0.5	68.88	46.00	1228	1.00	1.8	12.6	23.47	2.38
ITT (Hartford Group)	NYSE	51.00	-3.8	-4.5	66.38	45.00	1898	1.00	2.0	10.2	44.08	1.16
Sears Roebuck & Co. (Allstate)	NYSE	35.75	3.2	-10.1	59.50	30.75	3332	2.00	5.6	8.3	32.94	1.09
Transamerica Corp.	NYSE	33.50	7.2	2.7	51.38	22.63	984	1.84	5.5	6.3	26.94	1.24
CONGLOMERATES	AVERAGE		2.6	-2.2					2.7	10.2		
INSURERS												
Aetna Life & Cas Co.	NYSE	51.50	1.5	-9.1	68.13	46.00	1177	2.76	5.4	7.0	44.75	1.15
American General Corp.	NYSE	33.38	9.9	-9.5	44.75	28.38	1108	1.25	3.7	8.9	27.13	1.23
Amer Heritage Life Invt	NYSE	26.25	5.0	2.3	34.00	23.25	3	0.96	3.7	12.6	20.37	1.29
Amer Indty Fin'l Corp.	OTC	10.75	13.2	-40.3	19.00	7.75	9	0.56	5.2	12.6	20.40	0.53
American Int'l Group Inc.	NYSE	66.00	-0.4	8.0	83.75	60.00	1815	0.30	0.5	13.1	29.02	2.27
Aneco Reins Ltd.	OTC	3.25	8.3	52.6	4.38	2.13	10	0.00	0.0	13.1	1.93	1.68
Aon Corp.	NYSE	21.25	-7.1	-19.4	29.88	21.00	283	1.20	5.6	7.4	15.23	1.40
Argonaut Group	OTC	33.50	18.6	59.5	52.13	21.00	254	0.00	0.0	6.9	14.60	2.29
AVEMCO Corp.	NYSE	17.25	4.5	-34.3	25.25	13.25	45	0.28	1.6	10.3	6.94	2.49
Belvedere Corp.	AMEX	4.25	-5.6	-50.8	9.13	4.13	13	0.01	0.2	53.1	6.71	0.63
Business Mens Assurn Co.	OTC	35.75	2.1	38.1	48.25	25.25	160	1.10	3.1	53.1	22.15	1.61
Chubb Corp.	NYSE	60.13	3.0	1.5	73.50	52.00	446	1.88	3.1	7.9	39.52	1.52
Continental Corp.	NYSE	41.75	14.4	-6.7	54.88	30.50	582	2.60	6.2	7.8	41.62	1.00
Durham Corp.	OTC	21.75	6.1	-21.4	34.00	20.00	7	0.92	4.2	14.2	26.15	0.83
Farmers Group Inc.	OTC	44.25	4.7	14.2	51.25	37.75	791	1.20	2.7	12.9	19.95	2.22
Fireman's Fund Corp.	NYSE	30.25	-4.4	-13.9	42.75	26.50	346	0.40	1.3	56.0	23.55	1.28
Fremont Gen Corp.	OTC	10.75	7.5	-33.4	20.50	7.88	417	0.60	5.6	56.0	16.75	0.64
Home Group Inc.	NYSE	13.13	-6.2	-37.5	24.88	10.50	227	0.20	1.5	2.2	16.30	0.81
Hanover Ins Co.	OTC	26.50	8.2	-16.5	37.25	23.75	20	0.36	1.4	6.0	21.16	1.25
Hartford Steam Boiler	OTC	23.25	1.1	-1.4	36.63	20.25	88	1.00	4.3	9.3	10.17	2.29
Kansas City Life	OTC	26.75	15.1	3.9	31.50	21.50	0	0.00	0.0	9.3	0.00	N/A
Kemper Corp.	OTC	22.75	5.8	-9.0	38.75	20.00	1194	0.60	2.6	6.9	23.48	0.97
Liberty Corp. S.C.	NYSE	34.75	0.0	-5.4	53.00	32.50	15	0.80	2.3	13.5	19.96	1.74
Lincoln Nat'l Corp.	NYSE	46.00	15.0	-0.8	60.50	35.75	310	2.16	4.7	9.2	44.85	1.03
NAC Re Corp.	OTC	22.00	1.1	-16.2	32.25	19.50	16	0.00	0.0	20.4	18.12	1.21
Nobel Ins Ltd.	OTC	8.75	-9.1	-46.2	18.50	8.50	79	0.00	0.0	20.4	9.04	0.97
Northwestern Nat'l Life	OTC	21.88	3.0	-29.4	32.38	20.88	233	0.96	4.4	6.1	33.26	0.66
Ohio Cas Corp.	OTC	36.00	-0.7	-6.8	49.25	34.75	66	1.68	4.7	8.5	26.80	1.34
Old Rep Int'l Corp.	OTC	22.38	13.3	-18.3	33.63	18.88	226	0.74	3.3	7.1	19.80	1.13
Orion Cap Corp.	NYSE	15.00	6.2	-44.7	31.00	13.63	51	0.76	5.1	7.1	9.39	1.60
Phoenix Re Corp.	OTC	7.25	3.6	-44.2	14.63	5.00	76	0.00	0.0	5.1	9.43	0.77
Protective Corp.	OTC	13.00	8.3	-27.8	21.25	11.38	139	0.70	5.4	12.3	16.51	0.79
Provident Life & Acc Ins Co.	OTC	16.00	8.5	-35.0	28.75	14.25	130	0.84	5.3	40.0	27.00	0.59
St. Paul Cos. Inc.	OTC	50.25	8.6	24.8	60.00	40.25	1262	1.76	3.5	7.9	29.89	1.68
SAFECO Corp.	OTC	32.00	11.3	19.6	38.00	24.38	996	0.96	3.0	11.1	19.68	1.63
SCOR US Corp.	OTC	7.75	3.3	-32.6	16.25	5.00	140	0.00	0.0	7.1	8.08	0.96
Seibels Bruce Group Inc.	OTC	12.50	2.0	-15.3	19.00	9.75	41	0.80	6.4	7.4	11.88	1.05
Selective Ins Group Inc.	OTC	21.50	4.9	-1.1	27.50	17.25	24	1.08	5.0	19.0	16.02	1.34
Statesman Group Inc.	OTC	4.19	19.7	-11.8	7.06	3.38	115	0.05	1.2	19.0	5.19	0.81
Tokio Marine & Fire Ins	OTC	70.88	4.6	26.8	103.38	50.75	101	0.19	0.3	60.1	0.00	N/A
Torchmark Corp.	NYSE	28.25	0.0	8.7	36.75	23.75	588	1.00	3.5	9.5	13.01	2.17
Travelers Corp.	NYSE	37.75	5.6	-15.4	52.63	31.50	860	2.28	6.0	11.9	45.03	0.84
Trenwick Group Inc.	OTC	11.25	18.4	-31.8	19.13	9.50	25	0.00	0.0	13.9	13.83	0.81
United Fire & Cas Co.	OTC	21.50	1.2	-34.8	33.00	20.25	96	0.96	4.5	6.3	18.32	1.17
United States Fid & Gty	NYSE	33.13	5.2	-16.7	48.75	26.25	1499	2.48	7.5	6.9	20.19	1.64
UNUM Corp.	NYSE	19.75	13.6	-26.5	31.38	16.13	586	0.40	2.0	6.9	26.81	0.74
USLIFE Corp.	NYSE	32.38	3.6	-25.6	47.63	26.75	118	1.28	4.0	8.3	43.09	0.75
Washington Nat'l Corp.	NYSE	25.38	16.0	-20.7	37.88	19.25	46	1.08	4.3	14.8	32.80	0.77
Zenith Nat'l Ins Corp.	NYSE	16.63	8.1	-37.2	24.00	13.50	71	0.80	4.8	8.5	11.19	1.49
INSURERS	AVERAGE		5.7	-12.0					3.1	13.9		
ALL COMPANIES	AVERAGE		5.0	-12.9					3.1	13.0		

System design: MPACT Securities

Does your reinsurer understand your needs?



Does your reinsurer listen when you try to discuss your reinsurance problems?

Or is he too busy trying to pick off only the juiciest risks. . .while ignoring the rest of your book of business?

We're known as the one reinsurer who really *listens* to your problems.

And after we listen, we find innovative ways to handle all your reinsurance problems.

We work with you throughout the entire reinsurance process, from risk selection to claims management.

So the next time you're talking apples and your reinsurer is hearing oranges, call us.

We are one reinsurer who really knows how to listen.

NORTH AMERICAN RE

We Take Your Risk Out Of Reinsurance.

NORTH AMERICAN REINSURANCE CORPORATION 237 PARK AVENUE, NEW YORK, NY 10017 (212) 907-8000
ATLANTA BOSTON CHICAGO DALLAS LOS ANGELES NEW YORK PHILADELPHIA SAN FRANCISCO