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Update

Insurers fear threat of trade war could undermine GATT efforts

WASHINGTON—Threats last week by both U.S. and E.C. officials to impose punitive tariffs on agricultural goods may not affect insurers immediately, but a trade war could weaken efforts to negotiate a new General Agreement on Tariffs and Trade that would ease barriers to insurance transactions.

"Nobody benefits from a trade war, so we have every reason to believe there will be a resolution," said Maurice R. Greenberg, chairman, president and chief executive of-

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All eyes on Clinton's agenda

Insurance tax hikes, red tape expected

By MARK A. HOFMANN

WASHINGTON—Corporations and insurers can probably expect higher taxes and possibly new regulations as a result of last Tuesday's election.

But observers say the drive for federal product liability reform is unlikely to slow, even though the next reform bill may look different because of the defeat of its chief proponent, Sen. Robert Kasten, R-Wis.

Corporations should expect a "modest" increase in the corporate tax as the Clinton administration decides how to finance the president-elect's plan to improve education and infrastructure, said Michael F. Dineen, vp-federal relations for Kemper National Insurance Cos. Mr. Dineen added that he could not foresee any major tax increase specifically targeted at property/casualty companies.

"Because of the budget problem, we anticipate there will be movement on the tax front," agreed David A. Pratt, senior vp-federal affairs for the American Insurance Assn.

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What Clinton's victory may mean for employers

- Overhaul of the health care delivery system
- Family and medical leave legislation
- Reform of Superfund and environmental regulations
- New safety regulations
- Expansion of managed care networks
- New taxes on insurance industry



Graphic by Kimberly Mart

Sweeping reform of health care promised

By JERRY GEISEL and DOUGLAS McLEOD

WASHINGTON—The election of Bill Clinton as the nation's 42nd president is likely to lead to the most sweeping overhaul and expansion of the nation's health care delivery system ever.

The coalescing of events—the election of a candidate who campaigned on a platform of universal health insurance, a Congress with Democratic leaders who are committed to reform and a public that has demanded change—has enormously increased the chances of fundamental reform.

"A lot of things have come together. There will be a president who wants to do something and a Congress that wants to act. And there is the American public that wants expanded coverage. In all, this may be the best opportunity for progressive, meaningful reform," said Stuart J. Brahs, vp-federal government relations in the Washington office of The Principal Financial Group.

With the defeat of President Bush—who displayed little interest in health care reform—and

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Californians reject health mandate

By JOANNE WOJCIK

SACRAMENTO, Calif.—California employers dodged a bullet as voters rejected a physician-backed ballot initiative to require all employers to offer a basic health care plan.

The measure's supporters blame defeat on an advertising blitz by opponents that fueled voters' fears that the mandate would cause a loss of jobs.

Opponents—including employers and insurers—claimed Proposition 166 would have driven many employers either out of business or out of the state. Opponents say the measure failed due to insufficient health care cost containment provisions.

A Field survey last month showed 46% of voters favored the initiative sponsored by the California Medical Assn., while 26% opposed it. But at the polls, 68.1% of voters opposed it.

The initiative would have required employers with at least 25 workers to provide a basic health plan to employees working at least 17.5 hours per week or 70 hours per month and to their dependents by 1994 (*BI*, Oct. 19; July 6). All employers would have had to comply by 1997 if 90% of California employers had not voluntarily complied.

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Study finds N.J. doctors win 76% of jury verdicts in malpractice cases

By SARA MARLEY

PHILADELPHIA—A new study that shows doctors who have followed standard community practices prevail in most malpractice suits does not mean malpractice tort reforms are unneeded, tort reform backers say.

Rather, they say, the study shows that doctors still have to defend against too many malpractice cases.

But a health policy expert believes that a no-fault medical malpractice insurance system and more effort to prevent malpractice are better courses of action than tort reform.

The study of New Jersey medical malpractice claims shows that doctors won 76% of the 976 cases that ended in jury verdicts. And, in most of the cases that patients won, the doctors admitted fault or a peer review determined that the doctor made a mistake.

The study's authors say the results are indicative of medical malpractice cases nationwide because several findings—like frequency and average amount of payment—are consistent with other studies.

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Defining mental illness

Cause of illness, not its symptoms is crucial factor: Court

By CHRISTINE WOOLSEY

CHICAGO—Health insurers have lost the latest round over whether they can limit health care coverage for mental illnesses with physical or organic causes.

The 7th U.S. Circuit Court of Appeals has ruled that a group health insurer cannot limit coverage to an amount that is less than the lifetime maximum it would pay for medical claims.

Most insurers and self-funded employers impose lifetime coverage limits for treatment of all mental illnesses—regardless of their cause—to a level that is far lower than the lifetime limit for medical care.

But, federal appeals courts across the country have split over the issue of whether mental illness is defined by its symptoms and treatment or by its causes.

For example, the 9th Circuit in San Francisco has ruled that an insurer's limits on mental health benefits did not apply to the cost of treating a child with autism, which the court held was caused by a physical disorder.

But, the 8th Circuit in St. Louis has ruled for an insurer that applied mental health benefit limits for the cost of treating affective mood disorder, which is usually treated with psychotherapy as well as drugs.

And, the 11th Circuit in Atlanta ruled in favor of an insurer that limited benefits for the cost of treating a woman's severe depression following the birth of her child.

The 7th Circuit was asked to decide whether treatment for an organic brain disorder was subject to a limitation on benefits for mental illness under the plaintiff's health plan.

Plaintiff Gordon B. Phillips, chief executive officer of Seedboro Equipment Co. in Chicago, discovered the limitation in the company's insured group health plan after seeking payment for claims to treat his son, James, for congenital encephalopathy.

James was diagnosed in 1981 with the brain malfunction, which causes significant behavioral problems because of improper processing of electrical stimuli and impulses.

Seedboro's group health policy, which was underwritten by

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Update

Disruption of GATT talks feared

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ficer of the American International Group Inc.
GATT officials have called for sessions to negotiate an agreement before the tariffs go into effect Dec. 5.

Marine cargo insurers may feel the impact of the tariffs immediately as they attempt to determine the value of cargo from the point of shipment to delivery, said Stewart H. Steffey, senior vp with CIGNA Worldwide Insurance Co., which is a member of the U.S. financial services negotiating team. And, a full-scale trade war could reverse the trend of global risk management programs, forcing risk managers to purchase coverage on a country-by-country basis, he said.

In addition, if other nations retaliate with restrictions on foreign corporate ownership, U.S. insurers may be forced to sell off majority shares of their wholly owned subsidiaries abroad, said Henry G. Parker III, international consultant to Chubb Corp.

Mr. Steffey believes that the GATT talks could be abandoned if an agreement is not reached by the middle of 1993.

The tariff threats almost ensure that GATT will not be approved by Congress on a fast-track basis, under which U.S. legislators cannot amend the agreement when voting on it. But, Congress could extend the pact's fast-track status beyond its June 1993 deadline.

EEOC files first suit under ADA

CHICAGO—The Equal Employment Opportunity Commission last week filed the first lawsuit against a company under the Americans with Disabilities Act.

The complaint, filed in U.S. District Court, alleges that AIC Security Investigations Ltd. in Chicago illegally fired Charles H. Wessel July 30 because of a disability. Mr. Wessel has inoperable brain cancer. The EEOC says Mr. Wessel was able to perform the essential functions of his job as executive director but was fired because he may have required "reasonable accommodations" in the future.

The complaint asks the court to reinstate Mr. Wessel in his former position and award him lost benefits and earnings with interest. The EEOC also requests damages for pain and suffering.

Bid for Skandia unit sweetened

NEW YORK—Skandia Group last week was considering a new buyout offer for its Skandia America Reinsurance Corp. unit from an investor group led by John C. Head III.

Mr. Head's group, which includes Head Insurance Partners L.P., raised its offer to $550 million after Skandia rejected a $500 million offer last month.

Under the latest proposal, Skandia would receive $425 million in cash and $125 million in preferred stock. A portion of the preferred stock would be set aside to cover adverse development of Skandia America's prior years' business, confirmed Johannes Norrby, Skandia executive vp and chief financial officer. Skandia rejected Mr. Head's previous offer last month after withdrawing an initial public offering of Skandia America common stock (*BI*, Oct. 26).

Mid Ocean ready for business

HAMILTON, Bermuda—Property catastrophe reinsurer Mid Ocean Reinsurance Co. Ltd. has raised just over $350 million in equity capital and will open its doors for business Nov. 16.

Chairman Robert J. Newhouse Jr. is expecting premium volume of at least $200 million in the first year.

Charles H.A. Skey, a director of London reinsurer CentreWrite Ltd., will be Mid Ocean's U.K.-based underwriter. Mr. Skey already has established a contact office in London.

Mid Ocean originally was intended to underwrite individual accounts up to about $30 million in capacity (*BI*, June 22). Now, the company will be limiting lines to $10 million or 10 million pounds, though on occasion it will write more, said President Ian R. Heap.

U.S. and U.K. insurers together are expected to generate half of Mid Ocean's business. Japan is expected to account for 15%, and continental Europe and Australia are expected to generate the rest. Mid Ocean's exposures will be limited to $250 million of reinsurance and $50 million of retrocessions in any one geographic zone.

USX skirted pensions: Judge

SALT LAKE CITY—USX Corp. says it may appeal a federal court ruling that it violated ERISA by idling a Utah steel plant in 1986 to avoid paying pension benefits to plant employees.

Section 510 of the Employee Retirement Income Security Act of 1974 prohibits corporate conduct motivated by an intent to interfere with the attainment of due benefits.

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Errors and omissions

• The original offer for Skandia America Reinsurance Corp. by Head Insurance Partners L.P. consisted of $400 million in cash and $100 million in preferred stock, not $500 million in cash as reported in a Nov. 2 article.

• Under Internal Revenue Service Revenue Ruling 92-93, an employer can take a tax deduction for group term life and other benefit coverages purchased from its captive insurance company. A brief item in the Nov. 2 issue gave an incorrect revenue ruling number.

• Seattle-based United States Arbitration & Mediation charges $120 to $250 per hour per case, which is often split equally by disputing parties. The firm's hourly fees were misstated in a Sept. 21 article.

Brokers pinning hopes on market change in '93

By JUDY GREENWALD

Publicly held brokers are still contending with the soft market on their balance sheets but things could start to look up next year, they say, pointing to signs of firming property rates.

Until then, brokers continue to hold down expenses, enabling them to continue to report profits in an environment of relatively flat or declining revenues. Five of the six publicly held brokers reported higher income for the first nine-months of 1992.

Nevertheless, nine-month results remain uninspiring, analysts say.

"Mediocrity" is how Michael Smith, a Lehman Bros. analyst in New York, summed up brokers' results. "There's not a whole lot out there that can be much more mediocre than this crowd."

"It's hard to imagine an operating environment in '93 that's worse than in '92, so by comparison it should be better," predicted Alice L. Cornish, a partner with Northington Partners Inc. of Avon, Conn.

Retail insurance brokerage results "continue to reflect a very soft U.S. market," she said.

She noted, however, that both Marsh & McLennan Cos. Inc. and Alexander & Alexander Services Inc. have indicated they did better in Europe, where certain markets have begun to firm, like

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Investors win D&O cover

Attempt to cancel Technical Equities policy shows bad faith: Court

By LOUISE KERTESZ

SAN FRANCISCO—Investors in now-insolvent investment and real estate firm Technical Equities Corp. believe that a California appeals court decision brings them a step closer to recovering $180 million in bad-faith damages from an American International Group Inc. unit.

Plaintiffs are buoyed by comments made by the 1st Appellate District Court in ruling that investors could tap a total of $20 million in directors and officers liability insurance limits written for Technical Equities by National Union Fire Insurance Co. of Pittsburgh, Pa.

In its decision, the court said the insurer acted in bad faith when it attempted to cancel the three-year policy during the final year of the policy period. Investors said the insurer tried to cancel the policy because it knew it would be hit with many D&O claims.

An attorney for National Union called the ruling "incorrect." National Union's appeal of the bad-faith judgments still are pending before the appellate court.

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Skandia news, Andrew losses cast pall over NAII meeting

State of the reinsurance market

By MARK A. HOFMANN

ORLANDO, Fla.—There was little magical about the mood at the 47th annual meeting of the National Assn. of Independent Insurers at Disney World late last month.

The adjacent Swan and Dolphin hotels—looking somewhat like the set for "Atlantis the Lost Continent"—vibrated with the news that Skandia America Reinsurance Corp. would be downsizing dramatically after its Swedish owners rejected an investment group's $500 million bid for the New York-based reinsurer (*BI*, Oct. 26). Last week, the same group offered $550 million for the reinsurer (see related Update).

Reinsurers at Baden-Baden meeting resolve to push up rates
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The Skandia news fueled rumors at the meeting that other reinsurers would be cutting back or withdrawing from the reinsurance market altogether.

"It was fairly tense," said Ajit Jain, president of the reinsurance division of Berkshire Hathaway in Stamford, Conn. Ceding companies fear that they won't be able to get the catastrophe reinsurance they need, he said.

"Certainly, it was not as upbeat as it was in some previous years. I think everybody knows the reason why," said Paul D. Hawksworth, president of Mercantile & General Reinsurance

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Unisys to drop retiree health care

BLUE BELL, Pa.—Financial Accounting Standard 106 and rising health costs are ringing the death knell for employer-paid retiree medical benefits at Unisys Corp.

Unisys said last week it would stop paying for retiree medical benefits by 1996.

Without the cut, the self-insured company estimated it would have to take a one-time aftertax charge next year of about $700 million to account for its retiree health care liabilities. Eliminating retiree medical benefits is expected to reduce that charge to $170 million.

Unisys currently pays almost 100% of medical expenses for its 25,000 retirees and their dependents.

Beginning in 1993, retirees will have to pay an increasing share of the cost of health care coverage so that by 1996 they are paying 100%.

However, Unisys will maintain its retiree medical plan so that retirees can continue to purchase health insurance at group rates. Retirees who remain with the plan will not have to meet any health status restrictions, a Unisys spokesman noted.

Unisys joins a growing number of employers that are dropping retiree medical coverage to avoid accounting for huge FAS 106 liabilities.

McDonnell Douglas Corp. recently announced it will discontinue retiree medical coverage in four years (*BI*, Oct. 19).

—By Christine Woolsey

Inside

- Some advice for President-elect Clinton on health care reform and risk management-related issues in this week's editorial. **PAGE 8**
- Lloyd's faces a 15% drop in capacity for 1993, and has issued a six-month moratorium on suing members to recover debts. **PAGE 61**
- European reinsurers meeting in Baden-Baden, Germany, appeared determined to increase rates and tighten terms. **PAGE 61**
- Premium rate increases may be on the horizon in France, as insurers' incomes are hurt by declining real estate values. **PAGE 61**
- The cost of mental health benefits has been overstated, a new study says. **PAGE 64**

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International Market

Networks' role to grow as state systems collapse

Multinationals must beef up benefit programs

By MICHAEL SCHACHNER

As social security systems worldwide show signs of decay, multinational corporations are turning to international employee benefit networks to arrange a growing number of new private benefit programs.

U.S. multinationals, after decades of simply supplementing comprehensive government-run benefit programs, now see an escalating need for employer-sponsored health, life and retirement benefits.

This shift to private benefits is bolstering premium volume for the major international benefit networks, which over the past few years have written fewer new master contracts for large corporations.

International benefit network officials also note that although the number of large multinationals in need of new pooling arrangements appears to have peaked, smaller companies for the first time are being swept into the globalization trend and are seeking to pool benefits for their overseas employees.

The combined effect of the global move toward privatization, expansion among smaller firms and the slow speed at which European common market initiatives are progressing is positive for the future of employee benefit networks, according to network officials and consultants.

"Many of the old state-run systems are effectively bankrupt or are on their way. State plans have to go private, which increases the employer's responsibility by a large margin," said Andrew Haggart, senior vp in the international consulting department of Johnson & Higgins in New York.

"The need for greater supplements is definitely there. Medical care through the state is slipping in many Western European countries. This will increase the burden on the company and should positively impact our workload," said Robert Pickrell, president of the Multinational Benefits Assn. in Norwalk, Conn., which represents the Insurope network.

It's not just the shift to private benefit programs that's boosting premium volume. International benefits experts say that more small to midsize companies—those with fewer than 1,000 employees in at least two foreign countries—are entering into multinational pooling arrangements for the first time.

For example, about 80% of new business at Brussels, Belgium-based Group Assurance International Network is coming from what Managing Director Eric M. Janssen calls "new start-ups among smaller firms."

"Most of the interest we're seeing in new pools is coming from smaller, high-tech companies with 400 to 500 employees in a few countries," said Mr. Janssen, whose 22-country network recently signed on affiliate insurers in Turkey and Hungary. "Just like the big companies, they want to pool their risk benefits like medical and life insurance."

"These are the firms that need advice," said Michael Sandmann, division vp for the Multinational Insurance Arrangement offered by Travelers Corp. "It's not so much that they're looking for cost savings on their programs, but they don't want to make mistakes."

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GRAPHIC BY JOHN HALL

Europolicies not setting insurance world on fire

But interest grows in global approaches to risk

By MARK A. HOFMANN

The walls came tumbling down, but few are rushing in.

In fact, two sets of walls in the international insurance and financial marketplace have been breached in recent years. One is the wall of trade barriers separating members of the European Community.

The second—and more spectacular—breakthrough is the collapse of the once-impervious wall of trade and political barriers that separated Eastern European countries from the rest of the world during more than four decades of Soviet domination.

Despite the opening of these markets, insurers are not rushing headlong into Eastern Europe as they and risk managers try to figure out what liberalization means in practical terms.

Meanwhile, the insurance industry is trying to assess the course of the commercial property/casualty insurance market, which could impact global expansion plans.

U.S. and European markets generally move in the same direction, but the U.S. market is still soft while Western European markets, especially Germany, have started to harden.

Another unknown is the effect of a spate of U.S. disasters on the catastrophe reinsurance market, and what that will mean for property rates as insurers renew their cat programs.

On the global front, anticipated interest in so-called Europolicies, which are designed to cover risks in all E.C. nations, has not really materialized.

The problem is certainly not a lack of availability. Rather, insurers and risk managers have moved slower than expected to take advantage of the European Community's removal of trade barriers for cross-border placement of commercial risks.

"I think we and other companies have the abilities to deliver Europolicies, but we just don't see much demand," said Ted Hoeh, international insurance officer for Kemper National Insurance Cos. in Long Grove, Ill.

"We certainly have much more pan-European business than we did three years ago," said H. Edward Hanway, president of CIGNA Worldwide Inc. in Philadelphia. "Our whole strategy in Europe for the past three to five years has been to be a pan-European insurer."

But demand for the European Advantage Europolicy that CIGNA introduced last year, has been "growing very gradually," he said. Risk managers are wary of assigning their E.C. risks to one policy, and selling the concept has required a lot of buyer education.

"A year or so ago, there was a flurry of interest in the so-called Europolicy or Europrogram," said Michael Linde, senior vp of Johnson & Higgins in New York. Most risk managers, he said, realize that eliminating a policy in this country or that country doesn't also eliminate the need for service.

"Very few" Europolicies have been issued, said Jonathan Chettle, vp and managing director of Sedgwick James International in New York.

"Right now you can write a pan-Euro-

Continued on next page

Investment follows market reforms in Latin America

Open markets bring healthy dose of competition

By MICHAEL BRADFORD

Free market reforms and a much more accommodating insurance industry are awaiting U.S. multinationals that expand into Latin America.

Economies are growing in Latin America, providing residents in many countries with disposable income.

Taking advantage of the expansion, U.S. manufacturers, service companies and financial services providers are increasing their investment in the region.

The Inter-American Development Bank projects that foreign investment in Latin America will rise to almost $22 billion by the end of the decade from $9 billion per year currently.

Accompanying economic growth is the transformation of the insurance industry from what was a strictly regulated business in most countries a decade ago to a market in which insurers and brokers operate with much more freedom to negotiate rates and terms.

With these changes, insurance buyers have gained the ability to negotiate contracts in many Latin American nations. And, increased competition has driven down the price of some coverages.

Insurance deregulation in many Latin American countries has resulted in a "freeing up of market forces, so price is determined by competition," said Paolo Carega, managing director and head of Latin American operations for Marsh & McLennan Inc. in Coral Gables, Fla.

"Strict tariffs have really been abolished" throughout most of Latin America, he said. "There is a lot more negotiation between the insurance company, broker and client. The tendency has been for prices to come down."

State-owned reinsurance monopolies also are being abolished in many countries, allowing insurers to purchase reinsurance on the world market at competitive prices.

"With Chile first, then Mexico, liberalization of insurance markets began to spread to the point now that in the entire region, with the exception of Brazil and perhaps Venezuela, most insurance markets are totally liberalized," said Jack Perez, chief executive officer of the Latin America/Caribbean region for Alexander & Alexander Services Inc.

"They allow competition in rates and forms and foreign investment by insurers and brokers," he said.

"Latin America is changing, opening up with the privatization of companies" and less restrictive regulations on foreign investment, said S. Robert Beane, senior vp and director at Johnson & Higgins in New York. "A lot of companies

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Global outlook

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pean cover but there isn't much demand," agreed Brian Duperreault, president of American International Underwriters, a unit of American International Group Inc. in New York.

"There has been a realization that while there has been latitude to do this, there's not necessarily any advantage to (doing it)," said J&H's Mr. Linde.

Indifference toward Europolicies does not indicate a lack of interest in global programs that provide coverage on top of the locally required coverages.

"Very clearly, there is a movement to more and more global property programs," said Tom Hite, president and general manager of Zurich-American Insurance Group in Schaumburg, Ill.

Although the shift toward global casualty programs is less pronounced, such programs "can provide more consistency between foreign and domestic exposures," he said.

Some risk managers feel that dealing with one insurer makes it easier for them to apply the same risk management principles to all of their insured locations, he said.

More risk managers are looking for a global approach to risk management rather than a single policy, agreed Mr. Hanway of CIGNA.

"I sense a trend, particularly among the larger companies, to move toward global property/casualty programs. Why the trend? I think the answer is simplicity," said Sedgwick James' Mr. Chettle.

Global programs also give risk managers advantages with their underwriters. The sheer size of the account gives them more leverage, said Kemper's Mr. Hoeh.

More risk managers are looking for a global approach to risk management, says Mr. Hanway.

"It's also increasingly attractive" to have a global loss control program, said Mr. Hoeh. "There's much greater interest in global engineering programs," he said.

As insurers try to promote global programs, one U.S. risk manager has developed what he calls a semi-global approach.

This involves making the company's local managers in foreign countries responsible for securing lower layers of coverage up to the amounts that are "usual and customary" locally, explained Bill Irle, executive director of risk management for Sara Lee Corp. in Chicago. Then the gaps are filled with a global umbrella policy, in Sara Lee's case, led by Chubb & Son Inc.

Mr. Irle said that during the 1970s, he began trying to set up a comprehensive global program but found dealing with local conditions frustrating.

"Why should I even be messing around with $20,000 or $40,000 or $50,000?" Mr. Irle asked himself, and turned the local portions of the programs over to the local managers. He said he has no regrets.

While there hasn't been a rush to take advantage of liberalization of E.C. economies, even greater reticence is apparent for insurers and industrial corporations to get heavily involved in Eastern European countries and the nations that once constituted the Soviet Union.

Part of the reason is that no one can be sure whether today's new unified nation will be tomorrow's squabbling successor states. What until a couple of years ago was Yugoslavia is currently at least five sovereign or semi-sovereign states, some of which are drenched in blood.

Even in Czechoslovakia, long considered Central Europe's best prospect for a smooth transition to democracy, things are not going smoothly. It will soon be two sovereign states—a market-oriented Czech Republic and a more centralized Slovakian state.

"There have been some joint ventures (in Eastern Europe) but not to the extent one might have expected," said Mr. Chettle of Sedgwick James.

"American companies showed a lot of early interest" in Eastern European investment, but serious infrastructure and political problems dampened it, said Kemper's Mr. Hoeh. The attitude of U.S. multinationals has been "let's pick our spots and let's not rush in just because they're there," owing in large part to the "clear fragmentation of Eastern Europe," he said.

"Those who have adopted a slight wait-and-see attitude have been proved right," said Mike Barrett, chief executive of Alexander Stenhouse Europe Ltd. in London.

Alexander & Alexander Services Inc. opened a brokerage and risk management consulting office in Budapest, Hungary, in mid-October. "We're taking our own people," said Mr. Barrett, explaining that employees recruited in Eastern Europe lack the necessary experience.

"It's very, very rough over there and it's not getting any better," he said. Conversion to a market economy is wrenching even in Hungary, which had the most liberal economic policies of Soviet bloc states and relatively close ties to neighboring Austria.

Among the transition problems Mr. Barrett cited were inflation, balance of payments problems and the sheer difficulty of transforming industries and economic institutions into Western forms.

Insurers share the general wariness of businesses as whole. For instance, the senior management of Zurich Insurance Co. "was very cautious" about getting involved in Eastern Europe, said Zurich-American's Mr. Hite.

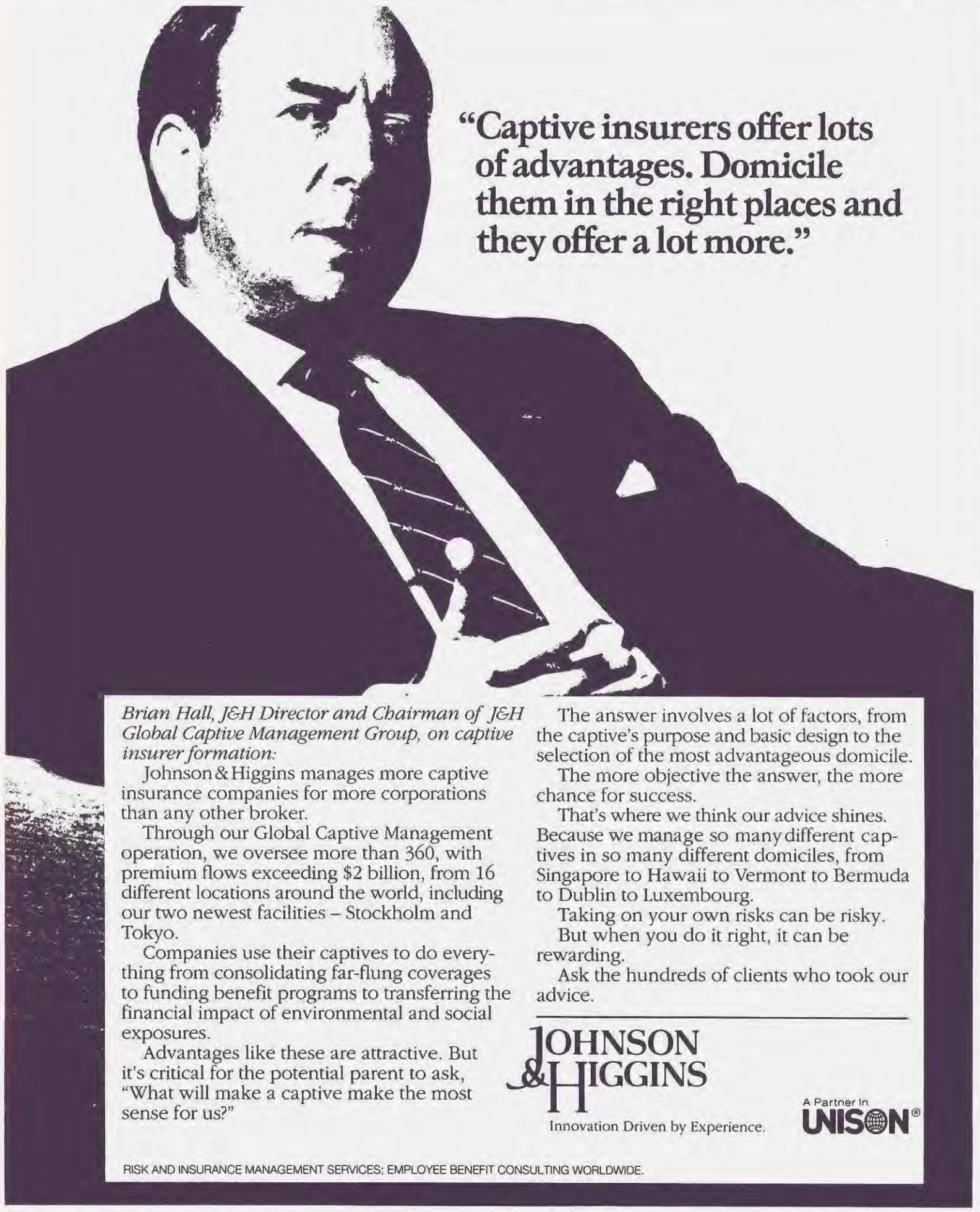
"I don't see a whole lot happening in Eastern Europe," said CIGNA's Mr. Hanway. "We don't believe we have to rush in there," he said.

"You won't find a large U.S. company making an investment in an unstable country," said J&H's Mr. Linde.

This situation stands in sharp contrast to the attitude only a year ago. At that time, many companies had the idea that they had to get in quickly or lose out on potentially lucrative markets.

Their enthusiasm has since been been tempered by the reality of a disjointed economic and political structure, said Edward Dunlop, executive vp and managing director of Chubb & Son in Warren, N.J.

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People or beans?

There's only one possible answer. Both. With traditional medical costs soaring 20% a year, stemming the tide is essential.

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Global outlook

Continued from page 4

As a result, caution is the operative philosophy.

"It may be premature for us on this side of the Atlantic to be going into an Eastern European country to write Eastern European business," said Henry Parker, recently retired Chubb senior vp and currently international consultant to the insurer.

Certain nations stand out as more attractive among the seven former Communist Eastern and Central European states and the 15 successor states to the Soviet Union. The successor states remain economically "very interesting and very difficult," said CIGNA's Mr. Hanway.

"Hungary's (economy) is probably the closest to the West," with Poland and Czechoslovakia also holding some attraction for U.S. investment, said Wolfgang Friedel, vp and manager of international operations with Arkwright Mutual Insurance Co. in Shelton, Conn.

AIU's Mr. Duperreault called Hungary, Poland and Czechoslovakia the "naturals" for U.S. investment. Russia also piques American interest, but both political and economic uncertainty could deter investment.

While there is uncertainty over the direction Eastern European economies will take, there is general—but by no means universal—agreement that the global property/casualty insurance market is hardening. How and when the turn will affect U.S. multinationals remains uncertain.

"Clearly, there is some indication (of a turn), particularly in the property area," said Zurich-American's Mr. Hite.

Capacity remains plentiful, Mr. Hite said. "But underwriters will be more careful about how they use that capacity," he said.

"Capacity is still plentiful," agreed Sedgwick James' Mr. Chettle. "U.S. buyers of international insurance don't move their programs quite as quickly" as they do domestic coverage, he said. The process is simply too cumbersome.

For the U.S. risk manager, the marketplace has "remained relatively unchanged throughout the year," although it probably reached its softest point in 1991, said Kemper's Mr. Hoeh.

Risk managers agree.

"It's still competitive, particularly in the casualty area. I do not see any firming yet," said Sara Lee's Mr. Irle. He added, however, he was not certain about when the property rates would begin to move up in the wake of insurers' losses from Hurricanes Andrew and Iniki.

"In all areas, I haven't seen any tightening. We're seeing a lot of interest expressed in writing U.S. risks, and not only by U.S. companies," said Tom Welgoss, corporate insurance manager for Gillette Co. in Boston.

But Kemper's Mr. Hoeh, like several of his counterparts at other international insurers, pointed out that the Western European-based markets are beginning to tighten, in some cases dramatically.

"Just in the past four or five weeks, there's been some dramatic firming, probably most dramatic in Germany," Mr. Hoeh said (see story, page 20).

The pure loss ratio for industrial fire exposures in Germany had reached more than 120%, he said.

In some cases, combined ratios for German industrial fire risks reached 150%, said CIGNA's Mr. Hanway. "The last four or five years of rate declines" left commercial rates 40% to 50% deficient to cover losses, he said.

"It seems the market is undergoing some changes in Europe, driven by atrocious results in a number of countries," said Chubb's Mr. Dunlop.

The "genuine contraction" for international risks is the first to occur when the domestic U.S. market has remained so soft, observed J&H's Mr. Linde.

"From a reinsurance standpoint, the expectation of catastrophe" coverage tightening should have an impact on the marketplace, added CIGNA's Mr. Hanway. "Anyone who is a true global player needs a consistent level of catastrophe reinsurance support," he said. "It's clear there will be less capacity and high rates."

"The full effect of Hurricane Andrew has not come through yet," said Alexander Stenhouse's Mr. Barrett. He predicted that risk managers for large corporations would feel the hit first, although they should still be able to get the limits they want if they're willing to pay for them.

"It would be too early to talk about a capacity crunch," he said.

Mr. Barrett—cautioning that it is difficult to generalize about the entire European market—predicted that commercial property rates in Europe could increase by 25%, 30% or 50% for some risks in 1993.

Mr. Barrett noted that reports from European A&A offices confirm property rates generally are on the upswing. In France, insurers are seeking increases between 20% and 40% for commercial property. In the Netherlands, casualty rates remain soft, but property is hardening for large accounts. And in Scandinavia, the market remains generally competitive, he said.

"The best of risks have a chance of holding their price, but with changed conditions" like higher deductibles, said Arkwright's Mr. Friedel.

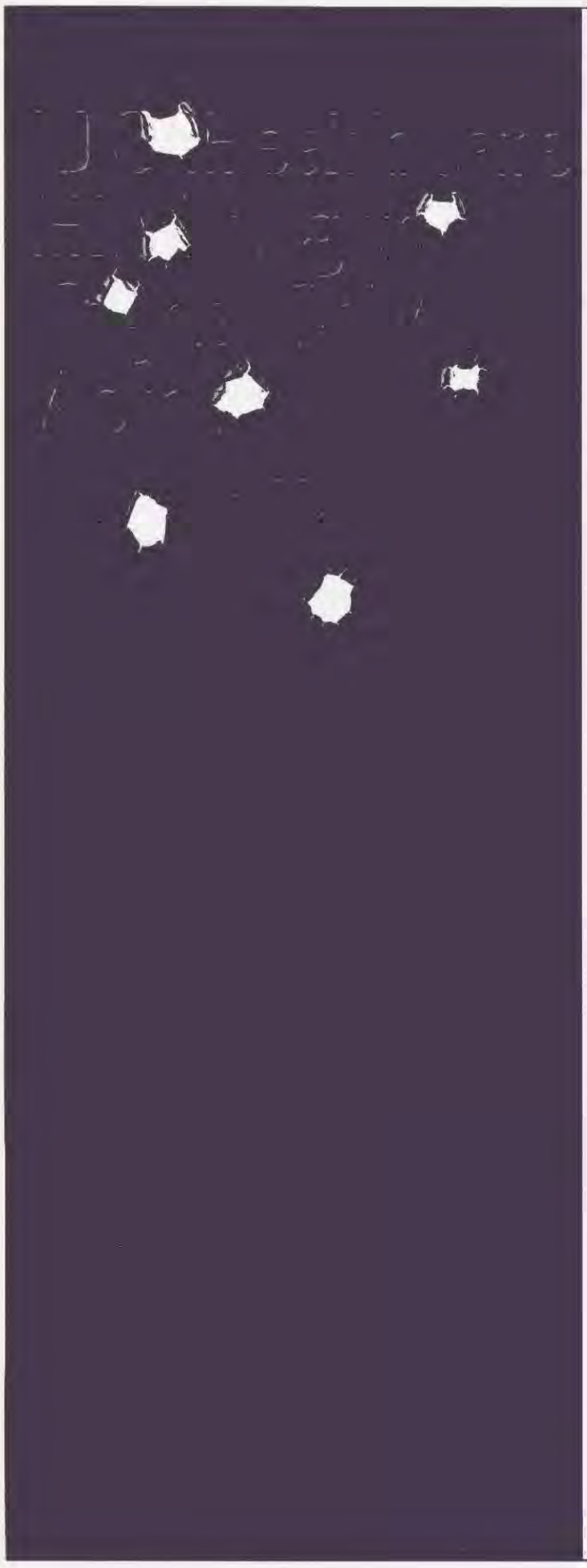
Another uncertainty on the European front is whether the E.C. member nations will adopt a single currency.

A single currency could simplify life for some risk managers, but the unity treaty has hit some rough waters. After Danish voters decisively rejected the Maastricht treaty and French voters approved it by the narrowest of margins, the treaty's fate is an open question, particularly given Britain's general lack of enthusiasm.

"Is Maastricht going to pass?" asked Sedgwick James' Mr. Chettle. If it does, it might make things a little easier for multinational risk managers who have to buy business interruption insurance that would apply to several nations, he said.

"It's too early to speculate on Maastricht. It's still a big question whether the Danes will be brought back into a final agreement," said Kemper's Mr. Hoeh.

"I don't think it will be adopted in the near future," said Sara Lee's Mr. Irle. In the longer term, though, some sort of currency unification is likely because of increased interdependence among the E.C. nations, he said. ■



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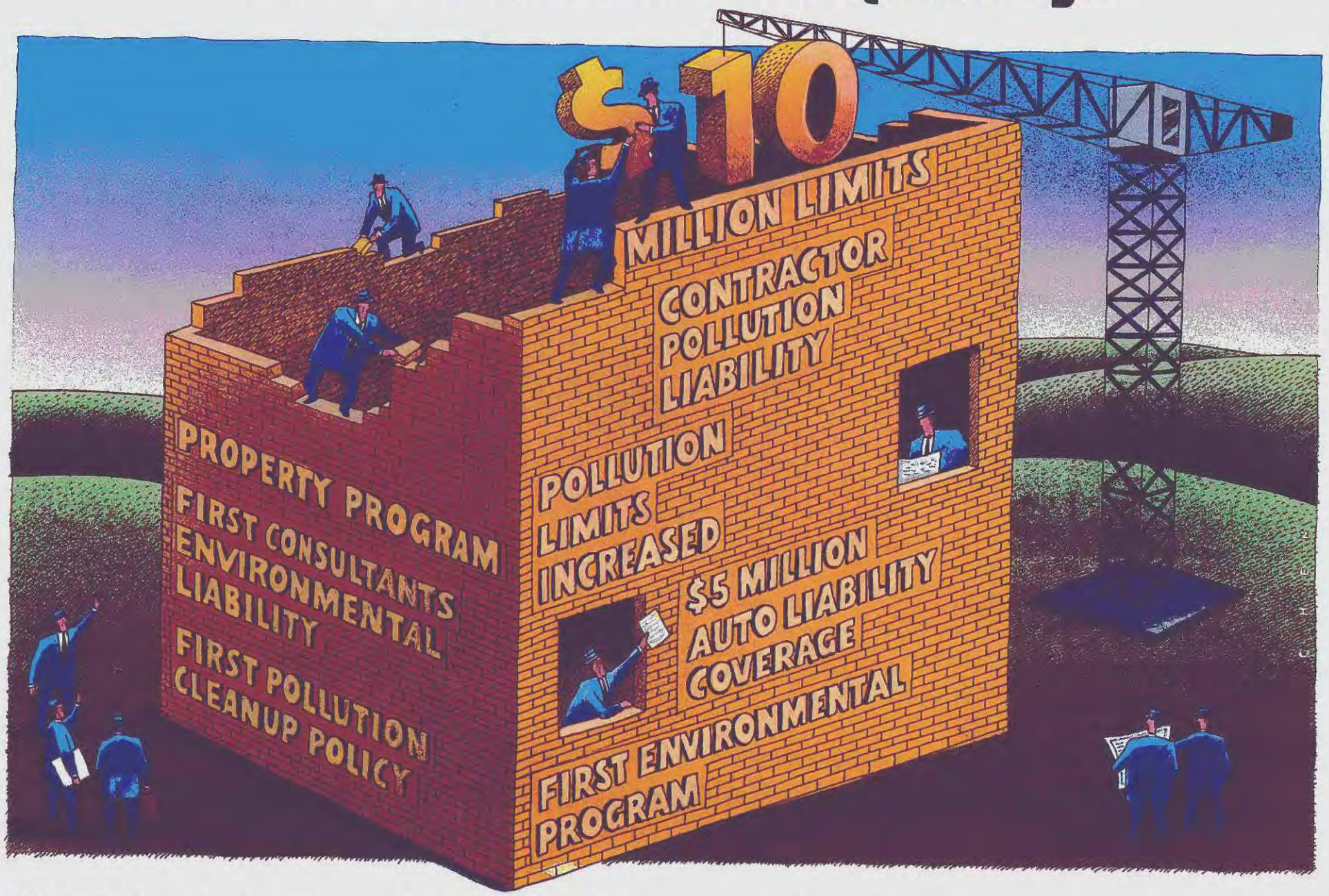
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Opinions

First priority: health reform

BILL CLINTON OFFERS the nation the promise of health care reform. Now that the election is behind him, it is up to Gov. Clinton to prove that a health care system in which all Americans have access to medical care—at a reasonable cost for all payers—is a reality.

We have been unabashedly critical of President Bush's health care record. And, earlier this year we bemoaned the snail's pace at which the major players in the health care debate—the president, Congress, insurers, providers and others—were moving forward.

We would like to encourage Gov. Clinton to move forcefully in mapping out a health care policy for the nation. However, at the risk of sounding contradictory, he should also move carefully, listening to all sides rather than ramrodding a proposal through a Democratic Congress as part of a "100 days" legislative package.

The nation's health care problems cannot be addressed overnight, but action must begin today if the health care cost spiral is to be tamed and access to the health care delivery system is to be expanded to all Americans.

We think Gov. Clinton recognizes this. Already, his health care proposal has been modified as the campaign progressed (see story, page 69). It is difficult to say whether these changes were prompted by pure political considerations or by the recognition that some of his original proposals needed work.

Gov. Clinton should also recognize some other



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things before he moves to Washington in January.

First and foremost in the eyes of risk managers: The civil justice system must be reformed, too.

While many fear that the Bush administration's strong support of tort reform, especially federal product liability reform, will wane in the Clinton administration, we are optimistic that with his pro-business views, Gov. Clinton will realize that some changes in the tort system will benefit everyone—except possibly plaintiffs' attorneys.

Letters

Buyers should scrutinize at-risk arrangements

To the editor: As the medical director of a not-for-profit mental health and substance abuse HMO that is very active in the carve-out field, I was delighted to see the Perspective article "Managed Mental Health Care" by Susan R. Prest and Dr. James R. Prest (*BI*, Oct. 12). It clearly and cogently outlined the pitfalls in at-risk arrangements.

I would add, however, that purchasers should also examine these differentiating issues that are key to vendor selection:

- How well does the vendor know the network of providers who will care for your employees? Are they dots on the map? Is there an effective and regular system of quality assurance and continuing education?
- How are the systems of care organized? Is there a smooth interface between all levels of care, including employee assistance programs?
- How easy is it to get help? Will your employees be stuck on hold or lost in voice mail? What are the plan's arrangements for after-hour emergencies?
- Does the vendor have outcomes research in place that can give you a fair assessment of the value you and your employees are receiving?
- Is the vendor willing to share meaningful utilization and financial data with the client?

There are many significant differences in managed care companies, and there are many plans in today's marketplace that are substandard. While employers can somewhat avoid disastrous alliances in heavily regulated states like California, they should be particularly leery of pitfalls in areas where there is little scrutiny of managed mental health HMO products.

As the Prests ably expressed, mental health care purchasing decisions driven by price alone can and do have serious detrimental effects on all concerned.

Peter J. Panzarino Jr., M.D.
Medical Director
Vista Health Plans
San Diego

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ATRA merely distributed damages study

To the editor: The article "Punitive Damages Soar" in the Oct. 26 issue reports on a "study by the business-backed American Tort Reform Assn." For the record, this excellent study, "Punitive Damages Explosion: Fact or Fiction?" was done by George S. Branch and James D. Miller of King & Spalding and Stephen M. Turner, Lawrence R. Jerz and Robert E. Fuller of Texaco Inc.

The American Tort Reform Assn. has simply been assisting in the study's distribution.

Martin F. Connor
President
American Tort Reform Assn.
Washington

Arbitration can be part of the problem

To the editor: In an article on reinsurance arbitration procedures (*BI*, Oct. 26), you refer to a need to streamline and improve the arbitration process because of the increasing number of disputes between reinsurers and ceding companies. While I agree that we need to improve the process, we should not do so without understanding that arbitration has become part of the problem rather than the cure.

In far too many cases, the arbitration procedure itself is a contributor to the increasing number of disputes between cedants and reinsurers. Since arbitrators need not follow any particular set of rules, do not have to give written explanations of decisions, are not bound by precedent, and render decisions that generally are private and not appealable even when clearly wrong, arbitration can be an effective tool for companies intent on avoiding or delaying compliance with their obligations.

I submit that, contrary to popular belief, if these parties had to litigate such disputes, there would be far fewer unresolved disputes. Mandatory arbitration provisions make it too easy to commence a proceeding rather than to address and resolve real disputes.

I should also point out, however, that there are legitimate programs of arbitration, mediation and negotiation that are very useful and successful tools for resolving business disputes between parties that want to resolve those disputes. Those are true "alternative dispute resolution" techniques. Too often, however, arbitration is a "dispute multiplication" technique.

Peter H. Bickford
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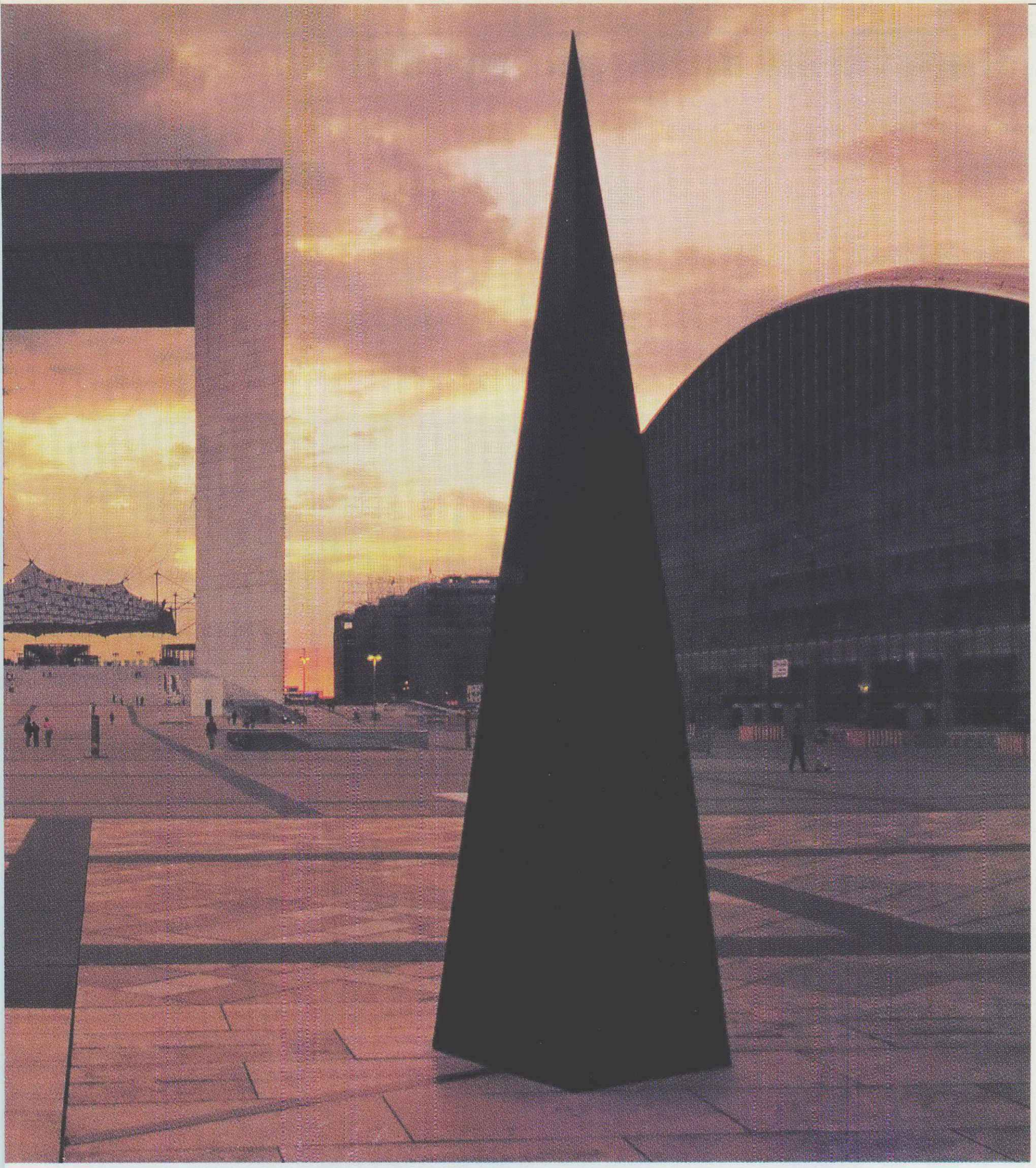
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Spotlight report

Miles apart in risk management philosophies

Communication key to meeting international goals

By MARK A. HOFMANN

Remembering what the Boss told Luke Jackson in "Cool Hand Luke," international risk managers often find that their biggest problem with their overseas counterparts is a "failure to communicate."

That failure can involve more than just language differences; it also can involve differing ways of assessing the nature of risk.

Of course geography—rather than philosophy—also can create some problems, noted Marc Darby, director of risk management and insurance for Bombardier Inc. The Montreal-based aircraft and transportation equipment manufacturer has plants throughout North America and Western Europe.

Bombardier is making some equipment to be used in the "chunnel" running between England and France beneath the English Channel (*BI*, March 30). This project has involved coordinating risk management efforts in Canada and on the continent.

"A major problem is the distance between countries," said Mr. Darby. "In order to reduce the distance factor, we have stationed a risk manager in Brussels. Although he is not operating in all the countries, at least he is close by and can move quickly if needed; in case of a loss, for instance."

Some distances, though, are more challenging than geographic spans.

European risk managers "still have a tendency to want to transfer much more risk," said Richard Heydinger, director of risk management for Hallmark Cards Inc. in Kansas City, Mo.

U.S. risk managers overseeing their operations abroad need to make them more comfortable with higher retentions, he said in discussing the philosophical difference.

"The general idea of not insuring everything under the sun is a hard sell" in some countries, said Tom Welgoss, corporate insurance manager for Gillette Co. of Boston. "There's a tendency to overinsure in some places."

"Basically, the U.S. exposure is superimposed on a culture that doesn't evaluate risks the way we do," said Arnold Davenport, vp-risk management for Marriott Corp. in Bethesda, Md. For example, local managers don't understand why they have to carry higher liability limits than they're used to carrying to cover injury to patrons.

"To our international managers, the U.S. civil justice system doesn't make any sense," said Mr. Davenport.

Trying to mesh standards favored by American multinationals—like the highly protected risk philosophy—with local standards can also be trying. Local contractors and engineers might not be familiar with the standards such companies demand, said Gillette's Mr. Welgoss.

Communications problems take on a new dimension in the former Soviet bloc.

After generations of Communist rule, local managers are having to learn capitalism from the beginning, explained William Irle, executive director of risk management for Sara Lee Corp. in Chicago, which has operations in Europe and Latin America.

In Eastern Europe, "cultural differences and lack of comprehension are magnified," said Marriott's Mr. Davenport.

On another front, risk managers are seeking help in understanding developments and rules in foreign countries. Faced with myriad rules and regulations that differ from those in North America, risk managers said that they have no choice but to depend on information from underwriters and brokers.

"It's not realistic to assume that an individual sitting in the United States" can keep track of worldwide developments, said Sara Lee's Mr. Irle.

"We can only rely on brokers' and insurance companies' networks. They have representatives in each country and should be able to tap the local talent," said Bombardier's Mr. Darby.

These networks may become increasingly important if Europe actually shifts toward American standards of liability.

"I think Europe is becoming a more litigious society," with the European Community directive on product liability "probably aiding that attitude," said Mr. Irle, who added that he has not yet made any significant changes to Sara Lee's insurance because of this directive.

"Is the United States a bad influence on Europe? Yes. Every time they ship us a car, we should ship them an attorney," said Mr. Irle with a chuckle.

At Bombardier, "We are not changing our operations, and have not yet suffered any increases in premiums," said Mr. Darby. "We are not changing the way we are purchasing insurance."

Gillette doesn't have the same types of serious liability problems in Europe as it does in the United States—at least not yet. "It hasn't gotten to the level where I'd equate it to the United States," said Mr. Welgoss.

Risk managers also said that they have not yet contended with significant environmental problems in Western Europe. Mr. Irle, though, pointed out that the environmental devastation of Eastern Europe will probably affect U.S. multinationals' decisions about where and how to do business.

Another potential problem—the worldwide recession—hasn't had that great an impact on multinational insurance programs, said risk managers.

"There are really only a very few areas in which it could have an effect," said Sara Lee's Mr. Irle.

In general, a recession could lead to a decline in property values and maybe a decline in claim values. It could cause some companies to shut down plants, which could reduce exposures, he said. But he said, "Fortunately, we're expanding." ■

Sunday Afternoon Workers' Comp

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Latin America

Continued from page 3

feel there is a tremendous amount of potential there."

Latin American economies are "well on the road to recovery," said James McCarty, senior vp/Latin America for CIGNA Worldwide in Philadelphia.

"Part of that recovery is driven by new economic philosophies," with countries abandoning nationalistic approaches in favor of free-market economies, he said.

And as the business climate improves, "all Latin American countries are in competition for investment dollars," said Brian Duperreault, president of AIU Insurance Co., a unit of American International Group Inc.

Changes in Latin American insurance regulation generally began with Chile. After several years of reforms, the country in 1980 liberalized tariffs, allowed foreign participation in the market and privatized Caja Reaseguradora de Chile, the former government reinsurance monopoly.

Other Latin American nations began to follow Chile's example with their own versions of economic change.

Historically most Latin American nations have lacked democratic governments. "Now, with the exception of Cuba, practically all have democratically run governments. With that, they began to liberalize their economies," said A&A's Mr. Perez.

"With Chile first, then Mexico, liberalization of insurance markets began to spread to the point now that in the entire region—with the exception of Brazil and perhaps Venezuela—most insurance markets are totally liberalized. They allow competition in rates and forms and foreign investment by insurers and brokers," Mr. Perez said.

Mexico, which began deregulating its financial services industry in 1989, expects significant growth if the North American Free Trade Act with the United States and Canada becomes a reality (*BI*, Aug. 24).

Deregulation also has already brought foreign and private investment in Mexico's insurance industry, although foreign insurers currently are still barred from majority ownership.

But, U.S. insurers and brokers in Mexico could increase their ownership with Mexican affiliates if Congress finalizes NAFTA.

The trilateral trade pact also is expected to encourage more investment by U.S. industry in Mexico, because it phases out barriers to trade in goods and services in North America.

Meanwhile, a file-and-use system of setting rates already has been adopted by Mexico's insurance supervisory authority.

But despite the changes, "the basic rules" of buying insurance from an insurer operating in Mexico are going to remain intact, pointed out J.D. Dawson, owner of broker Dawson y Correa, which has offices in Mexico City and Las Colinas, Texas.

"You must use a Mexican insurance company. You still have to do business that is regulated by Mexican authorities," he explained.

There also have been other dramatic moments in Latin American countries' moves to free market economies, A&A's Mr. Perez observed.

For example, in Argentina, where the insurance market had been regarded as particularly restrictive, reforms enacted earlier this year allow insurers to buy reinsurance from companies other than the state-owned Instituto Nacional de Reasseguros, commonly known as INdeR, Mr. Perez said.

Other insurance regulation reforms are likely in Argentina, insurers say.

"The insurance department in Argentina has come out with the position of opening up the market," which could lead to foreign insurers providing additional services and coverages there, said AIU's Mr. Duperreault.

Peru also is making moves toward a free market economy, insurers and brokers say.

For example, it has eliminated prohibitions against foreign insurers and reinsurers from writing coverage there, Mr. Perez said.

Peru enacted reforms last year that, among other things, allowed companies to buy insurance from foreign insurers and allowed insurers to obtain reinsurance from private companies based within or outside the country, ending the monopoly that the state-owned Reaseguradora Peruana had enjoyed.

The reforms also opened the insurance industry to foreign investment and abolished compulsory rates (*BI*, May 13, 1991).

However, the country's political instability makes it unattractive to most U.S. multinationals, insurers and brokers agree.

Colombia, long known as a country with drug and terrorism problems, is not off-limits for manufacturers or financial services companies, observers say.

While Colombia "gets a bad rap, it is attracting a fair share of multinational investment," said CIGNA's Mr. McCarty.

And insurers that properly underwrite coverage are not scared of taking on risks based in Colombia, he said. "I don't think underwriting in Colombia is any different than anywhere else in the world."

"Colombia's economy is strong," said J&H's Mr. Beane. "They've had some problems with terrorism, but that now seems to be under control. And the deregulation of the insurance market has freed things up a lot more than before."

Observers also expect free market and insurance regulation reforms in Brazil, which has been wracked by political instability in recent years, culminating in the impeachment proceedings now going on against President Fernando Collor de Mello.

Despite that turmoil, there is reason to be optimistic about Brazil's move toward free market reforms, said M&M's Mr. Carega.

"The official line is that they are proceeding on the path" of democratic reforms laid out before the impeachment proceedings, Mr. Carega explained.

It appears that "the momentum is such that Brazil will continue on this path," he added.

Investment in Brazil could slow as a result of the proceedings, said Mr. Beane of J&H. "But, the impeachment proceedings went along a clear democratic process. There's been no intervention from the military. That shows a democratic stability that should eventually en-

Continued on next page



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Continued on page 18



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Latin America

Continued from page 14

insurers, the coverage can be purchased from companies partially or completely owned by foreign insurers.

More liberal regulations regarding rates and forms have allowed the market to expand to a point where most local insurers can meet all of a multinational's coverage needs, brokers and insurers say.

Previously, when restrictions on rates and forms were tighter, which in effect limited negotiations for coverage between insurers and risk managers, insurance buyers often had to fill in holes in needed coverages with difference-in-conditions policies written by U.S. underwriters.

"There's still a need for that in some countries," said A&A's Mr. Perez. But in most locations, the DIC policy is not needed, he said.

For insurers, rate and form filings range from relatively trouble-free in Mexico, where they are usually quickly approved or disapproved, to "tortuous" in Brazil, said Dennis J. Orio, assistant vp at Chubb & Sons Inc. in Warren, N.J.

When a filing is granted in Brazil, all insurers jump in with "me too" filings to gain the same market advantages, he said.

The latest expansion into Latin America is Chubb's new unit in Santiago, Chile. The insurer, called Chubb de Chile, Compania de Seguros Generales S.A., will write all lines of property/casualty insurance.

Companies expanding into Latin America will find political risk coverage is available throughout the region, even in countries with volatile political climates.

"If you are going to take reasonable precautions and are located in areas (of a country) that are less prone to violence, I don't think you have to worry about coverage," said CIGNA's Mr. McCarty.

U.S. multinationals looking for political risk insurance often turn to the Overseas Private Investment Corp., a federal government agency that provides coverage for companies locating or expanding in foreign countries.

OPIC's political risk insurance typically covers losses associated with currency inconvertibility; the expropriation, nationalization or confiscation of assets by a foreign government; and political violence, including terrorism, war, revolution, insurrection or civil strife.

In 1991, OPIC wrote $34.6 million in political risk premiums worldwide.

However, terrorism coverage is unavailable in Colombia and not widely available in other parts of Latin America, AIU's Mr. Dupereault said. "Colombia has basically outlawed the cover," he noted.

Legislation pending in Colombia would outlaw ransom payments, which could prevent the purchase of kidnap and ransom coverage (*BI*, Oct. 12).

Risk managers find there are very few legally mandated coverages in Latin America.

"An exception is that Brazil has mandated that an industrial company has to carry property insurance," said M&M's Mr. Carega. "There may be some cases where auto liability is compulsory."

The changes in Latin American insurance markets have increased the availability of coverages like business interruption and earthquake insurance, which years ago were scarce or very expensive.

Self-insuring, although possible, is not widely practiced in Latin America.

"Captives are still not too well understood or known in the region," said A&A's Mr. Perez.

He explained that in most countries, currency restrictions had prevented the movement of funds outside the country, which meant companies were unable to fund captives in places like Bermuda.

But, "Now with things opening up, there is more of an interest on the part of some companies," he said. Mr. Perez noted that A&A last year helped form a captive for a large industrial concern in Venezuela. "All things are becoming possible."

Meanwhile, some larger companies are starting to consider self-insurance as a risk-financing option, Mr. Perez said. •

Sara J. Harty contributed to this report.

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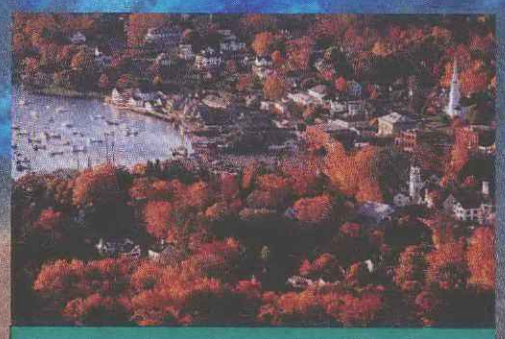
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All signs point to rate hikes in Germany

Hard market may spur more captives

By DON LEWIS KIRK

BONN, Germany—Growing pains are acute in the German insurance market, which registered its best and worst year in history.

Despite record premium volume in 1991, substantial property losses and high expenses associated with setting up new operations in Eastern Europe have burdened insurers' overall results. As a consequence, insurers are changing the way they do business and throttling expansion to return to profitability.

"Companies can expect radical change in the insurance industry," says Christian Schmidt-Leithoff, a member of the board of directors of Maschinenfabrik Esslingen, a manufacturing subsidiary of car maker Daimler-Benz A.G. Mr. Schmidt-Leithoff is a former managing director of Debis Assekuranz Vermittlungs GmbH, an in-house brokerage unit of the car maker.

"Higher rates and renegotiation of insurance conditions are current trends," he said. "By necessity, companies are retaining more risk and doing more risk management than in the past."

In the last five years, insurers writing industrial property and business interruption coverage in Germany have incurred substantial losses. Last year alone, claims totaled 4.3 billion deutsche marks ($2.84 billion), while premium volume was only 3.4 billion deutsche marks ($2.24 billion).

German reinsurers have said nothing short of a 50% increase in rates for commercial property and business interruption coverage will heal the industry (*BI,* Sept. 11).

"Industrial fire and business interruption insurers have been in the red for years," said Egbert William, reinsurance group executive at Cologne Reinsurance Co. "With a loss ratio over 128% there is no recourse but to put on pressure. We're offering incentives to direct insurers that adjust their rates (upward) and we're not alone."

In turn, German companies are bracing for rate hikes.

"We admit businesses have paid low premiums for industrial fire and BI coverage in the past," said Fritz-Jurgen Cremer, division director at chemical company Hoechst A.G., and a director of the company's captive insurer, Hoechst Versicherungs A.G. "But solutions have to be reasonable. I'm against any general rate hike. Good clients. . .shouldn't be lumped together with those who have profited from competition between insurers," said Mr. Cremer, who is also a representative of the Federation of German Industries, an umbrella organization of German trade associations.

Commercial property premiums have already doubled for German chemical concern BASF A.G., a spokesman said. Business interruption insurance alone cost BASF 56 million deutsche marks ($36.3 million at current exchange rate) more this year than in 1991, he said. And its self-insured retention for property and business interruption losses more than doubled, rising to 25 million deutsche marks ($16.2 million) in 1991, from 10 million deutsche marks ($6.6 million) in 1990.

Risk financing alternatives like captive insurers are becoming more attractive, said Karl Korfmacher, a member of the board of directors and director of risk management for broker Jauch & Huebener KGaA. "Germany's never had many captives, but now interest has taken off."

Johannes Friedrich, assistant director of Debis Versicherungs, agreed. "Now more than ever, companies have to consider the alternatives"—captives, higher self-insured retentions or purchasing insurance from foreign insurers, he said.

Indeed, a prominent U.S. insurer—American International Group Inc.—expects to play a strong role in Germany's future.

"Any time rates go up and you have a shortage of capacity, you'll find companies looking for alternatives," said Ulrich Reinholdt, legal representative for AIG Europe in Germany.

He sees a marked change in German companies' attitudes about captives. "For years, CFOs were skeptical," he said. "For one thing, Germany has no tradition for captives. They were mostly located on islands, which sounded fishy and premiums weren't low enough and capacity high enough to make it a reasonable alternative."

"Rent-a-captives," in particular, are gaining acceptance among German companies. This type of plan, in which a company or group of companies can finance risks without setting up their own captive, works well for companies with low premiums, said Mr. Reinholdt. "Having your own captive is really only a good idea for companies with a premium over and above half a million deutsche marks ($324,000)."

In addition to Hoechst and Daimler Benz, other large German companies with captives include pharmaceutical giant Bayer A.G., car maker Bayerische Motorenwerke A.G. and airline Deutsche Lufthansa A.G., among numerous others.

Despite the growing attraction of alternative markets, Germany's insurance market is still the largest in Europe.

With reunification, the country's population grew by 17 million. Before reunification, annual gains in premium volume were about 7.5% in 1989 and 7.9% in 1990. In 1991, the additional effect of reunification boosted gains in premium volume 12.5% to 154 billion deutsche marks ($101.64 billion) from 137 billion deutsche marks ($91.79 million) in 1990.

But the new expanded market does have its price. Insurers invested heavily in building data bases and distribution networks in eastern Germany.

The weight of investment was so great it soundly rocked Europe's largest insurer, Allianz A.G. Holding. Several months ago, rumors spread it was in trouble due to investment in its east German subsidiary, Staatliche Versicherung. Then, Deutsche Bank recommended selling Allianz stock and the shares soon plummeted (*BI,* Aug. 24).

The situation has normalized, but some sobering facts remain. More than a third of Allianz's underwriting losses in 1991 came from its east German operations. Allianz reported an underwriting loss of 1.78 billion deutsche marks ($1.17 billion) in 1991, compared with an underwriting gain of 182 million deutsche marks ($100.5 million) in 1990.

But strong investment income helped it to report aftertax profits of 1.05 billion deutsche marks ($687.6 million) in 1991, up 4% from 1.01 billion deutsche marks ($555.9 million) in 1990.

Allianz Chief Executive Henning Schulte-Noelle says consolidation is now a priority.

"1991 marks the culmination and temporary end to international expansion," he said. He admits commercial lines are a particular focus of efforts to improve results.

Mr. Schulte-Noelle recently told stockholders that Allianz would "raise rates, set company retention at higher levels and in extreme cases refuse to underwrite certain risks."

Concern about potential underwriting losses is widespread. Under competitive pressure to stake out territory, some German insurers have insured commercial risks in eastern Germany without a risk analysis or knowledge of a company's loss history. "They insist it isn't necessary," said Mr. Schmidt-Leithoff. "Fast coverage is made without risk being evaluated as well as it should have been." It is still too early to determine if this new business is bad business, he said.

But, while claims from eastern Germany and eastern Europe will not show up for at least a year, it is likely that the "gold rush" will result in higher losses for insurers, he said.

Luckily, Mr. Schmidt-Leithoff said, insurers have shied away from insuring environmental impairment liability risks in eastern Europe.

EIL coverage remains a thorny issue for the German insurance industry. Only recently have policies emerged that offer specific coverage to meet 1991 changes in the country's environmental laws, including making companies liable for pollution from normal operations.

Some 500,000 facilities in Germany are affected by new environmental regulations.

With little experience writing these risks, some insurers say they will initially rely on British and Dutch insurers' experience. Others are taking their cue from the Assn. of Liability & Casualty Insurers in Germany—HUK Verbrand—which recently applied to the German Cartel Office for approval of liability insurance "tariffs" which spell out insurance costs to companies running the risk of damage to the environment (*BI,* Oct. 12). ■

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A

Allendale Insurance

Allendale Park, 1301 Atwood Ave., P.O. Box 7500, Johnston, R.I. 02919; 401-275-3000; fax: 401-275-3029

	1991	1990
Int'l premiums*	$110,600,000	$103,200,000
U.S. owned	29.5%	25.0%
Non-U.S. owned	70.5%	75.0%
Offices: Claims	4	4
Underwriting	2	2
Employees	203	218
U.S.	13	13
Non-U.S.	190	205
Foreign countries	57	52
Owned offices	2	2
Combined ratio*	111.5	121.6

** Factory Mutual International serviced 52.3% of 1991 premiums and 39% of 1990 premiums.*

International operations began: 1963.

Parent: Allendale Mutual Insurance Co.

Specialties: Industrial and commercial property.

Services: Captive programs, loss control services for industrial and commercial property, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: American Samoa, Argentina, Australia, Austria, Barbados, Belgium, Bermuda, Brazil, Cameroon, Canada, Chile, China, Colombia, Denmark, Dominican Republic, Ecuador, Finland, France, Germany, Greece, Guatemala, Guinea, Haiti, Hong Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Ivory Coast, Japan, Korea, Lebanon, Liechtenstein, Luxembourg, Malaysia, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Romania, Saudi Arabia, Singapore, South Africa, Spain, Surinam, Sweden, Switzerland, Taiwan, Thailand, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, West Indies, Zimbabwe. NOTE: Foreign business, excluding Canada and subsidiaries in Bermuda, is serviced through Factory Mutual International, London which is jointly owned by Allendale Mutual Insurance, Arkwright Mutual Insurance and Protection Mutual Insurance.

Subsidiaries: New Providence Mutual Ltd., Bermuda; Risk Engineering Insurance Co. Ltd., Bermuda.

Officers: J.J. Carey, chairman; S.S. Subramaniam, president; R.H. Bosman, B.J. Hurley, executive vps; M.C. McIntyre, senior vp; R.J. Bonitati, vp.

U.S. contact: Michael R. Turner, international department.

Allianz AG

Koniginstrasse-28 Postfach 44 01 24, D-8000 Munich 44 Germany; 49-89-380-00; fax: 49-89-34-9941

	1991	1990
Int'l premiums	$11.54 billion	$7.34 billion
Employees	35,401	20,888
Foreign countries	45	45

International operations began: 1893.

Services: Loss control services.

U.S. contact: Herbert Hansmeyer, chairman/president/chief executive officer, Fireman's Fund Insurance Co., 7777 San Marin Drive, Novato, Calif. 94998; 415-899-2000.

American Excess Insurance Association

77 Hartland St., Suite 400, East Hartford, Conn. 06108; 203-528-2105; fax: 203-282-9393

	1991	1990
Int'l premiums	$6,000,000	$4,800,000
U.S. owned	50.0%	65.0%
Non-U.S. owned	50.0%	35.0%

International operations began: 1986.

Specialties: Commercial liability in excess of $25 million.

Licensed or accepted insurer in: Australia, Canada, United Kingdom, United States.

Participating companies: Aetna Casualty and Surety Co.; American Home Assurance Co.; Continental Casualty Co.; Continental Insurance Co.; Federal Insurance Co.; Insurance Co. of North America; General Star National Insurance Co.; Home Insurance Co.; Maryland Casualty Co.; NAC Reinsurance Corp.; Travelers Indemnity Co.; United States Fire Insurance Co.; Zurich Insurance Co. (U.S. branch).

Officers: Richard C. Barbieri, president; Clinton N. Greene, vp; Norma C. Colgan, secretary/treasurer.

U.S. contact: Mike St. Pierre, vp-FMI, 203-528-2155.

American International Underwriters

70 Pine St., New York, N.Y. 10270; 212-770-7000; fax: 212-742-9582

	1991	1990
Int'l premiums	$3.43 billion	$3.16 billion
Offices: Claims	153	121
Underwriting	271	244
Employees	7,371	8,654
U.S.	699	806
Non-U.S.	6,672	7,848
Foreign countries	79	73
Owned offices	71	69
Combined ratio	96.5	95.1

International operations began: 1919.

Parent: American International Group Inc.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Aruba, Australia, Austria, Bahamas, Belgium, Bermuda, Bolivia, Brazil, Brunei, Bulgaria, Cameroon, Canada, Chile, China, Colombia, Cyprus, Czech and Slovak Federal Republic, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Finland, France, Germany, Greece, Guam, Guatemala, Honduras, Hong Kong, Hungary, Ireland, Italy, Ivory Coast, Jamaica, Japan, Kenya, Korea, Kuwait, Latvia, Liberia, Macau, Malaysia, Malta, Mexico, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru,

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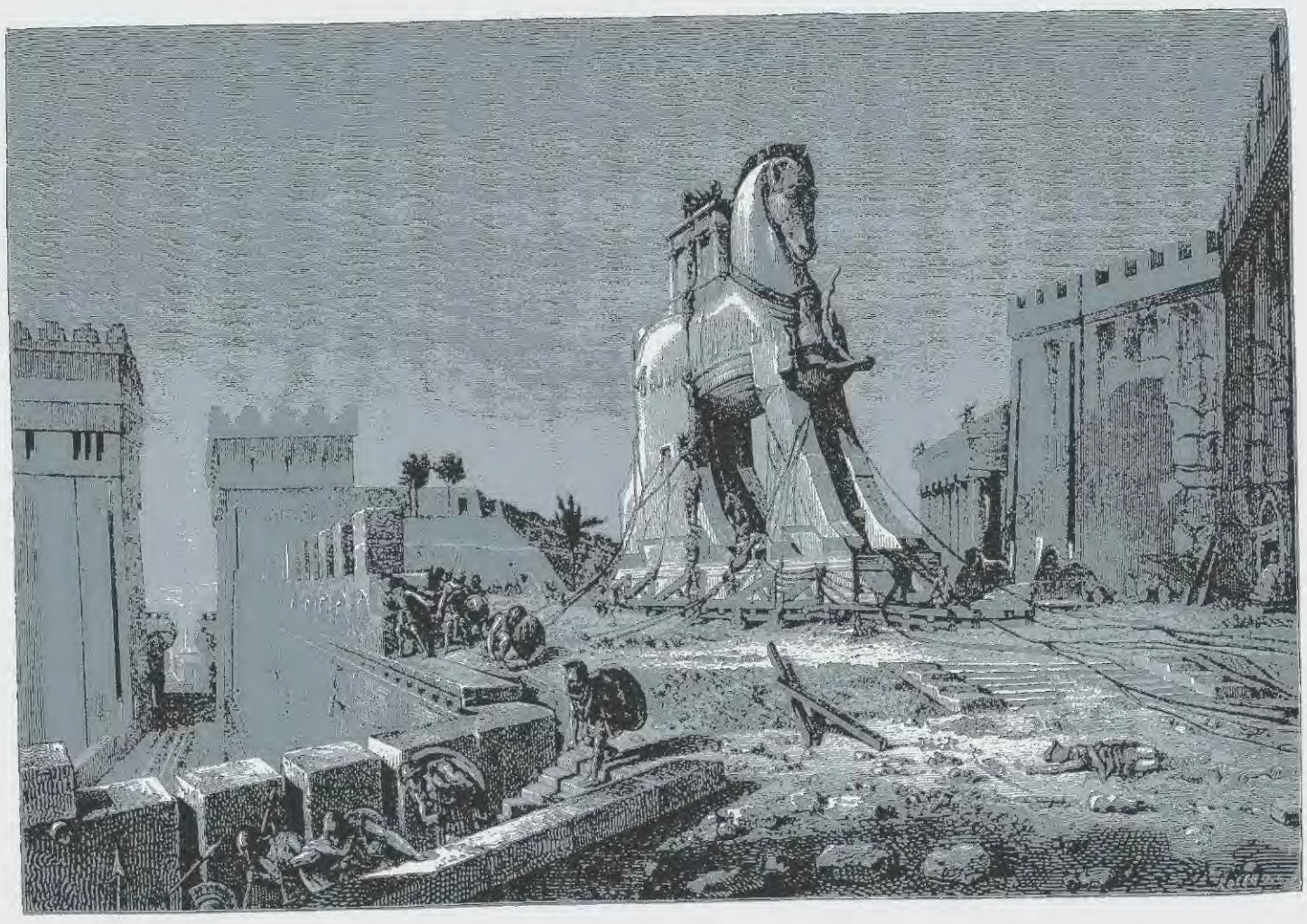
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Continued from page 22
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U.S. contact: Ronald J. Anderson, 212-770-7135.

Arkwright Mutual Insurance Co.

225 Wyman St., Waltham, Mass. 02254; 617-890-9300; fax: 617-890-0075

	1991	1990
Int'l premiums*	$89,970,00	$96,220,000
U.S. owned	61.0%	65.0%
Non-U.S. owned	39.0%	35.0%
Offices: Claims	4	4
Underwriting	1	1
Employees	119	NA
U.S.	36	NA
Non-U.S.	83	NA
Foreign countries	57	52
Owned offices	1	1
Combined ratio*	111.9	145.9

** Factory Mutual International serviced 69% of 1991 premiums and 64% of 1990 premiums.*

International operations began: 1963.

Specialties: Commercial and industrial risks.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Brazil, Canada, Colombia, Czech and Slovak Federal Republic, Denmark, Dominican Republic, Ecuador, Egypt, Finland, France, Germany, Greece, Guam, Guatemala, Haiti, Hong Kong, Hungary Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela.

NOTE: Foreign business, excluding Canada and Mexico, is serviced through Factory Mutual International, London which is jointly owned by Arkwright Mutual Insurance, Protection Mutual Insurance and Allendale Mutual Insurance.

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U.S. contact: Wolfgang F. Friedel, 203-925-6767.

C

Chubb Group of Insurance Companies

15 Mountain View Road, Warren, N.J. 07059; 908-580-2000; fax: 908-580-3402

	1991	1990
Int'l premiums	$621,000,000	$517,000,000
U.S. owned	25.0%	22.0%
Non-U.S. owned	75.0%	78.0%
Offices: Claims	26	21
Underwriting	26	21
Employees	1,043	817
U.S.	45	61
Non-U.S.	1,002	756
Foreign countries	27	21
Owned offices	25	20
Combined ratio	97.5	89.8

International operations began: 1960

Parent: The Chubb Corp.

Specialties: Financial institutions, manufacturers, electronics, printers, food processors exporters (all types).

Services: Loss control services for all lines, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Belgium, Brazil, Canada, China, Colombia, Denmark, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Korea, Luxembourg, Malaysia, Mexico, Netherlands, Portugal, Russia, Singapore, Spain, Thailand, United Kingdom, United States.

Subsidiaries: Chubb Insurance Co. of Europe, London; Chubb Insurance Co. of Pacific, Singapore.

Officers: Dean R. O'Hare, chairman/chief executive officer-Chubb Corp.

U.S. contact: Edward Dunlop, 908-580-2130.

CIGNA Corp.- International Property & Casualty Operations

1301 Chestnut St.-TLP 53, P.O. Box 7716, Philadelphia, Pa. 19192-2561; 215-761-1000; fax: 215-761-5468

	1991	1990
Int'l premiums	$2.14 billion	$2.11 billion
U.S. owned	7.5%	11.1%
Non-U.S. owned	92.5%	88.9%
Offices: Claims	195	195
Underwriting	201	201
Employees	4,526	4,489
U.S.	517	484
Non-U.S.	4,009	4,005
Foreign countries	120	120
Combined ratio	114.2	110.2

Continued on next page

How to use directory

The *Business Insurance* directory of global property/casualty insurers lists international insurers that responded to a *BI* questionnaire.

The directory is published as an editorial service; there is no charge for companies to be listed.

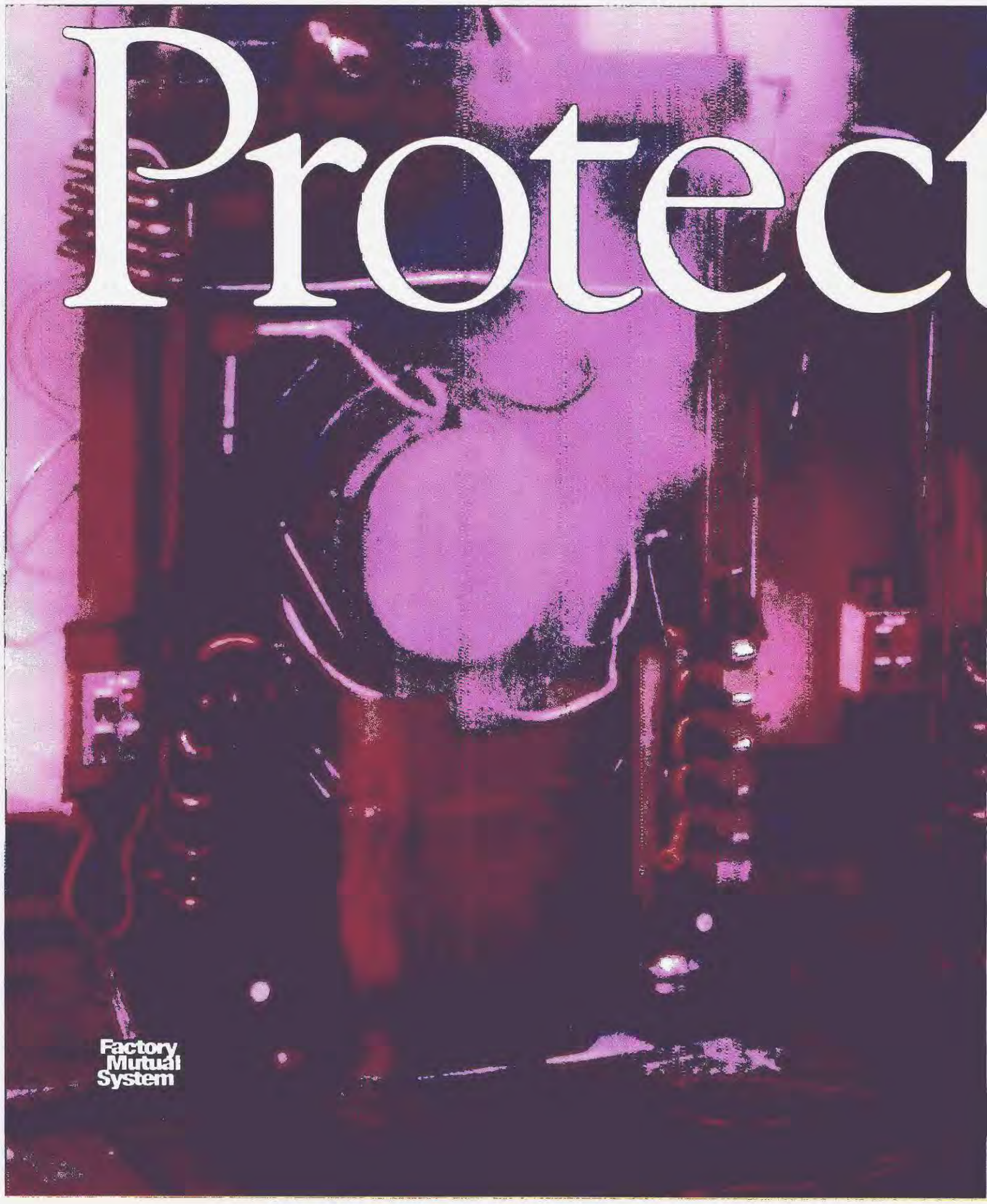
If provided by the insurer, financial and operational information for 1991 and 1990 is listed. Foreign gross premiums for property and casualty risks (and the percent generated by foreign operations of U.S. employers vs. foreign operations of non-U.S. employers) are given. Next are the number of foreign claims and underwriting offices, the number of foreign-based employees in U.S. and non-U.S. locations, the number of foreign countries represented and the number of countries in which the company owns offices (51% or more ownership). The insurer's combined ratio for foreign business is also noted.

Business Insurance defines "foreign" as business in any country other than that in which the company is domiciled.

Next is the year the insurer's international operations began, its parent company and risks the company specializes in insuring. Special services related to international businesses are detailed.

Countries in which the company operates as a licensed or accepted insurer, including where they participate through fronting or other arrangements are listed next, followed by names and locations of affiliates and subsidiaries of the insurer. Finally, names and titles of the principal officers and a U.S.-based contact person are given.

To locate companies that do business in a specific country, refer to the geographic index. The index includes names of branch offices, subsidiaries and affiliated companies where available. The company name as listed in the directory is noted after each entry if it is not contained within the branch, subsidiary or affiliate name.



Continued from previous page

International operations began: 1792.

Parent: CIGNA Corp.

Specialties: Commercial risks, construction, energy, boiler and machinery, worldwide casualty, marine, large risks.

Services: Captive programs; loss control services for all lines; retrospectively rated programs; statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bermuda, Brazil, Canada, Cayman Islands, Chile, Colombia, Cyprus, Denmark, Ecuador, France, Germany, Greece, Grenada, Guam, Guatemala, Hong Kong, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Korea, Macau, Malaysia, Malta, Mexico, Monaco, Netherlands, New Zealand, Nigeria, Northern Mariana Islands, Norway, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Puerto Rico, Saudi Arabia, Singapore, Spain, St. Lucia, St. Vincent, Sweden, Switzerland, Taiwan, Thailand, Trinidad & Tobago, Turkey, Turks & Caicos Islands, United Kingdom, United States, Venezuela, Virgin Islands.

Officers: H.E. Hanway, president-CIGNA Worldwide Inc.; Stewart H. Steffey, senior vp-field management; Arthur H. Liebelt, senior vp-underwriting; E.M. Feder, senior vp-marketing.

U.S. contact: Edward M. Feder, 215-761-1385.

Commercial Union Assurance Co. P.L.C.

St. Helen's, 1 Undershaft, London EC3P 3DQ; 44-71-283-7500; fax: 44-81-681-5428

	1991	1990
Int'l premiums	$2,966,000	$2,787,000
U.S. owned	45.0%	46.0%
Non-U.S. owned	55.0%	54.0%
Employees	12,296	12,181
U.S.	4,085	4,098
Non-U.S.	8,211	8,083
Foreign countries	80	80
Combined ratio	115.0%	114.0%

Licensed or accepted insurer in: Antigua, Argentina, Australia, Bahrain, Barbados, Belgium, Bermuda, Brazil, Brunei, Canada, Central African Republic, Chile, Colombia, Cyprus, Denmark, Dominica, Dominican Republic, Ecuador, Egypt, Finland, France, Gabon, Germany, Ghana, Gibraltar, Greece, Grenada, Guadeloupe, Hong Kong, Indonesia, Ireland, Italy, Ivory Coast, Japan, Korea, Kuwait, Liechtenstein, Luxembourg, Macao, Malawi, Malaysia, Malta, Martinique, Mexico, Monaco, Netherlands, New Zealand, Nigeria, Norway, Oman, Pacific Islands, Pakistan, Philippines, Portugal, Reunion, Saudi Arabia, Singapore, South Africa, Spain, Sri Lanka, St. Kitts, St. Lucia, Swaziland, Sweden, Switzerland, Taiwan, Thailand, Togo, Trinidad and Tobago, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Virgin Islands, Zimbabwe.

Officers: Tony Brend, chief executive officer; Tony Wyand, executive director; John Carter, executive director.

U.S. contact: Ken Duffy, president/chief executive officer-U.S.

The Continental Corp.

180 Maiden Lane, New York, N.Y. 10038; 212-440-3000; fax: 212-440-7130

	1991	1990
Int'l premiums	$662,800,000	$612,674,000
Offices: Claims	28	28
Underwriting	28	28
Employees	1,865	1,455
U.S.	121	126
Non-U.S.	1,744	1,329
Foreign countries	53	53
Owned offices	28	28

International operations began: 1964.

Specialties: Property/casualty insurance, on a primary basis, for multinational and global accounts.

Services: Loss control services for all international accounts.

Licensed or accepted insurer in: Andorra, Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Belize, Bermuda, Bolivia, Botswana, Brazil, Bulgaria, Cameroon, Canada, Chile, China, Colombia, Costa Rica, Curacao, Cyprus, Czech and Slovak Federal Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Finland, France, Germany, Gibraltar, Grenada, Greece, Guadeloupe, Guam, Guatemala, Haiti, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Korea, Lebanon, Luxembourg, Macao, Madagascar, Malaysia, Malta, Martinique, Mexico, Morocco, Netherlands, New Zealand, Nicaragua, Nigeria, Norway, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Puerto Rico, Portugal, San Marino, Saudi Arabia, Senegal, Singapore, Soviet Commonwealth of Independent States, Spain, South Africa, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, Virgin Islands, Yugoslavia, Zambia, Zimbabwe.

Affiliates: Generali, Trieste, Italy.

Officers: John P. Mascotte, chairman/chief executive officer/president/chief operating officer; Wayne H. Fisher, executive vp-Continental Corp./president-Special Operations Group; Michael J. Marchesani, president-Continental International; Bill Ward, chairman/chief executive officer, Continental Canada; Byron Messier, president/chief operating officer-Continental Canada.

U.S. contact: Michael J. Marchesani, 609-395-2476.

F

Factory Mutual International

Southside, 105 Victoria St., London, SW1E 6QT; 44-71-828-7799; fax: 44-71-630-7267 or 44-71-630-5335

	1991	1990
Int'l premiums*	$124,000,000	$112,000,000
U.S. owned	67.0%	70.0%
Non-U.S. owned	33.0%	30.0%
Offices: Claims	4	4
Underwriting	4	4
Employees	397	424
Non-U.S.	397	424
Foreign countries	55	50
Owned offices	2	2
Combined ratio*	118.7	126.6

** Figures include business that Factory Mutual services on behalf of its parent companies.*

International operations began: 1963.

Parent: Allendale Insurance, Arkwright Mutual Insurance and Protection Mutual Insurance.

Specialties: Commercial property.

Services: Captive programs, loss control services for commercial property, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Brazil, Colombia, Czech and Slovak Federal Republic, Denmark, Dominican Republic, Ecuador, Egypt, Finland, France, Germany, Greece, Guam, Guatemala, Haiti, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Luxembourg, Malaysia, Morocco, Netherlands, New Zealand, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Tunisia, Turkey, United Arab Emirates, United Kingdom, Uruguay, Venezuela.

Subsidiaries: FM Do Brasil Servicos de Prevencao de Perdas Lida, Brazil; FMI Italia, Sri., Italy.

Officers: Stephen O. Simpson, chairman/managing director; William R. Simmons, director of marketing and corporate development; Ian W. Macinnis, director of finance; James D. Sloan, director of engineering & underwriting.

Contact: Jacky Sutherland, public relations manager.

G

Generali-Assicurazioni Generali S.p.A.

Piazza Duca Degli Aruzzi, 2, Trieste, Italy; 39-40-6711; fax: 39-40-671600

	1991	1990
Int'l premiums	$5.77 billion	$5.18 billion
Owned offices	40	40

Continued on next page





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Protection Mutual

Part of the Factory Mutual System

300 South Northwest Highway
Park Ridge, Illinois 60068 708.825.4474

Continued from previous page

International operations began: 1831.

Parent: Generali.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs for international accounts.

Licensed or accepted insurer in: Argentina, Austria, Belgium, Brazil, Colombia, France, Germany, Greece, Guatemala, Hungary, Italy, Mexico, Netherlands, Portugal, South Africa, Spain, Switzerland, Turkey, United Kingdom, United States.

Officers: Eugenio Coppola di Canzano, chairman; Antoine Bernheim, Francesco Cingano, Carlo della Torre e Tasso, vice-chairmen; Eugenio Coppola di Canzano, Fabio Fegitz, Gianfranco Gutty, managing directors.

U.S. contact: Giorgio Balzer, Generali, U.S.

Gerling Insurance Group

Gereonshof, 5000 Cologne, Germany; 49-221-1441; fax: 49-221-144-3319

	1991	1990
Int'l premiums	$402,000,000	$364,000,000
Offices	52	50
Employees	9,450	9,200
Foreign countries	24	22
Owned offices	23	21

International operations began: 1955.

Parent: Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft, Cologne.

Specialties: Industrial risks.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Australia, Austria, Belgium, Brazil, Canada, Czech and Slovak Federal Republic, Denmark, France, Germany, Hungary, Italy, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, South Africa, Spain, Sweden, Switzerland, United Kingdom, United States.

Officers: Adolf Kracht, chairman; Dr. Rolf Gerling, Bernhard Fink, Dr. Frank Thomas, Dr. Paul-Robert Wagner, Anton Weiler, Dr. Richard Woltereck, board of management-Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft.

U.S. contact: Wolfgang Schlaeger, president, Gerling America Insurance Co., 717 Fifth Ave., 17th Floor; New York, N.Y. 10022; 212-752-7500; fax: 212-319-5626.

K

Kemper International Corp.

1 Kemper Drive, Long Grove, Ill. 60049-0001; 708-540-3767; fax: 708-540-4271

	1991	1990
Int'l premiums	$55,000,000	$50,000,000
U.S. owned	20.0%	20.0%
Non-U.S. owned	80.0%	80.0%
Offices: Claims	16	16
Underwriting	16	16
Employees	150	152
U.S.	30	27
Non-U.S.	120	125
Foreign countries	77	77
Owned offices	9	9

International operations began: 1969.

Parent: LMC.

Specialties: All lines of property/casualty, including technical loss prevention programs on industrial property.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Algeria, Antigua, Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Brazil, Brunei, Cameroon, Canada, Cayman Islands, Central African Republic, Chile, China, Colombia, Comoros, Cook Island, Curacao, Cyprus, Denmark, Djibouti, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Finland, France, Gabon, Germany, Guiana, Gibraltar, Greece, Guadeloupe, Guam, Guatemala, Haiti, Honduras, Hong Kong, Indonesia, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Korea, Kuwait, Liechtenstein, Luxembourg, Malaysia, Malta, Martinique, Mexico, Monaco, Morocco, Netherlands, New Caledonia, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Polynesia, Portugal, Qatar, Reunion, Rwanda, Samoa, Saudi Arabia, Senegal, Singapore, Solomon Islands, Spain, Sudan, Surinam, Sweden, Switzerland, Tahiti, Taiwan, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Vanuatu, Venezuela, Virgin Islands, Republic of Yemen.

Subsidiaries: Kemper Insurance Co. Ltd., Australia; Kemper S.A., Belgium, United Kingdom, France, Germany, Netherlands; Kemper Management Co., Bermuda; Seven Continents Insurance Co. Ltd., Bermuda; Lumbermens Mutual Casualty Co., Japan; Kemper International Insurance Co. Pte. Ltd., Singapore.

Officers: J.S. Kemper III, chairman; R.L. Smialek, chief executive officer; T.J. Hoeh, president; A.J. Espinosa, M.R. Del Rosso, W.L. Havorsen, W.E. Simmons, W.L. White, vps.

U.S. contact: Theodore J. Hoch, president, 708-540-3767.

P

Protection Mutual Insurance Co.

300 S. Northwest Highway, Park Ridge, Ill. 60068; 708-825-4474; fax: 708-825-1936

	1991	1990
Int'l premiums*	$42,300,000	$37,800,000
U.S. owned	26.5%	24.8%
Non-U.S. owned	73.5%	75.2%
Offices: Claims	4	4
Underwriting	2	2
Employees	76	82
U.S.	10	10
Non-U.S.	66	72
Foreign countries	57	52
Owned offices	2	2
Combined ratio*	109.9	137.0

** Factory Mutual International serviced 16% of 1991 premiums and 15% of 1990 premiums.*

International operations began: 1963.

Specialties: Industrial and commercial property.

Services: Captive programs, loss control services for industrial and commercial property, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: American Samoa, Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bermuda, Brazil, Cameroon, Canada, Chile, China, Colombia, Czech and Slovak Federal Republic, Denmark, Dominican Republic, Ecuador, Egypt, Finland, France, Germany, Greece, Guam, Guatemala, Guinea, Haiti, Hong

Continued on page 28



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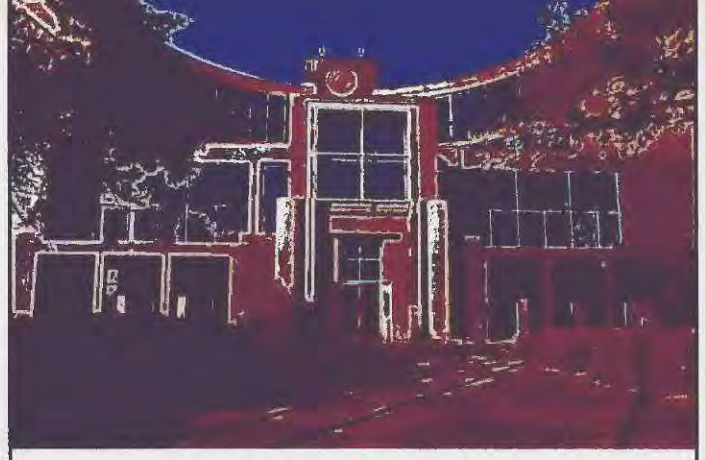


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Kong, Hungary, India, Indonesia, Ireland, Israel, Italy, Ivory Coast, Japan, Kenya, Korea, Lebanon, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Romania, Saudi Arabia, Singapore, South Africa, Spain, Surinam, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela, Virgin Islands, West Indies, Zimbabwe.

NOTE: Foreign business, excluding Canada and Mexico, is serviced through Factory Mutual International which is jointly owned by Protection Mutual Insurance, Allendale Mutual Insurance and Arkwright Mutual Insurance.

Officers: D.E. Johnson, president/chief executive officer; D.M. Anderson, vp-engineering; J.W. Black, vp-regional operations; J.A. Burchill, A.M. Grant, vps-planning; W. R. Linhares, vp-underwriting; J.M. Oskandy, vp-corporate affairs; A.B. Lange, vp/treasurer; R.H. Matthias Jr., secretary/general counsel.

U.S. contact: Chris Johnson, International Department.

T

Travelers International Operations

1 Tower Square, Hartford, Conn. 06183-7040; 203-277-2395; fax: 203-277-6508

	1991	1990
Employees	73	70
U.S.	73	70
Foreign countries	113	110
Owned offices	1	1

International operations began: 1967.

Parent: Travelers Corp.

Specialties: Middle-market size U.S. multinationals.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: United States (foreign countries listed below with subsidiaries and affiliates).

Subsidiaries: La Metropole, Belgium.

Affiliates: United Insurance Co. Ltd., Antigua, Barbados, Dominica, Grenada, St. Lucia; Guardian Assurance Co. Ltd., Argentina; Compania Aseguradora Argentina, Argentina; Fatum The Netherlands General Insurance N.V., Aruba, St. Maarten, Curacao; GRE Insurance Ltd., Australia; Wiener-Allianz Versicherung Aktiengesellschaft, Austria; Guardian Royal Exchange Assurance Ltd., Bahamas, Belgium, Bermuda, France, Greece, Guadeloupe, Martinique, Singapore; Royal Belge, Belgium; La Patriotique N.V., Belgium; Regent Insurance Co. Ltd., Belize; Seguradora Brasileira Motor Union Americana S.A., Brazil; GREACAM Assurance Ltd., Cameroon; Guardian of Canada, Canada; La Chilena Consolidada, Chile; Skandia Seguros de Colombia S.A., Colombia; Ceska Statni Pojistovna, Czech and Slovak Federal Republic; Baltica Insurance Co., Denmark; Nordeuropa Forsikringsaktieselskabet, Denmark; Compania Nacional de Seguros C. por A., Dominican Republic; Sul America Terrestres Maritimos e Accidentes Companhia de Seguros, Ecuador; Aseguradora Suiza Salvadorena S.A., El Salvador; Vakuutusosakeyhtio Pohjola Insurance Co., Finland; L'Union des Assurances de Paris, France; Albingia Versicherungs-Aktiengesellschaft, Germany; Enterprise Insurance Co. Ltd., Ghana; Riunione Adriatica Di Sicurta, Greece, Israel, Italy; National Pacific Insurance Inc., Guam; Granai & Townson S.A., Guatemala; La Generale D'Assurance S.A., Haiti; Union Insurance Society of Hong Kong Ltd., Hong Kong; Hungaria Insurance Co., Hungary; P.T. Maskapai Asuransi Union-Far East, Indonesia; Guardian Royal Exchange Assurance Group, Ireland, Spain, United Kingdom; The Globe Insurance Co. of the West Indies Ltd., Jamaica; Nippon Fire & Marine Insurance Co. Ltd., Japan; Lion of Kenya Insurance Co. Ltd., Kenya; The Oriental Fire & Marine Insurance Co. Ltd., Korea; Guardian Royal Exchange Assurance (Malaysia) Sendirian Berhad, Malaysia; Grupo Nacional Provincial, Mexico; Amsterdam Londen Verzekering Maatschappij N.V., Netherlands; QBE Insurance International Ltd., New Zealand; Royal Exchange Assurance, Nigeria, Pakistan; Uni Storebrand Insurance Co. Ltd., Norway; Compania Nacional de Seguros S.A., Panama; GRE Pacific Insurance Pty. Ltd., Papua New Guinea; El Sol, Compania de Seguros Generales, Peru; The Malayan Insurance Co. Ltd., Philippines; Union Insurance Society of Canton Ltd., Philippines; Warta Insurance Co., Poland; Portugal Previdente Companhia de Seguros, Portugal; The Travelers Insurance Cos., Puerto Rico, U.S. Virgin Islands; Lion of Zimbabwe Insurance Co. Ltd., Rhodesia, Zimbabwe; National Insurance Co. S.A., Saudi Arabia; Guardian National Insurance Co. Ltd., South Africa; Adriatica S.A. de Seguros, Spain; Guardian Royal Exchange Assurance, Sweden; Schweiz National Versicherungs,

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Continued from previous page
Switzerland; The Tai Ping Insurance Co. Ltd., Taiwan; Guardian Assurance Co. (Thailand) Ltd., Thailand; Trinidad & Tobago Insurance Ltd., Trinidad and Tobago; Sark Sigorta Turk Anonim Sirketi, Turkey; Adriatica Venezolana de Seguros, Venezuela.

Officers: Bruce MacMillian, president; Joseph Bostrom, Frank Devney, directors; Elizabeth Nolan, James Moy, Kevin Vaughan, Allen Cross, regional directors.

U.S. contact: Bruce MacMillian.

W

Winterthur Swiss Insurance Co.-International Division

Rudolfstrasse 1, P.O. Box 286, 8401 Winterthur, Switzerland; 52-261-11-11; fax: 52-212-16-29

	1991	1990
Int'l premiums	**$2.63 billion**	$2.50 billion
U.S. owned	**25.0%**	25.0%
Non-U.S. owned	**75.0%**	75.0%
Employees	**12,794**	11,921
U.S.	**3,102**	2,976
Non-U.S.	**9,692**	8,945
Foreign countries	**50**	50
Owned offices	**15**	19

International operations began: 1970.

Parent: Winterthur Swiss Insurance Co.

Specialties: Liability, property, life & health, motor, machinery, marine.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Australia, Austria, Bahrain, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Indonesia, Italy, Japan, Korea, Luxembourg, Malaysia, Netherlands, New Zealand, Norway, Philippines, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, United States, Vietnam.

Affiliates: Bahrain Norwich Union Insurance Co., Bahrain; Tapiola Insurance Group, Finland; Wahana Tata, Indonesia; The Chiyoda Fire & Marine Insurance Co. Ltd., Japan; Ankuk Fire & Marine Insurance Co. Ltd., Korea; NWI Malaysia, Malaysia; State Insurance, New Zealand; UNI Storebrand, Norway; FGU Insurance Corp., Philippines; Norwich Union Insurance, Saudi Arabia; Aegis Insurance Co. Ltd., South Africa; Victoria Insurance Co. Ltd., Sweden; The Taiping Insurance Co., Taiwan; Bangkok Insurance Co. Ltd., Thailand; Norwich Union Insurance Group, United Kingdom; Kemper International Corp., United States; Liberty Mutual Insurance Co., United States; Vietnam Insurance Co., Vietnam.

Officers: Peter Spalti, chairman/chief executive officer-Winterthur Group; W.E. Schurpf, general manager-international and reinsurance department; W. Suter, executive vp-international division.

U.S. contact: George Keller, vp-international department, Republic Group, 214-559-1222.

Y

The Yasuda Fire & Marine Insurance Co. Ltd.

26-1, Nishi-Shinjuku 1 Chome, Shinjuku-Ku, Tokyo 160 Japan; 81-3-3349-3111; fax: 81-3-3348-6263

	1991	1990
Int'l premiums	**$148,000,000**	$153,000,000
Undrwrtng. offices	**34**	32
Employees	**138**	123
U.S.	**29**	27
Non-U.S.	**109**	96
Foreign countries	**34**	34
Owned offices	**9**	7
Combined ratio	**167.0**	140.0

International operations began: 1953.

Specialties: General insurance excluding life insurance.

Services: Captive programs, loss control services for overseas travel personal accident insurance and cargo insurance.

Licensed or accepted insurer in: Australia, Austria, Bahamas, Bahrain, Belgium, Bermuda, Brazil, Canada, China, France, Germany, Hong Kong, Indonesia, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, Philippines, Saudi Arabia, Singapore, Spain, Taiwan, Thailand, Turkey, United Kingdom, United States.

Subsidiaries and affiliates: The Yasuda Fire Bahama Ltd., Bahamas; The Yasuda Management Service Co. Ltd., Bermuda; Companhia de Seguros America do Sul Yasuda, Brazil; Yasuda do Brasil Ltda., Brazil; William S.T. Lee Insurance Co. Ltd., Hong Kong; The Yasuda Fire Asset Management Co. Ltd., Hong Kong; P.T. Asuransi Yasuda Indonesia, Indonesia; The Yasuda Fire Investment (Europe) S.A., Luxembourg; Yasuda Management Services (Luxembourg) S.A., Luxembourg; PGA Yasuda Insurance Co., Philippines; People's Trans-East Asia Insurance Corp., Philippines; Yasuda Fire & Marine Insurance Co. (Asia) Pte. Ltd., Singapore; Yasuda Management (Singapore) Private Ltd., Singapore; Yasuda International Services Co. Ltd., Thailand; PanFinancial Insurance Co. Ltd., United Kingdom; Yasuda Claims Ltd., United Kingdom; The Yasuda Fire & Marine Insurance Co. of Europe Ltd., United Kingdom; Yasuda Claims Service Inc., United States; The Yasuda Fire & Marine Insurance Co. of America, United States; Yasuda Kasai International (U.S.A.) Inc., United States; Yasuda Kasai Realty Inc., United States; Yasuda Re Management Corp., United States; Yasuda Systems Management Services Inc., United States.

Officers: Yasuo Goto, president; Seiichiro Sugizaki, Kunihiko Sasamoto, Takuma Yamazaki, executive vps.

U.S. contact: Shinya Shimohira, general manager-North America Department, 212-416-1200.

Z

Zurich Insurance Group

Zurich Towers, 1400 American Lane, Schaumburg, Ill. 60196; 708-605-6373; fax: 708-605-3436

	1991	1990
Int'l premiums	**$10.7 billion**	$7.0 billion
Offices: Claims	**600**	600
Underwriting	**530**	530
Employees	**36,000**	34,000
U.S.	**2,800**	2,800
Non-U.S.	**33,200**	31,200
Foreign countries	**40**	40
Owned offices	**110**	107

International operations began: 1872.

Specialties: Combined master property/casualty programs.

Services: Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Bolivia, Brazil, Brunei, Bulgaria, Canada, Cayman Islands, Chile, China, Colombia, Curacao, Czech and Slovak Federal Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Finland, France, Germany, Greece, Guam, Guatemala, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran, Iraq, Ireland, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Korea, Kuwait, Lebanon, Libya, Liechtenstein, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, St. Lucia, Saudi Arabia, Singapore, South Africa, Soviet Commonwealth of Independent States, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates,

Continued on next page

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Global property/casualty insurers by country

Algeria

Kemper International Corp.

American Samoa

Allendale Insurance
Protection Mutual Insurance Co.

Andorra

The Continental Corp.

Antigua

Commercial Union Assurance Co.
Kemper International Corp.
United Insurance Co. Ltd. (Travelers)

Argentina

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
Compania Aseguradora Argentina (Travelers)
The Continental Corp.
Factory Mutual International
Generali
Guardian Assurance Co. Ltd. (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Aruba

American International Underwriters
Fatum The Netherlands General Insurance N.V. (Travelers)

Australia

Allendale Insurance
American Excess Insurance Assn.
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIC Insurance (Winterthur)
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
GRE Insurance Ltd. (Travelers)
Gerling Insurance Group
Kemper Insurance Co. Ltd.
Protection Mutual Insurance Co.
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Australian Insurance Ltd.

Austria

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
CIGNA Cos.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Kemper International Corp.
Protection Mutual Insurance Co.
Wiener-Allianz Versicherung Aktiengesellschaft (Travelers)
Winterthur Versicherungen
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich K OSMOS Versicherungen A.G.

Bahamas

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
CIGNA Cos.
The Continental Corp.
Factory Mutual International
Guardian Royal Exchange Assurance Ltd. (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
The Yasuda Fire Bahama Ltd.
Zurich Insurance Group

Bahrain

Bahrain Norwich Union (Winterthur)
Commercial Union Assurance Co.
Kemper International Corp.
Yasuda Bahrain Kuwait Insurance Co.
Zurich Insurance Group

Barbados

Allendale Insurance
Arkwright Mutual Insurance Co.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.
United Insurance Co. Ltd. (Travelers)
Zurich Insurance Group

Belgium

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Guardian Royal Exchange Assurance Ltd. (Travelers)
Kemper S.A.
La Metropole (Travelers)
La Patriotique N.V. (Travelers)
Protection Mutual Insurance Co.
Royal Belge (Travelers)
Winterthur-Europe Assurances
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich International

Belize

The Continental Corp.
Regent Insurance Co. Ltd. (Travelers)

Bermuda

Allendale Insurance
American International Underwriters
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Guardian Royal Exchange Assurance Ltd. (Travelers)
Protection Mutual Insurance Co.
Seven Continents Insurance Co. Ltd. (Kemper)
The Yasuda Management Service Co. Ltd.
Zurich International (Bermuda) Ltd.

Continued on next page

Continued from previous page
United Kingdom, United States, Uruguay, Venezuela, Yugoslavia.

Subsidiaries: Zurich Australian Insurance Ltd., Australia; Zurich KOSMOS Versicherungen A.G., Austria; Zurich International, Belgium, France, Germany, Netherlands; Zurich International (Bermuda) Ltd., Bermuda; Zurich International, France, Germany, Netherlands; Zurich Insurance Inc., Guam; Zurich Insurance Co. (Asia) Ltd., Hong Kong; Zurich International Services Ltd., Ireland; Zurich International S.p.A., Italy; Zurich Insurance, Malaysia; Companhia de Seguros, Portugal; Zurich Insurance pte., Ltd., Singapore; Zurich International Ltd., United Kingdom.

Affiliates: Zurich-Anglo Sequradora S.A., Brazil; African International Insurances Ltd., Kenya; Le Garantie Generale Maracaine, Morocco; Malayan Zurich Insurance Co. Inc., Philippines; Seguros Chapultepec S.A., Mexico; Malayan Overseas Insurance Corp., Taiwan.

Officers: Rolf Hueppi, president/CEO; Rolf Hanggi, deputy CEO; G. Gose, H.P. Karlem, R. Schauble, H. Wirth, and C. Wyniger, senior executive vps; P. Eckert and D. Steiner, executive vps.

U.S. contact: Tom Hite, president-Zurich International, U.S., 708-605-6156; John Ormerod, vp/director-marketing, 708-605-6531. ■

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Continued from previous page

Bolivia

American International Underwriters
The Continental Corp.
Zurich Insurance Group

Botswana

The Continental Corp.

Brazil

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
Companhia de Seguros America do Sul Yasuda (Yasuda)
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Itau Winterthur Seguros (Winterthur)
Kemper International Corp.
Protection Mutual Insurance Co.
Seguradora Brasileira Motor Union Americana S.A. (Travelers)
Yasuda de Brasil Ltda.
Zurich-Anglo Seguradora S.A.

Brunei

American International Underwriters
Commercial Union Assurance Co.
Kemper International Corp.
Zurich Insurance Group

Bulgaria

American International Underwriters
The Continental Corp.
Zurich Insurance Group

Cameroon

Allendale Insurance
American International Underwriters
The Continental Corp.
GREACAM Assurance Ltd. (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.

Canada

Allendale Insurance
American Excess Insurance Assn
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
The Citadel Assurance Cos. (Winterthur)
Commercial Union Assurance Co. P.L.C.
The Continental Corp.
Gerling Insurance Group
Guardian of Canada (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Insurance Group

Cayman Islands

Kemper International Corp.
Zurich Insurance Group

Central African Republic

Commercial Union Assurance Co.
Kemper International Corp.

Chile

Allendale Insurance
American International Underwriters
La Chilena Consolidada (Travelers)
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

China

Allendale Insurance
American International Underwriters
Chubb Group of Insurance Cos.
The Continental Corp.
Kemper International Corp.
Protection Mutual Insurance Co.
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Insurance Group

Colombia

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Kemper International Corp.
Protection Mutual Insurance Co.
Skandia Seguros de Colombia S.A. (Travelers)
Zurich Insurance Group

Comoros

Kemper International Corp.

Cook Island

Kemper International Corp.

Costa Rica

The Continental Corp.

Curacao

The Continental Corp.
Fatum The Netherlands General Insurance N.V. (Travelers)
Kemper International Corp.
Zurich Insurance Group

Cyprus

American International Underwriters
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Kemper International Corp.

Czech and Slovak Fed. Rep.

American International Underwriters
Arkwright Mutual Insurance Co.
Ceska Statni Pojistovna (Travelers)
The Continental Corp.
Factory Mutual International
Gerling Insurance Group
Protection Mutual Insurance Co.
Zurich Insurance Group

Denmark

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Baltica Insurance Co. (Travelers)
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Gerling Insurance Group
Kemper International Corp.
Nordeuropa Forsikring-saktieselskabet (Travelers)
Protection Mutual Insurance Co.
Winterthur Forsikring
Zurich Insurance Group

Djibouti

Kemper International Corp.

Dominica

Commercial Union Assurance Co.
United Insurance Co. Ltd. (Travelers)

Dominican Republic

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Commercial Union Assurance Co.
Compania Nacional de Seguros C. por A. (Travelers)
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Ecuador

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
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The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.

Continued on next page

WATER. WE PRETTY MUCH COVER THE REST.



CAN TRULY MAKE A WORLD OF DIFFERENCE.

ZURICH-AMERICAN

ZURICH INTERNATIONAL-U.S.

Continued from previous page
Sul America Terrestres
Maritimos e Accidentes Companhia de Seguros (Travelers)
Zurich Insurance Group

Egypt

American International Underwriters
Arkwright Mutual Insurance Co.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

El Salvador

Aseguradora Suiza Salvadorena S.A. (Travelers)
The Continental Corp.
Kemper International Corp.
Zurich Insurance Group

Estonia

American International Underwriters

Fiji

The Continental Corp.
Kemper International Corp.

Finland

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.
Tapiola Insurance Group (Winterthur)
Vakuutusosakeyhtio Pohjola Insurance Co. (Travelers)
Zurich Insurance Group

France

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Guardian Royal Exchange Assurance Ltd. (Travelers)
Kemper S.A.
L'Union des Assurances de Paris (Travelers)
Protection Mutual Insurance Co.
UAP/Kemper HFR Co. (Kemper)
Winterthur Assurances
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich International

Gabon

Commercial Union Assurance Co.
Kemper International Corp.

Germany

Albingia Versicherungs-Aktiengesellschaft (Travelers)
Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Kemper S.A.
Protection Mutual Insurance Co.
Winterthur Versicherungen
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich International

Ghana

Enterprise Insurance Co. Ltd. (Travelers)
Commercial Union Assurance Co.

Gibraltar

Commercial Union Assurance Co.
The Continental Corp.
Kemper International Corp.

Greece

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Guardian Royal Exchange Assurance Ltd. (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
Riunione Adriatica Di Sicurta (Travelers)
Zurich Insurance Group

Grenada

CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
United Insurance Co. Ltd. (Travelers)

Guadeloupe

Commercial Union Assurance Co.
The Continental Corp.
Guardian Royal Exchange Assurance Ltd. (Travelers)
Kemper International Corp.

Guam

American International Underwriters
Arkwright Mutual Insurance Co.
CIGNA Cos.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
National Pacific Insurance Inc. (Travelers)
Protection Mutual Insurance Co.
Zurich Insurance Inc.

Guatemala

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Arkwright Mutual Insurance Co.
CIGNA Cos.
The Continental Corp.
Factory Mutual International
Generali
Granai & Townson S.A. (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Guiana

Kemper International Corp.
Allendale Insurance
Protection Mutual Insurance Co.

Haiti

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Arkwright Mutual Insurance Co.
The Continental Corp.
Factory Mutual International
La Generale D'Assurance S.A. (Travelers).

Continued on page 34



Why Worry? Has The Excess Market Ever Let You Down Before?

A gentle reminder to veterans of 1984: excess liability capacity, and even the solvency of carriers, can't be taken for granted. Unless you have your coverage with American Excess Insurance Association, the American Slip.

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We write a single policy of $75 million in excess of $25 million (some exceptions apply). You enjoy one application, one underwriter, one policy and one claim manager. We are admitted and fully licensed in all states except ND, TX and WY. We also offer coverage in Canada and other countries.

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American Excess Insurance Association

* Note: A few classes are restricted to $50 million in excess of $50 million. Higher attachments considered on a case-by-case basis.

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SAN FRANCISCO
(415) 616-8200
FAX: (415) 616-8275

Continued from page 32
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Honduras

American International Underwriters
The Continental Corp.
Kemper International Corp.
Zurich Insurance Group

Hong Kong

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
William S.T. Lee Insurance Co. Ltd. (Yasuda)
Protection Mutual Insurance Co.
Union Insurance Society of Hong Kong Ltd. (Travelers)
Winterthur Insurance
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Insurance Co. (Asia) Ltd.

Hungary

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Hungaria Insurance Co. (Travelers)
Protection Mutual Insurance Co.
Zurich Insurance Group

Iceland

Zurich Insurance Group

India

Allendale Insurance
Protection Mutual Insurance Co.
Zurich Insurance Group

Indonesia

Allendale Insurance
Arkwright Mutual Insurance Co.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
P.T. Asuransi Yasuda Indonesia (Yasuda)
P.T. Maskapai Asuransi Union-Far East (Travelers)
Protection Mutual Insurance Co.
Wahana Tata (Winterthur)
Winterthur Life Indonesia
Zurich Insurance Group

Iran

Zurich Insurance Group

Iraq

Zurich Insurance Group

Ireland

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Guardian Royal Exchange Assurance Group (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich International Services Ltd.

Israel

Allendale Insurance
Arkwright Mutual Insurance Co.
CIGNA Cos.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Protection Mutual Insurance Co.
Riunione Adriatica Di Sicurta (Travelers)

Italy

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Kemper International Corp.
Protection Mutual Insurance Co.
Riunione Adriatica Di Sicurta (Travelers)
SAI-Societa Assicuratrice Industriale S.p.A. (Yasuda)
Winterthur Assicurazioni
Zurich International S.p.A.

Ivory Coast

Allendale Insurance
American International Underwriters
Commercial Union Assurance Co.
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Jamaica

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
CIGNA Cos.
The Continental Corp.
Factory Mutual International
The Globe Insurance Co. of the West Indies Ltd. (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Japan

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
The Chiyoda Fire & Marine Insurance (Winterthur)
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Lumbermens Mutual Casualty Co. (Kemper)
Nippon Fire & Marine Insurance Co. Ltd. (Travelers)
Protection Mutual Insurance Co.
Winterthur Insurance
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Insurance Group

Jordan

Kemper International Corp.
Zurich Insurance Group

Kenya

African International Insurances Ltd. (Zurich Insurance)
American International Underwriters
Arkwright Mutual Insurance Co.
The Continental Corp.
Factory Mutual International
Kemper International Corp.
Lion of Kenya Insurance Co. Ltd. (Travelers)
Protection Mutual Insurance Co.

Korea

Allendale Insurance
American International Underwriters
Ankuk Fire & Marine Insurance Co. Ltd. (Winterthur)
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Kemper International Corp.
The Oriental Fire & Marine Insurance Co. Ltd. (Travelers)
Protection Mutual Insurance Co.
Zurich Insurance Group

Kuwait

American International Underwriters
Commercial Union Assurance Co.
Kemper International Corp.
Zurich Insurance Group

Latvia

American International Underwriters

Lebanon

Allendale Insurance

Continued on next page

Just because the cycle turns upward, why should your premiums follow?

Continued from previous page
The Continental Corp.
Protection Mutual Insurance Co.
Zurich Insurance Group

Liberia

American International Underwriters

Libya

Zurich Insurance Group

Liechtenstein

Allendale Insurance
Commercial Union Assurance Co.
Kemper International Corp.
Zurich Insurance Group

Luxembourg

Allendale Insurance
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Gerling Insurance Group
Kemper International Corp.
Lux-Life (Gerling)
Protection Mutual Insurance Co.
Winterthur Assurances
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Insurance Group

Macao

American International Underwriters
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.

Madagascar

The Continental Corp.

Malawi

Commercial Union Assurance Co.

Malaysia

Allendale Insurance
American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Gerling Insurance Group
Guardian Royal Exchange Assurance (Malaysia) Sendirian Berhad (Travelers)
Kemper International Corp.
NWI Malaysia (Winterthur)
Protection Mutual Insurance Co.
Sime East West Insurance Bhd. (Yasuda)
Zurich Insurance

Malta

American International Underwriters
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Kemper International Corp.

Martinique

Commercial Union Assurance Co.
The Continental Corp.
Guardian Royal Exchange Assurance Ltd. (Travelers)
Kemper International Corp.

Mexico

American International Underwriters
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Generali
Gerling Insurance Group
Grupo Nacional Provincial (Travelers)
Kemper International Corp.
Protection Mutual Insurance Co.
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich Insurance Group

Monaco

CIGNA Cos.
Commercial Union Assurance Co.
Kemper International Corp.

Morocco

Arkwright Mutual Insurance Co.
The Continental Corp.
Factory Mutual International
Le Garantie Generale Maracaine (Zurich Insurance)
Kemper International Corp.
Protection Mutual Insúrance Co.

Netherlands

Allendale Insurance
American International Underwriters
Amsterdam Londen Verzekering Maatschappij N.V. (Travelers)
Arkwright Mutual Insurance Co.
Chubb Group of Insurance Cos.
CIGNA Cos.
Commercial Union Assurance Co.
The Continental Corp.
Factory Mutual International
Generali
Gerling Insurance Group
Kemper International Corp.
Kemper S.A.
Protection Mutual Insurance Co.
Winterthur Schadeverzekering
The Yasuda Fire & Marine Insurance Co. Ltd.
Zurich International

New Caledonia

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New Zealand

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ASK A BENEFITS MANAGER

FAS 106 will encourage new look at retiree plans

Q **The required compliance with the Financial Accounting Standards Statement No. 106 is right around the corner. Can you help me understand what it means and suggest plan changes we can consider?**

A The Financial Accounting Standards Board issued Financial Accounting Standard No. 106 "Employers Accounting for Post Retirement Benefits Other Than Pensions" in December 1990. The statement requires employers that provide post-retirement benefits such as medical, dental or life insurance plans to begin accruing an expense against current income for the expected future cost of such benefits and to recognize on their balance sheets a liability representing their total expected obligation for the cost of such benefits.

Under the current "pay as you go" approach, the amount of expense for retiree medical is the cash expense incurred for the current retiree group. Also, companies now are not required to reflect a liability on the balance sheet.

With the effective date quickly approaching, companies have altered their retiree medical plans to try to reduce both the liability that will be reflected on the balance sheet and the future cost of retiree medical plans. Changes have been made in areas like eligibility requirements, retiree contributions, deductibles, copayments and coordination of benefits.

Eligibility requirements were one of the first items to be considered. About 10 years of service appears to be the norm. Companies with less than a 10-year requirement have increased it, and some have begun requiring 15 and even 20 years.

Some firms have begun to distinguish among retiree groups, i.e., early retirees vs. retirees who are at least age 65. Company-provided medical insurance is most important for early retirees. Although this group is younger than the age 65 group, health care for early retirees is more expensive because the age 65 group receives their primary coverage through Medicare. Also, individuals who have reached 65 can buy Medicare supplemental plans, referred to as Medigap.

Carrying out a new federal law, the National Assn. of Insurance Commissioners has designed 10 Medigap policies which insurance companies may sell. This will make shopping for a Medigap policy easier for retirees. The thousands of Medigap policies in the marketplace previously resulted in confusion and, in many cases, retirees were over-insured and paid too much. So it appears that a practical approach would be to provide coverage for early retirees—since it is difficult for them to obtain coverage—but not for those age 65. This, though, runs counter to most companies' philosophies, which is to recognize longer service.

Other changes are coming in the area of deductibles, copayment amounts and maximum out-of-pocket levels. Not too long ago a $100 individual annual deductible was common. Today, $200 is probably the most common, with many moving toward $250 to $300. With regard to copayments, much of the first-dollar coverage is being eliminated. Many plans had offered 100% coverage for in-hospital stays. The norm today is an 80/20 copayment for all covered items. However, in many managed care plans copayments are moving below the 80/20 level in cases of out-of-network coverage, where the norm is in the area of 70/30 and as low as 50/50. Maximum out-of-pocket payments have increased along with the deductibles and copayments. Maximum annual out-of-pocket expense between $1,000 to $1,250 for an individual is the norm, while many have gone closer to the $1,500 and $2,000 range.

Coordination-of-benefits provisions have also been changed. According to A. Foster Higgins & Co. Inc., 50% of employer plans use the non-duplication COB method. This same method, more often referred to as carve-out for retirees, is being extended to retiree plans. Under this concept, the combination of Medicare and the employer's plan will not be greater than what the employer plan would pay without Medicare. It appears to be equitable that if employees are being covered under a non-duplication approach, retirees would be also.

Substantial costs are saved if a plan changes from either a coordination or exclusion approach to carve-out COB. But this is not easy to explain to retirees and will result in many phone calls to benefit departments.

Continental Bank changed to the carve-out approach in 1990, and it was clear by the absence of phone calls that the retirees did not understand the concept. Once they received explanation of benefits statements from the insurer, though, they clearly understood that their benefits were being reduced—and then the phone started ringing. With the carve-out COB, retirees no longer had nearly 100% coverage of their health care expenses—something they now understood, but did not like. However, they did not understand the significant protection the plan provides in catastrophic cases.

Whatever change you may contemplate for the retiree medical plan, it is probably best to break down your groups for the purpose of determining to which group the change is applicable: future hires, current active employees not eligible for retirement, current active employees eligible for retirement and current retirees.

Some employers have eliminated retiree medical coverage for future hires. Although this will not immediately reduce your expense, it will reduce retiree medical expenses to zero in the future.

Many companies have altered their retiree plan and have felt obligated to grandfather active employees who are currently eligible to retire. The most difficult change to make is any change that is affecting the current retiree group. You have the greatest potential for legal problems if you make benefit or contribution amounts changes for this group. However, many employers have made such changes, and some have totally eliminated the coverage. The key is to reserve the right to make such changes in all of your documents, including your plan document; summary plan description; and any general communication to the retirees, whether written or verbal.

Before making any change, you should carefully review all of your written documents, both current and past, as well as general statements made to retirees, both verbally and in writing. Other approaches include the defined dollar—fixed employer contribution plan and benefit plan trade-offs for elimination of retiree medical coverage.

Under the defined dollar plan, the employer fixes a company contribution toward retiree medical costs for an individual. The employer commits to pay this fixed amount every year for the retiree. This fixes the employer's obligation and the retiree absorbs the inflationary impact of retiree medical cost. The employer's dollar commitment is generally based on the employee's length of service and retirement age. In many cases, the amount of the commitment is less for dependents than retirees.

Some companies have eliminated their obligation for retiree medical and substituted another plan for the retiree medical benefit. Some have implemented an employee stock ownership plan, intending that the proceeds go to the individual at retirement to buy health insurance. Boise Cascade Corp. took this approach. The Ball Corp. replaced its retiree medical benefit plan for future retirees with an aftertax savings plan.

Most recently, McDonnell Douglas Corp. used excess pension assets to increase pension payments to pay for retiree health care. That increase, however, lasts only four years; beyond that, McDonnell Douglas has made no commitment.

Continental Bank has about 4,400 employees and 2,200 retirees. This is down considerably from 10,000 employees in 1987 and as many as 13,000 in the early 1980s. While this downsizing has been very difficult, it made us more competitive. We have significantly decreased our FAS 106 liability and expense.

Retiree contributions were the major area we changed. Until recently, early retirees paid the same amount as employees—20% of the plan cost. Once retirees turned 65 and became eligible for Medicare, there was no cost for them. Everyone who retires after Dec. 31, 1991, will have to pay. Under the revised plan, the company contributes 20% of the cost plus 1.5% for each year of service with the company. This approach makes the retiree medical plan more compatible with the defined benefit pension plan, which provides the employee with 1.5% of his or her salary for each year of service. Additionally, the amount paid by the retirees is based on the health care specific cost of the retiree group. Therefore, the percentage that is applied for early retirees is based on the early retiree experience, while the percentage applied to retirees age 65 and older is based on their specific experience.

The major plan change that we made for retirees was to change to the carve-out method of COB. Smaller changes have included: setting up a preferred provider organization and a managed prescription drug program, and raising deductibles and out-of-pocket maximums. Early on, we determined that the basic question that needed to be answered was whether or not retiree medical should continue to be part of the employee benefit program. Top management decided that the retiree medical program should continue, but that retirees must bear an additional portion of the cost.

If you have recently begun the process, move quickly. One of the most important steps you can take is to set objectives early and ensure that top management supports the chosen approach. Otherwise, you will most likely find yourself doing a great deal of wheel spinning. With the potential magnitude of the impact on the "bottom line," you should be able to get the attention of top management. ■

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

This month's column on employee benefit management issues is written by Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers questions on risk management issues. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, president of Pacific Actuarial Resources (PAR) Excellence in Ashland, Ore., answers actuarial questions in the casualty field.



Mr. Nirtaut

Mr. Nirtaut's and Ms. Werner's columns appear on the second Monday of alternate months. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month.

Mr. Nirtaut'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.



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Reunion

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Rwanda

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Saipan

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Winterthur Seguros
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Sri Lanka

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Zurich Insurance Group

St. Kitts

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St. Lucia

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Fatum The Netherlands General Insurance N.V. (Travelers)

St. Vincent

CIGNA Cos.

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Taiwan

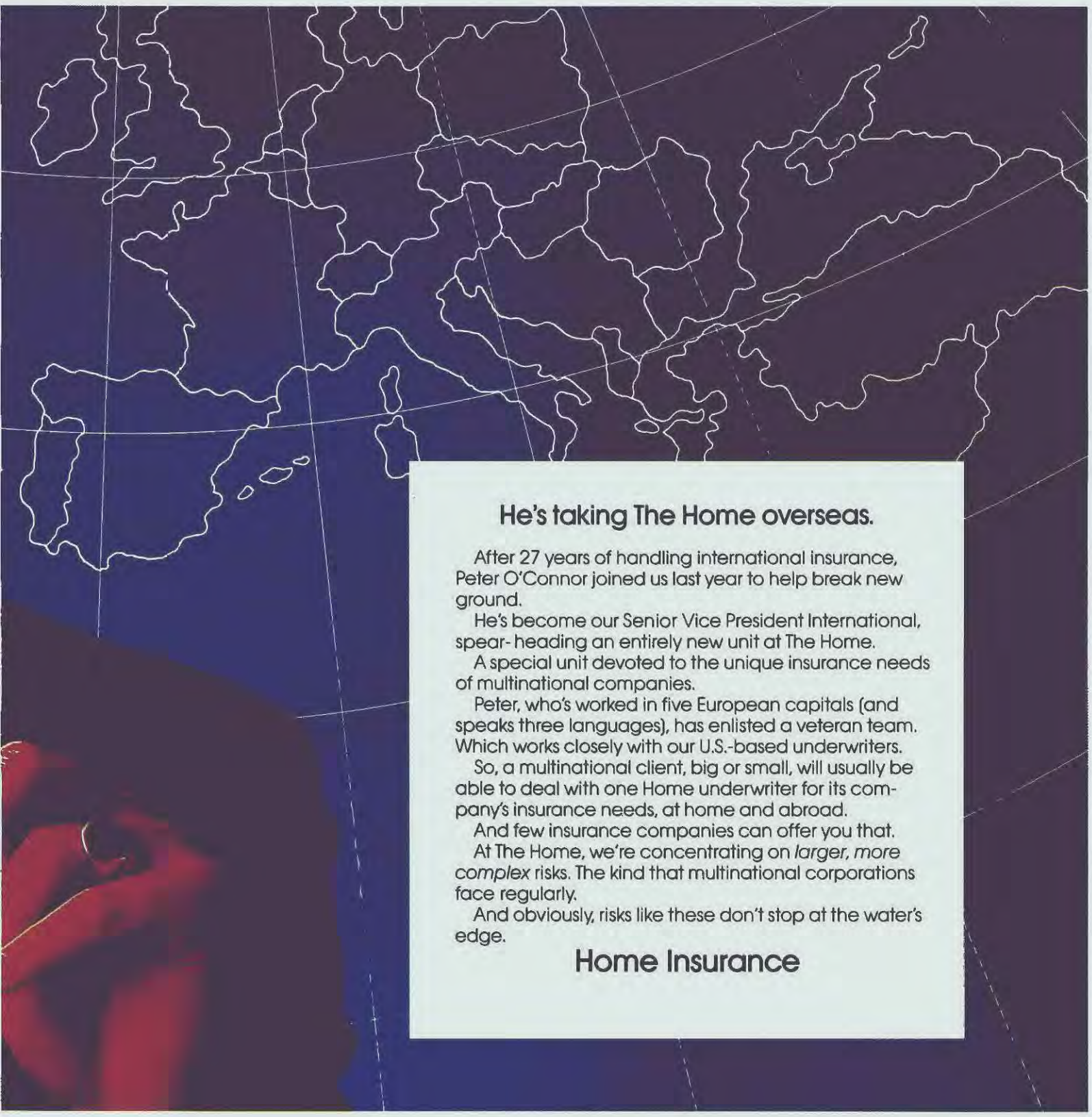
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Benefit networks

Continued from page 3

Travelers' network premiums last year increased 26.3% to $31.2 million from $24.7 million in 1990. Most of that came from clients expanding their programs. The network has added four new affiliates in Australia, Chile, Germany and Hong Kong, and now has members in 54 countries. Travelers had 177 master contracts in force at year-end 1991.

"There has been some noticeable growth among small companies with only a few hundred employees getting into pools. But I can't say that small groups are all we're seeing," said Mr. Pickrell of Insurope. Last year premium volume rose about 15% to $215 million from $187 million for the network. Insurope has about 300 master contracts in force in 39 countries.

Some larger, more established multinationals are expanding into new countries and are adding employees to existing pools, said Greg Arms, a vp and director of American International

Continued on next page

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Group Inc.'s group management division in New York. This type of growth accounted for much of AIG's increased premium volume in 1991.

"Master contracts have kind of hit the wall, but Thailand, Korea and Indonesia are very popular expansion sites for companies that are already pooling with us," said Mr. Arms. "We also think China could be a new horizon for U.S. multinationals. When they move into these countries, they want to include the workforce in their established pools. We have our ties in place and can accommodate them."

AIG and the Winterthur Swiss Insurance Group, which began a strategic alliance at the beginning of last year, together reported $338 million in premiums in 1991, up 35.7% from $249 million in combined premiums in 1990. The alliance is represented in 143 countries and covers more than 550,000 people under 332 master contracts.

Why are premiums growing despite a slowdown in new master contracts?

The reason is simple, says George G. Smyth, vp and manager of Winterthur's international employee benefits department in New York.

"Most multinational corporations that already have pooling arrangements will try to increase their pools in order to realize economies of scale and achieve more control over their foreign subsidiaries," he said. "Established multinationals generally try to increase their pool exposure whenever feasible."

It's that control over local operations that keeps multinationals in networks, according to one benefits manager.

"Pools provide all-inclusive information," said Gerald Bloom, employee benefits manager for ITT Corp. in New York. "It's really the only way the parent company can know what its subsidiaries are doing."

"I don't think cost savings are as important as getting central information. The value of one-stop shopping cannot be overestimated," added David Bryan, director of international marketing for the U.S. region with Aetna/Generali International Network in New York.

Aetna/Generali had a slow year in 1991. Premiums rose only 2.4% to $215 million, master contracts increased by only two to 117, and no new alliances were struck. The network still has member insurers in 45 countries.

"For us, international business follows domestic business by about a year, so we're still feeling the recession," said Mr. Bryan.

Still, he sees a bright future for Aetna/Generali and the other networks. "Networks are now more important than in previous years. The social systems in Europe are going broke. In Italy and the United Kingdom, there's no way the governments can meet their obligations. One leg of the proverbial stool is breaking."

"Governments throughout the world, but mostly in Europe, are cutting back on their liabilities," said Roger Atkins, an international consultant with The Wyatt Co. in Washington. "This is expected to continue and more benefits will fall to the private sector."

Privatization is not limited to Europe; several South American nations also are shifting responsibility for benefits to private companies.

"There is a great need for benefit networks in South and Central America," explained Mr. Haggart of J&H. "Chile went to a private pension program about six years ago, and it's the model that Argentina and Mexico are now using. And health care for the more wealthy workers is no longer the government's responsibility in many South American countries."

As more benefit responsibilities are shifted to the private sector in almost every Western European country and other regions of the world, employers must not only worry about current costs, but also inflation, consultants and network officials point out.

"Health care trends in the U.K.

Continued on next page

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Benefit networks

Continued from previous page
are now about 15%, and in Spain costs are climbing to the point that employers are embracing managed care and PPOs," said Virginia Hollis, vp-global benefits management with CIGNA Corp. in Wilmington, Del.

CIGNA, which has operated a multinational pooling network for only two years, last year posted international premiums of about $200 million.

Karl Muehlebach, executive vp with the Swiss Life Network in Zurich, also said that rising benefit costs are hitting multinationals harder than ever. "Medical costs are higher and pension costs are higher because people are living longer. We can only hope that increased competition will offset this inflation."

But whether this competition will ever occur depends largely on whether various E.C. free-trade agreements and treaties designed to break down existing trade barriers and cartels ever come to fruition.

Earlier this year, Denmark's citizens voted against the Maastricht Treaty on monetary union and in September, French voters barely passed the measure.

Experts are mixed as to whether any significant union will occur in Western Europe before the turn of the century and what effect if any it would have on multinational pooling arrangements.

"The creation of a single European economic community would seriously harm networks," said Jerry Long, managing director-international consulting with Alexander & Alexander Consulting Group Inc. in Washington.

"These networks are designed primarily to beat the tariff rates and cartels that exist today in Holland, Belgium and Germany. Unification could drive a large number of network participants out of their current situation and into the open market," he said.

That view is far from universal. Most network officials and several consultants say European unity would not destroy pooling because service requirements and language barriers will persist. And Europe is often only one element of a large multinational firm's pooling system.

"Europe is 12 to 20 countries, depending on how you look at it," said Mr. Janssen of GAIN. "It will never be feasible to sell in Spain from Sweden. The language barriers and service requirements will preserve the network and pooling system as we know it."

Phil Wright, vp-sales with Johnson & Higgins in New York, also cautioned against viewing pooling as only a risk financing mechanism for Western Europe.

"Assuming that there is a pure E.C. union, there's still South America, Africa and the Far East to be concerned about," he said.

Regardless of whether European unification eventually occurs, multinational benefit managers and the major networks for now are functioning without the pressure of an impending unified Europe.

"The recent Maastricht referendums (in France and Denmark) indicate the reduced likelihood of pan-European consolidation anytime soon. We know England is opposed to it, too," said Mike Allen, a vp with The John Hancock International Group Program in Boston. "And the strife in Yugoslavia has had no impact on other countries. So, we're very healthy right now."

Benefit managers also appear unworried about the possibility of a unified, tariff-free Europe.

"We're ready for European consolidation. It doesn't worry me at all," said Barry Anderson, vp-human resources with Lanier Worldwide Inc., an Atlanta-based business machines unit of Harris Corp.

Lanier, which went global in 1987 and now extends health, life and pension benefits to many of its 2,500 employees in 24 countries, is covered through four competing networks. The company supplements governmental health programs in Europe and Latin America and provides at least 150% of an employee's salary in life insurance. All benefits are coordinated through networks and dividends are used to fund an expatriates' pension program.

"Everything is working great. Our plans are paying off like slot machines. My only concerns are economics, the recession and government interference. For now, it's clear sailing. Our medical inflation is only about 6% to 9% on a worldwide basis," Mr. Anderson said.

General Electric Co. also maintains four pooled networks for about 45,000 employees in more than 25 countries, said David Koonce, manager-international benefits and executive compensation in Fairfield, Conn.

"Our focus is on the local subsidiary and providing what is necessary at each location. With four networks, we should be able to do that," Mr. Koonce said. "We're not a top-end company. We're not involved in pooling to exploit our subsidiaries and funnel dividends back to Connecticut. We keep all dividends at the local unit and we're very concerned about local pricing. I don't want the money on the back end."

Improving front-end capital and cash flow through benefits networks is growing in importance for many multinationals. Companies have several ways to keep more of their benefits dollars in-house.

"Just getting a dividend every 18 months isn't enough these days for most of our clients. They're looking into captive reinsurance, ASO arrangements and partial premium payment," said Lindsay Luck, an international consultant with Kwasha Lipton in Fort Lee, N.J.

"We're at the point where the interest in cash-flow programs has gone beyond concerns about risk protection and steady dividends," said Geraldine Pangaro, field vp with John Hancock. "Smaller companies are still more concerned with managing their international benefits, but the established companies really are getting into cash flow."

Some risk and non-risk mechanisms designed to improve cash flow include:

- Administrative services only (ASO) arrangements with local insurers, where the employer self-insures the benefits program and the local insurer administers the program.

In countries where a local insurer is required to issue the insurance contract, the local insurers may front the program and then return the premium back to the company minus a fee. Com-

Continued on next page



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Keeping up with local benefit regulations

Changes in Europe add to complexity

By MICHAEL SCHACHNER

Keeping abreast of local regulations and developments may be the biggest problem facing the benefit managers of U.S. multinationals.

Finding local insurers is usually no problem; several of the big international employee benefit networks have forged ties in almost every country that has an insurance industry.

Costs are not a major problem, either. Despite an emerging worldwide trend toward more private retirement benefits and supplemental medical coverage, multinational pooling dividends compensate for the rare loss-producing program, benefit managers say.

But complete information on local benefit programs and rules is still hard to come by. The breadth of benefits offered by multinationals is often tied to the quality and scope of coverage available locally.

"All I need is the information on what's happening locally. Our concern is that we offer benefits that are competitive and appreciated. Uniformity isn't even that big a concern," said Barry Anderson, vp-human resources with Lanier Worldwide Inc. of Atlanta. The business machine manufacturer, a unit of Harris Corp., employs about 2,500 workers in 24 foreign countries.

"Getting a firm fix on what is custom seems to be a problem for our clients," said H. Richard Souders, national director of international services with Coopers & Lybrand in New York. "Knowing the labor laws and how to get approval from local regulators is not easy. Having information about local tax codes and then making local programs tax-effective can also be a problem," Mr. Souders said.

"Changing legislation is starting to have an impact on us," said Gerald Bloom, employee benefits manager with ITT Corp. in New York. "Until recently, international regulations governing benefits weren't too difficult."

As employer-provided benefits become more prevalent in European countries, employers' problems could increase, he warned.

"We're also worried about the movement to private health care in Europe that could make costs as big a problem as they are here. We're definitely providing more supplemental health coverage than ever before," said Mr. Bloom.

"Socialized medicine isn't what it once was," said David Bryan, director of international marketing for the U.S. region with Aetna/Generali International Network in New York. "There's no doubt that controlling the cost of supplemental health care in Europe is a growing issue."

Network officials say that in

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Benefit networks

Continued from previous page

panies often use captives to reinsure the risk under these arrangements.

"ASO and captives aren't new concepts, and our clients aren't really doing much of this, but they are asking about it," said Mr. Arms of AIG.

- Minimum premium arrangements where the company puts up a fraction of the premium in advance—perhaps 40%—and then pays claims and an administrative charge as claims arise.

Under this type of arrangement, if at year end overall claims experience is favorable, the insurer doesn't collect additional premiums. If a loss occurs, the company pays the difference.

- Premium drag programs allow the employer to put up a percentage of the premium at the start of the year. Under this arrangement, at year end the insurer can collect the balance if necessary.

This mechanism allows the company to use a portion of the premium throughout the year.

- Captives are being used by larger multinationals with at least 5,000 employees.

Swiss Life, for example, offers clients with at least 5,000 international employees and an international captive to reinsure its entire premium through the captive with local insurers providing an ASO product.

"This makes great sense with the big companies. It's just that they have to have enough employees so that the administrative fee doesn't reduce savings," said Mr. Long of A&A. "Swiss Life asks for a minimum of 5,000 lives. I think 10,000 is probably more appropriate."

"Captives in my opinion are great as long as a company's American employees are included. If you reinsure the whole lot of employees back to the captive, you can probably finance your whole international benefits program with the premium savings," said Mr. Pickrell.

"The future lies in employers not thinking of themselves as U.S. or foreign, but global. The minute you think global, you should finance globally," he added. ■



Global problems

Continued from previous page
addition to information on local benefit customs, multinational clients want data on local plan costs and claims experience. Arranging coverage through a network can facilitate the flow of information back to the United States, networks say.

"It's an age-old problem for the U.S. benefit manager. They want information about what's going on at the subsidiary level and it's hard to get," said Mike Allen, a vp with The John Hancock International Group Program in Boston. "It's part of an overall shift in focus from straight cost savings to overall plan management. If we can get our clients information, it gives them some influence over what their local subsidiaries are doing."

Corporate benefit staff cuts have compounded the difficulty in getting up-to-date information about overseas programs.

"Human resources has been hit badly, so the international specialist who may have done the traveling and information gathering isn't there any more. Also, international consulting budgets have been reduced at most companies," said Robert Pickrell, president of the Multinational Benefits Assn. of Norwalk, Conn., which represents the Brussels, Belgium-based Insurope network. "All in all, there's a lot of uncertainty about international benefits."

Portability of network-based benefits can be problematic, said one U.S. benefits manager.

"We're constantly transferring people. What I need is a reactive, portable plan that can be reworked in lightning speed," said David Koonce, manager-international benefits and executive compensation with General Electric Co. in Fairfield, Conn.

GE operates in 25 foreign nations and, at least within Europe, has a portable plan through four competing networks, said Mr. Koonce. But it's not as easy to carry benefits from Europe to Asia or Latin America.

"I can move someone from France to Switzerland and the benefits can be changed immediately. I want this capability all over the world," he said. "My advice to the networks is to stay innovative. ■

Benefit networks play the waiting game in Eastern Europe

By MICHAEL SCHACHNER

Almost two full years after the fall of communism in Eastern Europe, Western multinationals still are not investing there on a large scale.

A persistent global recession combined with high inflation and overvalued currencies throughout Eastern Europe has stalled what some expected to be a free flow of Western capital into countries like Poland, Hungary, Czechoslovakia and the former Soviet Union.

Even in the rare cases where multinationals have moved in, international employee benefit networks have hardly thrived because national governments are, for the time being, still providing basic life and health benefits to citizens.

So the major networks are taking a long view. All say they have forged ties with local insurers in countries where they expect capitalism and privatization, and benefits like health and life insurance and pensions will be provided mainly by employers.

"Very little is happening in Eastern Europe at this juncture. We're fielding some questions, but that's about it," said Robert Pickrell, president of Multinational Benefit Associates of Norwalk, Conn., which represents the Brussels, Belgium-based Insurope network.

Mr. Pickrell said Western multinationals are not now setting up benefits programs in Eastern Europe, mostly because longstanding government social security systems are in flux. "Nobody wants to commit now, but eventually they will."

"Russia and most of the other Eastern European countries just aren't ready" for unbridled capitalism and the import of traditional Western benefits, agreed Michael Sandmann, division vp with the Multinational Insurance Arrangement, a network offered by Travelers Corp.

Other international benefits experts, however, say multinationals are expressing some interest in moving into Eastern Europe despite the poor economies and the uncertainty.

But they, too, assert that traditional benefits currently are of little concern to employees, local subsidiaries and multinational parent companies.

"Benefits just aren't of much importance yet," said Andrew Haggart, a senior vp in the international department of Johnson & Higgins in New York. "The countries we're speaking about have a lot more to worry about than health care and pensions. Even in the former East Germany, the top concern is jobs. True unemployment throughout Eastern Europe is about 40%, so Russia, Poland and the Ukraine have a long way to go before pension plans become important."

"Putting beans on the table is more important to the average Romanian or Hungarian than a fancy life insurance program," added Jerry Long, managing director-international consulting services for Alexander & Alexander Consulting Group Inc. in Washington. "Widespread unemployment has placed jobs far above fringe benefits in terms of importance."

What Mr. Long advises newcomers to Eastern Europe to do is consider elements of the old "company town" concept. Companies in such towns traditionally aided in housing, operated a medical clinic and built things like stores and gas stations.

"The desire for these old-style benefits is real. Company-run clinics, stores and gas stations are more attractive than the other benefits. This may only be the case for the short term, but for now the throwback is real," he said.

General Electric Co., for one, has embraced this concept.

The corporation, which owns 75% of the Tunsgram light bulb company in Budapest, Hungary, provides no formal health or retirement benefits to the 13,000 workers. But GE does run an onsite medical facility for workers.

If pressure mounts, GE might soon begin offering traditional benefits, said David Koonce, manager-international benefits and executive compensation.

"Insurance is a new animal there. People are still largely covered by state programs. Also, their currency is so overvalued right now that we cannot afford to provide even supplemental benefits. When the currency exchange rate drops, we'll consider it more closely," he said.

ITT Corp., which owns the Sheraton Hotel chain, is also proceeding into Eastern Europe slowly both in terms of investment and benefits.

"Right now, there just isn't the capital there to justify moving in with both feet. We have to bring in the capital when we start something up," said Gerald Bloom, employee benefits manager for ITT in New York.

ITT Sheraton Corp. does oper-

Continued on next page

Five Years Ago, This Would Not Have Been Considered An Intensive Care Nursery.



On a warm afternoon in August, Jeremy Masters came home.

Jeremy, born six weeks premature, was expected to stay in the hospital at least five weeks. However, his insurance company asked a Special Alternatives nurse-consultant to review the case. By arranging for extracontractual benefits such as 24-hour nursing care, she made it possible for Jeremy to go home.

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Multinational employers turn to benefit networks

Networks pool benefits offered in foreign locales

A multinational benefits network is a working arrangement among different insurers through which companies with employees in more than one foreign country can obtain various employee benefits coverages.

The multinational benefits network is set up to provide coverage for one or more foreign locations through a single master contract. The network pools the claims experience of all of the employees of the participating foreign subsidiaries, and favorable loss experience is rewarded with an "international dividend."

Benefits covered through multinational pooling arrangements often include medical, life, accidental death and dismemberment, short- and long-term disability, travel insurance and pensions.

Networks tend to vary in structure. Some networks are formed by a single insurer with subsidiaries in many foreign countries. Others are formed by two large life insurance companies—usually one U.S. company and an overseas partner—that operate under a cooperative arrangement. The third most common type of network consists of several independent foreign insurers.

One pooling arrangement, sponsored by Gerling-Konzern Welt Service, even lets multinational employers form their own network by using insurers of its choice.

Most networks' master contracts include two agreements.

The first agreement is between the multinational company's local subsidiary and the local insurer that is a member of the network. Under this contract, the local insurer charges a premium plus a risk charge that covers losses that exceed the income from the master contract, catastrophic coverage and costs involved if the contract is canceled. In this case, the premium is usually paid by the local unit of the parent company.

On the local level, a dividend may be paid to the subsidiary if the local insurer's income exceeds costs. However, local insurance practices and the subsidiary's size may determine the amount of the local dividend.

The second agreement, which is between the network and the parent company's headquarters, provides for pooling experience among all local contracts. The experience of all the local subsidiaries is combined to determine if the parent corporation will receive an international dividend.

When determining an international dividend, the benefit network first tallies all paid premiums, investment income and reserves at the start of the year compared with claims, commissions, risk and expense charges, local dividends and year-end reserves. If a dividend is warranted, the parent company then chooses whether to send the divided to corporate headquarters or to share it locally.

Pooling is advantageous because it allows multinational employers to spread their risk. Through such arrangements, a firm's unfavorable claims experience in one country may be offset by more favorable performances in other countries.

However, if on a worldwide

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Eastern Europe

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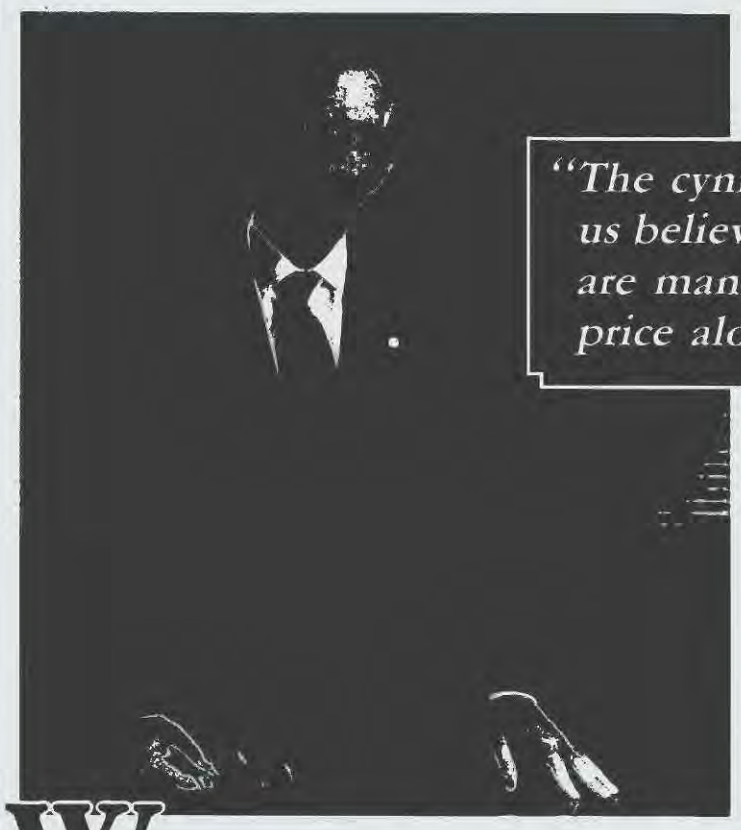
ate hotels in Moscow and Sophia, Bulgaria, and is building a hotel in Croatia. Whether it offers benefits through one of the company's three multinational pooling arrangements depends on the level of state-provided benefits in a specific country, said Mr. Bloom.

"When we go into a new country, we look at the social security system that's in place and analyze whether it's sufficient. If it's not enough, we then decide whether to supplement it," he said.

International benefits experts agree that when Eastern European countries do get their economies in order, they will shift some of the welfare burden to employers. One benefit expected to become the responsibility of the private sector is life insurance.

"Life insurance is about all an Eastern European citizen needs from his employer," said Roger Atkins, an international benefits consultant with The Wyatt Co. in Washington. "Pensions may eventually become important, but for now it's jobs these people want."

"When benefits fall to the private sector, look for life and pension benefits to be the biggest hits," said MBA's Mr. Pickrell. ■



"The cynics would have us believe that markets are manipulated by price alone."

Dave Driscoll
RLI Southeast Regional Office
Atlanta, GA

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Benefit networks

Continued from previous page
basis an international pool produces a loss, the network may treat it by one of three common procedures:

- Stop-loss system.

An employer's losses are fully underwritten by the network insurers in that year with no loss carried forward. The risk charge for this type of arrangement is significantly higher than other methods.

- Loss-carryforward system.

All losses are charged to the current account and any negative balance is carried forward to the next experience year. The risk charge under this system is reduced to covering catastrophic losses and cancellation of a master contract with a deficit.

- Loss-carryforward system with contingency fund.

All losses and negative balances are treated as they would be under a standard loss-carryforward system. However, to reduce the risk charge for loss-carryforward, a contingency fund is established and maintained with an annual allocation that may be used to offset future losses.

In years of unfavorable loss experience, the contingency fund is first drawn upon to cover losses, after which any negative balance is carried forward.

The contingency fund accrues interest and, if a client cancels a contract with the network, that client's portion of the fund is fully refunded, less any amount that was used.

This type of fund is not being used as much as it once was due to low yields generated by the funds. ■

BI's directory of multinational employee benefit networks

A

AGRI Benefits Network

Postbus 91, 3000 Leuven, Belgium; 32-16-24-3300; fax: 32-16-24-3165

	1991	1990
Employees	3	3
Non-U.S.	3	3
Foreign countries	10	10
Offices	1	1

Formed: 1987.

Member companies: Raiffeisen Versicherung, Austria; ABB, Belgium; Tapiola, Finland; Groupama Assurances, France; R&V Versicherung, Germany; Agrotiki Life, Greece; La Luxembourgeoise Vie, Luxembourg; Interpolis, Netherlands; Lansforsakringar, Sweden; NFU Mutual, United Kingdom.

Minimum requirements: 250 life-years and two countries.

International dividends: Stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: Tom Meeus, Secretary.

AIG/Winterthur

80 Pine St., New York, N.Y. 10005; or 2 World Financial Center, 225 Liberty St., New York, N.Y. 10281; 212-770-2246 or 212-416-5790; fax: 212-809-7626

	1991	1990
Int'l premiums	$338,000,000	NA
U.S. owned	48%	NA
Non-U.S. owned	52%	NA
Pension funds	$1.32 billion	NA
Employees	468	NA
U.S.	70	NA
Non-U.S.	398	NA
Lives covered	552,500	NA
Master contracts	332	NA
Foreign countries	143	NA
Offices	101	NA

Formed: 1991.

Member companies: AI Life, American Samoa; ALICO, Antigua, Aruba, Bahamas, Bahrain, Bangladesh, Barbados, Belize, Bermuda, Cameroon, Cayman Islands, Channel Islands, Curacao, Cyprus, Dominican Republic, Dominica, El Salvador, Gibraltar, Greece, Grenada, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Kuwait, Lebanon, Liberia, Malta, Montserrat, New Zealand, Oman, Panama, Portugal, Qatar, St. Kitts, St. Lucia, St. Marten, St. Vincent, Saudi Arabia, Senegal, South Korea, Suriname, Turkey, United Arab Emirates, United Kingdom, Yemen; La Meridional, Argentina; AAA, Australia; Winterthur, Austria, Belgium, Denmark, France, Germany, Luxembourg, Netherlands, Switzerland; Interamericana, Brazil, Mexico; London Life, Canada; La Interamericana, Chile, Colombia; Peoples Insurance Co., China; Instituto Nacional de Seguros de Costa Rica, Costa Rica; First American Czech, Czech and Slovak Federal Republic; AIU, Ecuador, Honduras, Pakistan; AIU/Al Clark, Egypt; Pohjola, Finland; A.I.A., Guam, Hong Kong, Malaysia, Saipan, Singapore, Thailand; La Seguridad, Guatemala; CAH, Haiti; First Hungarian American, Hungary; AJIA, Indonesia; New Ireland Life, Ireland; ALICO/Winterthur, Italy, Spain; ALICO (Nigeria) Ltd., Nigeria; Gjinsedige, Norway; American Home, Paraguay; El Pacifico, Peru; Philam Life, Philippines; First American Life, Poland; Aminport, Puerto Rico; Norwich Life, South Africa; Skandia International, Sweden; Nan Shan, Taiwan; ALGICO, Trinidad & Tobago; Uganda/American, Uganda; AIG Life/AI Life, United States; Seguros Venezuela, Venezuela; Aminport, Virgin Islands; Unity, Zimbabwe.

Minimum requirements: 2 countries, 100 lives and $100,000 of annual premiums.

Business: 27% medical; 30% life; 5% accidental death; 3% short-term disability; 7% long-term disability; 28% other.

International dividends: Stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: Willi Suter, executive vp-international division-Winterthur-Swiss Insurance Co.; Dr. Thomas Erny, international division-senior vp-Winterthur-Swiss Insurance Co.; Robert J. O'Connell, president/ceo-AIG's Domestic Life Cos.; Gregory A. Arms, vp/director-group management division-AIG.

U.S. contact: Gregory A. Arms, 212-770-2200 or George G. Smyth, 212-416-5790.

Aetna/Generali International Network

1 Liberty Plaza, 37th Floor, New York, N.Y. 10006; 212-602-7600; fax: 212-587-9539

	1991	1990
Int'l premiums	$215,000,000	$210,000,000
U.S. owned	65%	70%
Non-U.S. owned	35%	30%
Pension funds	$950,000,000	$985,000,000
Employees	88	88
U.S.	28	28
Non-U.S.	60	60
Master contracts	117	115
Foreign countries	45	45
Offices	8	8

Formed: 1966.

Member companies: Assicurazioni Generali, Argentina, Spain, United Kingdom; Cia. Providencia Seguro de Retiro, Argentina; The Prudential Assurance Co. Ltd., Australia; Generali-Allgemeine Lebens-

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versicherung A.G., Austria; Generali Belgium S.A., Belgium; Aetna Life & Casualty, Bermuda; Generali do Basil, Brazil; Aetna Canada, Canada; Aetna Chile Vida S.A., Chile; Cia. Granadina de Seguros, Colombia; La Nacional, Cia. de Seguros, Ecuador; Misr Insurance Co., Egypt; Generali France S.A., France; La Concorde, France; La Federation Continentale, France; Generali Lebensversicherung A.G., Germany; Generali Krankenversicherung A.G., Germany; Generali Life A.E., Greece; Aseguradora General S.A., Guatemala; Assicurazioni Generali, Guernsey; East Asia Aetna Insurance Co. Ltd., Hong Kong; Blue Cross (Asia-Pacific) Insurance Ltd., Hong Kong; Irish Life Assurance Co., Ireland; Assicurazioni Generali S.p.A., Italy; Mitsui Mutual Life Insurance Co., Japan; Dongbu Aetna Life Insurance Co. Ltd., Korea; Le Foyer, Cie. Luxembourgeoise d'Assurances, Luxembourg; Aetna Universal Insurance Co., Malaysia; Seguros America S.A., Mexico; De Nederlanden van 1870, Netherlands; The Prudential Assurance Co. New Zealand Ltd., New Zealand; Aetna Health New Zealand Ltd., New Zealand; Forenede Liv A/S, Norway; Cia. Internacional de Seguros de Vida S.A., Panama; Cia. de Seguros ATLAS, Peru; Insular Life Assurance Co., Philippines; Tranquilidade Seguros E.P., Portugal; Insurance Corp. of Singapore, Singapore; Standard General Insurance Co., South Africa; Skandia International Insurance Co., Sweden; Geneva Life Insurance Co., Switzerland; Aetna Life Insurance Co. of America, Taiwan, United Kingdom; Siam Life Insurance Co. Ltd., Thailand; London Clerical Medical Investment Group, United Kingdom; Generali Sigorta, Turkey; Aetna Life & Casualty/ Employee Benefits Division, United States; Seguros Nuevo Mundo S.A., Venezuela.

Minimum requirements: One country for network marketing, two countries and 100 lives for multinational pooling.

Business: 10.5% medical; 26.8% life; 2.5% accidental death; 9.7% long-term disability; 50.5% pension plan.

International dividends: Stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: E. McDonald, managing director-Aetna; G. Ban, executive vp-Generali.

U.S. contact: Susan Kramer, market research & reporting, 212-602-7640.

AREA Benefits Network

Avenue de Beaulieu 25, B-7, 1160
Brussels, Belgium; 322-672-2279;
fax: 322-660-0356

	1991	1990
Int'l premiums	NA	NA
U.S. owned	10%	10%
Non-U.S. owned	90%	90%
Employees	6	5
Non-U.S.	6	5
Lives covered	69,000	45,000
Master contracts	80	75
Foreign countries	41	42
Offices	1	2

Formed: 1979.

Member companies: Plus Ultra, Argentina; Wiener Allianz Leben, Austria; CCI, Bahrain and Kuwait; Royale Belge, Belgium; Bradesco Seguros, Brazil; Tryg Pension, Denmark; Kansa Life, Finland; UAP, France; Allianz Leben, Germany; Interamerican Life, Greece; Eagle Star, Hong Kong and Ireland; Panin Putra, Indonesia; Allianz Pace, Italy; The Meiji Mutual Life, Japan; Al-Nisr Al-Arabi, Jordan; Tong Yang Benefit Life, Korea; Societe Nationale D'Assurances, Lebanon; Pax Versicherungen, Liechtenstein; La Luxembourgeoise-Vie, Luxembourg; Malaysia National, Malaysia; Eagle Star International Financial

Continued on page 54

Guide to benefit network listings

The *Business Insurance* directory of international benefit networks lists networks that responded to a *BI* questionnaire.

Networks are listed as an editorial service; there is no charge for inclusion in the directory.

Listings begin with the network name, address, phone and facsimile numbers.

If supplied by the network, the following financial and operational information for 1991 and 1990 is given: Foreign gross premiums (includes medical, life, accidental death and short- and long-term disability insurance) and the percent generated by foreign operations of U.S. employers vs. non-U.S. employers; funds under management for foreign pension plans of network clients; total network employees and those in U.S. locations; and number of foreign lives covered. Also, the number of master contracts, the number of foreign countries represented and the number of network offices are given.

Business Insurance defines "foreign" as business in any country other than that of the parent or headquarters group. Statistics reflect only contracts which participate in pooling arrangements for which a signed application, master contract or similar formal written arrangement exists.

Provided also are the year the network was formed, names of insurers participating in the network and minimum requirements for employers' participation in the network. A percentage breakdown of business the network conducts is given, as are methods in which the network handles worldwide losses in determining international dividends.

Locations of branch offices, subsidiaries and affiliated companies of network participants are also given.

Names and titles of principal officers and the name of a U.S.-based contact person complete the listings.

Please refer to the geographic index following the directory to locate networks by country. The index includes names of branch offices, subsidiaries and affiliated companies. The company name listed in the directory is noted after each entry if it is not contained within the branch, subsidiary or affiliate name.

Listings are based on each network's response to the questionnaire. Although every effort is made to obtain complete and accurate information, *Business Insurance* is unable to verify all data.

When it comes to international benefits, one network is better by a factor of two.

We're Aetna/Generali. An alliance that was formed in 1966 when Aetna Life Insurance and Assicurazioni Generali came together to serve the needs of multinationals seeking opportunity overseas. Over the past 25 years, we've built one of the largest networks of companies committed to providing life, health and pension benefits for employees all over the world. And offering a uniquely effective approach to global benefits management.

The Aetna/Generali Network consists of branches, subsidiaries and affiliates in more than 40 countries. And because most of them are owned and controlled by Aetna or Generali, our customers enjoy a combination of single-source convenience, flexibility in pricing, underwriting and plan design, plus the kind of service and knowledge of diverse areas and regulations that can only be provided at the local level.

One of the most striking examples of our approach to international benefits is our system of "pooling," through which we merge local contracts into one international pool. To spread the risk. Reduce costs. And pass the savings on to you.

To learn more about us, contact your consultant, broker or the Aetna/Generali Office in New York at 212-602-7627.

Aetna GENERALI

is the combined resources of Aetna Life Insurance Company, Hartford, CT and Assicurazioni Generali Trieste.

Business Insurance
a publication of Crain Communications Inc®

IN CONJUNCTION WITH IBF CONFERENCES

P R E S E N T S

THE *BUSINESS INSURANCE* WINTER HEALTH CARE MANAGEMENT & COST CONTAINMENT CONFERENCE

. . . Focusing on the Major Developments and Challenges facing Managed Care

The industry event for all employee benefit managers, human resource executives, insurance and health care providers

January 13–15, 1993
Hotel del Coronado • San Diego

HEALTH CARE MANAGEMENT CONFERENCE AGENDA

WEDNESDAY, JANUARY 13

6:00 p.m.– 7:30 p.m. *Early Registration and Cocktail Reception*
Hosted by The Upjohn Company

THURSDAY, JANUARY 14

7:45 a.m. *Continental Breakfast & Registration*

9:00 a.m. **OPENING REMARKS BY CONFERENCE CHAIRMEN**

Kathryn J. McIntyre
Publisher/Editorial Director
Business Insurance

James M. Burcke
Editor
Business Insurance

9:15 a.m. **LATEST DEVELOPMENTS IN HEALTH MAINTENANCE AND PREFERRED PROVIDER ORGANIZATIONS**

This panel discussion, moderated by James Burcke of Business Insurance, will focus primarily on the impact managed care has had on the delivery and financing of health care and on the range of options now available to employers. The panel will analyze the following models in terms of their ability to deliver affordable quality care:

- ▶ *Exclusive Provider Organizations*
- ▶ *Point-of-service plans*
- ▶ *Managed fee-for-service*
- ▶ *Utilization review*
- ▶ *Specialty networks*

Moderator:
James M. Burcke
Editor
Business Insurance

Larry Goelman
President & Chief Executive Officer
Cost Care, Inc.

Chip Sharkey
Senior Vice President,
National Marketing
Cigna Corporation

Ed Zalta
Chairman of the Board
& Chief Executive Officer
CAPP CARE, INC.

10:30 a.m. *Mid-morning Refreshments & Table-Top Exhibits*

11:00 a.m. **SPECIAL PRESENTATIONS ON THE NEXT GENERATION OF MANAGED CARE**

New models are in the making as managed care continues to evolve and establish itself as the preferred approach in delivering quality care at an affordable cost. Two distinguished experts in the health care field will share their perspectives and insights on the future direction of managed care and what the implications are for purchasers in the health care marketplace.

Joseph W. Duva
Partner
Ernst & Young

Jacque J. Sokolov, M.D.
President
Sokolov Strategic Alliance

12:15 p.m. *Luncheon for Speakers and Attendees*
Hosted by John Hancock Financial Services

1:00 p.m. **KEYNOTE LUNCHEON SPEAKER**

Stephen M. Wilder
Assistant Treasurer, Risk Management
Walt Disney Company

1:45 p.m. *Break*

2:00 p.m. ***Concurrent Session A:***
DIRECT CONTRACTING: SELECTING AND STRIKING A DEAL WITH A HOSPITAL

- ▶ *Selection criteria*
- ▶ *Negotiating and cutting the deal*
- ▶ *Case Studies: State of Utah and Safeway, Inc.*

Linn J. Baker
Director – Public Employees
Health Program
State of Utah

Nancy Hughes
Group Insurance Manager
Safeway, Inc.

Dr. Arnold S. Milstein
Managing Director
William M. Mercer, Inc.

2:00 p.m. ***Concurrent Session B:***
WORKERS COMPENSATION WORKSHOP: APPLYING MANAGED CARE TECHNIQUES TO CONTAIN WORKERS COMPENSATION COSTS

- ▶ *The range of services required*
  - • *Specialized networks*
  - • *Case management*
  - • *Practice guidelines*

HEALTH CARE MANAGEMENT CONFERENCE AGENDA

▶ *Fraudulent claims: Who is the culprit?*
- *Closing the loopholes*
- *Implementing a prevention program*

▶ *The working model*

Charles Jacobs
President
InterQual, Inc.

Jerry A. Miccolis
Vice President & Workers Compensation
Practice Leader
Towers Perrin

Ed Zutler
President
FHP Insurance Group

3:30 p.m. *Mid-afternoon Refreshments & Table-Top Exhibits*

4:00 p.m. **HEALTH CARE COALITION UPDATE**

As organizations committed to purchasing quality health care for their members and as lobbyists for health care reform, coalitions have spearheaded research projects that have been at the forefront in exploring creative solutions to the health care crisis. Ms. Hubers of The Alliance will discuss how employers can purchase health care based on value. Ms. Powers of the Bay Area Business Group on Health will outline current projects, with special emphasis on the coalition's preventive care initiatives.

Debra Hubers
Director of Marketing
The Alliance

Patricia E. Powers
Executive Director
Bay Area Business Group on Health

5:00 p.m. **COCKTAIL RECEPTION**

FRIDAY, JANUARY 15

7:45 a.m. *Continental Breakfast & Table-Top Exhibits*

9:00 a.m. **REMARKS FROM THE CHAIR**

9:15 a.m. **THE AIDS/HIV CRISIS: ONE EMPLOYER'S RESPONSE**

With no cure in sight, AIDS has challenged employers to respond to a worldwide epidemic that is affecting all aspects of corporate life and the bottom line. Digital Equipment Corporation has established and implemented a coordinated, integrated strategy on behalf of all employees and their families. Worldwide in scope, Digital's HIV/AIDS program encompasses education and outreach that has increased productivity, maintained excellent employee relations and contained health care costs.

Paul A. Ross, Ed.D.
Corporate Manager,
HIV/AIDS Programs
Digital Equipment Corporation

10:00 a.m. *Mid-morning Refreshments & Table-Top Exhibits*

10:30 a.m. **PREVENTIVE CARE: INTEGRATING PREVENTIVE CARE INTO BENEFIT PROGRAMS**

▶ *Financial incentives to promote healthy behavior*

▶ *The ingredients of a successful wellness program*

▶ *Effective employee communication*

Michael Fox
Managing Consultant
A. Foster Higgins & Co.

Lynn Gilfillan
Community Wellness Development
Coordinator
Coors Brewing Company

Allen Iampaglia
Risk Manager
City of Glendale, Arizona

11:30 a.m. *Concurrent Session A:*
NEW DIRECTIONS IN FLEXIBLE BENEFITS

▶ *New ways to manage flexible benefits administration*

▶ *Flexible benefits for retirees*

Larry Atkins
Manager, HR Systems
Barnett Banks, Inc.

Sally Gottlieb
Manager of Benefits Administration
Apple Computer, Inc.

11:30 a.m. *Concurrent Session B:*
BALANCING QUALITY AND COST IN PRESCRIPTION DRUG BENEFIT PLAN DESIGN

▶ *Critical factors in plan design*
- *Quality versus cost in prescription drug benefits*
- *Appropriate drug utilization review*
- *Patient-focused pharmaceutical care*

▶ *Coordinating a full service pharmaceutical benefit*

▶ *Utilizing mail-service in combination with pharmacy networks*

James Heenan
Director, Corporate Accounts Sales
The Upjohn Company

12:30 p.m. *Luncheon for Speakers and Attendees* ***Hosted by FHP, Inc.***

1:15 p.m. **KEYNOTE LUNCHEON SPEAKER**

Frank McArdle
Partner
Hewitt Associates

1:45 p.m. *Break*

2:00 p.m. **AN IN-DEPTH LOOK AT THE CANADIAN HEALTH CARE DELIVERY SYSTEM**

With the health care crisis continuing unabated, the United States has looked with increasing interest to other nations' health care delivery systems. The Canadian health care system has received considerable attention for its ability to deliver universal health care.

Dr. Robert M. MacMillan
Executive Director
Health Insurance Division
Ministry of Health, Ontario

2:45 p.m. **DEBATE ON THE CANADIAN SYSTEM**

Dr. Anthony R. Masso
Vice President, Managed Care and
Insurance Products
Health Insurance Association of America

Howard Weizmann
Vice President
Aetna Benefits Consulting Practices
Aetna Life & Casualty

3:30 p.m. **END OF CONFERENCE**

▶ **HOW TO REGISTER:** Register for The *Business Insurance* Winter Health Care Management & Cost Containment Conference in one of three easy ways:

1. Telephone IBF Conferences at (516) 229-2375, or
2. Fax your registration to us at (516) 229-2386, or
3. Mail your completed registration form (or a photocopy) to:
   IBF Conferences/International Business Forum
   50 Charles Lindbergh Blvd., Suite 400
   Uniondale, NY 11553-3619

▶ **FEE:** Your registration fee includes lunches, refreshments, receptions, and the conference workbook. The registration fee is $795. You may send a check for your registration fee, or we will invoice you. Please make checks payable to "IBF Conferences" and print the name(s) of attendee(s) on the face of the check.

▶ **GROUP DISCOUNT:** A group discount of $100 per person off the registration fee is available for 3 or more registrants from the same company.

▶ **DATES:** January 13–15, 1993

▶ **VENUE:** Hotel del Coronado
1500 Orange Avenue
San Diego, CA 92118
(619) 522-8000

▶ **CANCELLATIONS** received in writing by IBF before December 14, 1992 will receive a refund minus a $100 administrative charge. Thereafter, refunds are not available. Substitutions may be made at any time by calling IBF at (516) 229-2375.

▶ **SPECIAL RATE ON HOTEL ACCOMMODATIONS, AIR TRAVEL AND CAR RENTAL:** Please make your reservations directly with Gata Tours at 1-800-245-4282. Mention the name of the conference to receive special reduced rates.

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Please register the following individuals for The *Business Insurance* Winter Health Care Management & Cost Containment Conference:

1. Name:_____ Title: _____

2. Name:_____ Title: _____

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IBF CONFERENCES

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Services, Isle of Man; Aseguradora Cuauhtemoc, Mexico; Amev Levensverzekering, Netherlands; African Alliance, Nigeria; Gjensidige Liv, Norway; CCI, Oman; Metropolitana, Panama; Ayala Life, Philippines; Fidelidade, Portugal; CCI, Qatar; Catalana Occidente, Spain; Skandia, Sweden; Pax Versicherungen, Switzerland; Oyak Sigorta, Turkey; CCI (U.A.E.), United Arab Emirates; Eagle Star Life, United Kingdom; CIGNA, United States (corresponding partner).

Minimum requirements: 100 lives and two countries for individual pool; 25 lives and 2 countries (within 3 years) and a minimum premium of $10,000 for multiemployer pool.

Business: 2% medical; 40% life; 5% short-term disability; 5% long-term disability; 48% pensions.

International dividends: stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: Robert F. Hubbard, president-AREA Benefits Network/group business director-Eagle Star Life Assurance Co. Ltd., England; Hugo Clemeur, secretary general/managing director.

C

CIGNA Global Benefits Management

1 Beaver Valley Road, P.O. Box 15050, Wilmington, Del. 19850; 302-479-6185; fax: 302-479-6650

	1991	1990
Int'l premiums	$200,000,000	NA
Employees	135	136
U.S.	95	96
Non-U.S.	40	40
Foreign countries	17	16
Offices	26	25

Formed: 1984.

Member companies: CIGNA Life Insurance Australia Ltd., Australia; Colina Insurance Co. Ltd., Bahamas; CIGNA Seguradora S.A., Brazil; CIGNA Life Insurance Co. of Canada, Canada; CIGNA Compania de Seguros de Vida S.A., Chile; CIGNA Seguros de Colombia S.A., Colombia; CIGNA Life Insurance Co. of Europe S.A.-N.V., France, Italy, Scotland, Spain, United Kingdom; Deutsche Bank Group Life & Pension Co., Germany; CIGNA Insurance Co. Hellas S.A., Greece, Middle East; Empresa Guatemalteca CIGNA de Seguros S.A., Guatemala; CIGNA Worldwide Insurance Co., Hong Kong; INA Life Insurance Co. Ltd., Japan; Life Insurance Co. of North America, Korea; CIGNA Life Insurance New Zealand Ltd., New Zealand; Connecticut General Life Insurance Co., Taiwan; CIGNA Worldwide Insurance Co., United States. Cooperative arrangement with Gerling-Konzern in countries where CIGNA is not represented.

Minimum requirements: 25 employees in two or more countries and $15,000 in premiums in addition to life insurance coverages.

International dividends: Stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: James Grigsby, president-CIGNA International Financial Services; Patrick Brennan, vp-CIGNA International Financial Services; Virginia Hollis, vp-global benefits management.

U.S. contact: Virginia Hollis.

COMP through GPI

Gerling-Konzern Welt Service GmbH, Gereonshof, D-5000 Koln 1, Germany; 221-144-3817; fax: 221-144-5818

	1991	1990
Int'l premiums	$8,500,000	$7,500,000
U.S. owned	15%	15%
Non-U.S. owned	85%	85%
Employees	20	20
U.S.	5	5
Non-U.S.	15	15
Lives covered	15,500	14,100
Master contracts	17	15
Foreign countries	34	33

Formed: 1982.

Member companies: 42 insurers worldwide. Gerling pooling instrument is used to set up individual captive pools for multinational organizations.

Minimum requirements: 250 insureds in two countries for a COMP (company's own multinational benefit/insurer pool); 10 lives per country in two countries for a collective multinational pool.

Business: 4% medical; 22% life; 26% accidental death; 19% long-term disability; 29% pension and endowment.

International dividends: Stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: Bernhard Fink, managing director; Michael Ehlers, Heinrich J. Salmen, directors-international employee benefits division.

U.S. contact: Wolfgang Schlaeger, president-GAIC; Oscar Rodriguez, assistant vp.

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus, copies of which may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

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Alex. Brown & Sons International | Merrill Lynch International Limited

ABN AMRO Bank N.V. | BNP Capital Markets Limited

Cazenove & Co. | Dresdner Bank Aktiengesellschaft

G

GAIN Group Assurance International Network

24 Avenue des Arta, Brussels 1040, Belgium; 322-230-33-85; fax: 322-230-34-92

	1991	1990
Employees	7	7
U.S.	2	2
Non-U.S.	5	5
Foreign countries	22	23
Offices	2	2

Formed: 1975.

Member companies: Legal & General Life of Australia Ltd., Australia; Assubel-Vie S.A., Belgium, Luxembourg; Brasil Companhia de Seguros Gerais, Brazil; Mutual Life of Canada, Canada; Tryg Forsikring A.S., Denmark; Assurances Generales de France, France; Colonia Lebensversicherung AG, Germany; AGF Kosmos Vie S.A., Greece; AB Aegon Altalanos Biztosito Rt, Hungary; Irish Life Assurance PLC, Ireland; Toho Mutual Life Insurance Co., Japan; First Life Insurance Co. Ltd., Korea; AEGON Verzekeringen, Netherlands; Sociedade Portuguesa de Seguros, Portugal; AGF Seguros, Spain; Vaudoise Assurances, Switzerland; First Life Insurance Co. Ltd., Taiwan; AGF Garanti Sigorta A.S., Turkey; Legal & General Assurance Society Ltd., United Kingdom; The Principal Financial Group, United States; Fidelity Life Assurance of Zimbabwe (Private) Ltd., Zimbabwe. GAIN is able to provide coverage in other locations through some of their members.

Minimum requirements: Two countries and 25 employees with a minimum of 10 lives per country.

Business: 9% medical; 20% life; 38% long-term disability; 33% deferred retirement/endowment.

International dividends: Stop-loss system; loss carryforward system; loss carryforward system with contingency fund.

Officers: Marc Dierckx, chairman; Eric M. Janssen, managing director; Rich O'Brien, sales/marketing manager-U.S.; Rob Heiligers, sales/marketing manager-Europe; Deanna Strable, actuary.

U.S. contact: Rich O'Brien, 1 Lincoln Centre, Suite 1370, Oakbrook Terrace, Ill. 60181; 708-916-2916.

Global Medical Management Inc.

8211 W. Broward Blvd., Penthouse II, Plantation, Fla. 33324; 800-682-6065; fax: 305-370-6301

	1991	1990
Employees	4*	NA
U.S.	4*	NA
Offices	3*	NA

** 1992 figures.*

Formed: 1992.

Member companies: Global Medical Management, Texas, California.

U.S. contact: Ruth Hamm, director of business development.

Continued on next page

Continued from previous page

H

The John Hancock International Group Program

P.O. Box 111, Boston, Mass. 02117; 617-572-8625; fax: 617-572-8628

	1991	1990
Foreign countries	45	44

Formed: 1967.

Member companies: Sud America Compania de Seguros de Vida y Patrimoniales S.A., Argentina; Australian Mutual Provident Society, Australia; Victoria-Volksbanken Versicherungs AG, Austria; AG Group, Belgium, Luxembourg; Sul America Companhia Nacional de Seguros, Brazil; Maritime Life Assurance Co., Canada; Ceska Pojistovna, Czech and Slovak Federal Republic; Pan American Life Insurance Co., Dominican Republic, Ecuador, Puerto Rico; Consorcio Nacional de Seguros S.A., Chile; Shin Kong Life Insurance Co. Ltd., Taiwan; Pan American de Colombia, Colombia; Compania de Seguros de Vida S.A., Colombia; PFA Pension, Denmark; Sampo Pensions Insurance Co. Ltd., Finland; AXA, France; Victoria Lebensversicherung AG, Germany; Ethniki Hellenic General Insurance Co., Greece; National Mutual Insurance Co. Ltd., Hong Kong; AB-AEGON Altalanos Biztosito Rt., Hungary; P.T. Asuransi Pensiun Bumiputera, Indonesia; Irish Life Assurance P.L.C., Ireland; Societa Assicuratrice Industriale, Italy; Dai-ichi Mutual Life Insurance Co., Japan; Samsung Life Insurance Co. Ltd., Korea; Aetna Universal Insurance Sdn. Bhd., Malaysia; Seguros Monterrey S.A., Mexico; AMEV Levensverzekering N.V., Netherlands; Australian Mutual Provident Society, New Zealand; UNI Storebrand AS, Norway; Insular Life Assurance Co. Ltd., Philippines; Victoria Seguros, Portugal; Insurance Corp. of Singapore Ltd., Singapore; Sud America Vida y Pensiones, Spain; La Suisse, Societe d'Assurances sur la Vie (life and pensions), Switzerland; Pictet & Cie (pensions), Switzerland; Muang Thai Life Assurance Co. Ltd., Thailand; Halk Yasam Sigorta A.S., Turkey; Prudential Assurance Co. Ltd. (life and pensions), United Kingdom; Private Patients Plan (health), United Kingdom; John Hancock Mutual Life Insurance Co., United States; Seguros La Seguridad, C.A., Venezuela; Old Mutual, Zimbabwe.

U.S. contact: Michael J. Allan, vp, 617-572-8625.

I

Insurope/The Multinational Benefits Assn.

Boulevard Bischoffsheim 39, Box 18, B-1000, Brussels, Belgium; 322-217-8163

	1991	1990
Int'l premiums	NA	NA
U.S. owned	50%	50%
Non-U.S. owned	50%	50%
Employees	17	17
U.S.	6	6
Non-U.S.	11	11
Foreign countries	39	38
Offices	3	3

Formed: 1966.

Member companies: Equitativa del Plata, Argentina; National Mutual, Australia, New Zealand; Bundeslander, Austria; A.G. 1824, Belgium; Bradesco Seguros, Brazil; Standard Life, Canada, Ireland; Danica, Denmark; Ecuatoriana-Suiza, Equador; Pension Varma, Finland; GAN, France; Euralliance, France; Alte Leipziger, Germany; Manulife, Hong Kong; Jiwasraya, Indonesia; Fondiaria, Italy; Jamaica Mutual, Jamaica; Asahi Mutual, Japan; Nippon Dantai, Japan; Dong Ah, Korea; A.G. Luxembourg, Luxembourg; Great Eastern, Malaysia, Singapore; Segumex, Mexico; Delta LLoyd, Netherlands; UNI Storebrand, Norway; Peruana-Suiza, Peru; Pan Philippine Life, Philippines; Tranquilidade, Portugal; Sanlam, South Africa; Espana, Spain; Trygg Hansa/SPP, Sweden; Baloise Life, Switzerland; China Life, Taiwan; Siam Commercial Life, Thailand; Guardian Life of the Caribbean, Trinidad; Basak Sigorta, Turkey; Standard Life/BUPA, United Kingdom; Provident Life & Accident, United States; Prudential, United States; Pan American, Venezuela.

Minimum requirements: Two countries for multi-company pool; 200 units or 100 fully insured lives for single-company pool.

Business: 6% medical; 50% life; 1% accidental death; 3% long-term disability; 30% pension; 10% survivors' benefits.

International dividends: Stop-loss system; loss carryforward system.

Officers: Frank Smolar, network manager; Jim Wallace, network actuary; Hugh Gallagher, marketing/sales manager; Mary Mellor, customer service coordinator.

U.S. contact: Bob Pickrell, president-MBA, Connecticut; 203-354-9144.

M

Multinational Insurance Arrangement

The Travelers Cos.-International Operations, 1 Tower Square, Hartford, Conn. 06183-7040; 203-954-3784; fax: 203-277-6508

	1991	1990
Int'l. premiums	$31,189,000	$24,700,000
U.S. owned	56%	68%
Non-U.S. owned	44%	32%
Pension funds	$205,209,000	$78,000,000
Employees	27	25
U.S.	19	19
Non-U.S.	8	6
Lives covered	146,000	146,000
Master contracts	177	236
Foreign countries	54	55
Offices	3	6

Formed: 1970.

Member companies: Compania la Buenos Aires, Argentina; Mercantile Mutual, Australia; Anglo-Elementar, Austria; The Travelers Insurance Cos., Bahamas, Puerto Rico, United States, U.S. Virgin Islands; Patriotique S.A. Compagnie d'Assurances, Belgium; Companhia Adriatica de Seguros, Brazil; L'Union des Assurances de Paris, Burkina Faso, Central African Republic, France, Gabon, Ivory Coast, Niger, Senegal, Togo; Compagnie Camerounaise d'Assurances, Cameroon; Crown Life Insurance Co., Canada; La Star Nationale Societe Tchadienne d'Assurances, Chad; La Constuccion, Chile; Skandia de Colombia, Colombia; Tryg Forsikring, Denmark; Compania Nacional de Seguros C. por A., Dominican Republic; NOVA Life Insurance Co., Finland; Groupe Malakoff (Associate), France; Gotaer Life, Germany; Gotaer Kranken, Germany; Allianz Life, Greece; Guardian Assurance PLC, Hong Kong, New Zealand; Carlingford

Continued on next page

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Continued from previous page
Medical, Hong Kong; Bumi Asih Jaya, Indonesia; Caledonian Insurance Co., Ireland; Riunione Adriatica di Sicurta, Italy; Nippon Life Insurance Co., Japan; Le Foyer S.A., Luxembourg; Great Eastern Life Assurance Co., Malaysia, Singapore; Grupo Nacional Provincial, Mexico; Al Amane, Morocco; Nationale-Nederlanden Levensverzekering Maatschappij N.V., Netherlands; Royal Exchange Assurance (Nigeria) Ltd., Nigeria; UNI Storebrand Insurance Co., Norway; Compania Internacional de Seguros de Vida, Panama; El Sol, Compania de Seguros Generales, Peru; Great Pacific Life Assurance Co., Philippines; Portugal Previdente Companhia de Seguros, Portugal; Liberty Life Assn. of Africa Ltd., South Africa; Allianz-RAS Seguros, Spain; VITA Life Insurance Co. Ltd., Switzerland; Cathay Life Insurance Co. Ltd., Taiwan; The South East Insurance Co. Ltd., Thailand; Dhamen Union d'Assurance et de Prevoyance, Tunisia; Sark Hyat Sigorta A.S., Turkey; Guardian Royal Exchange Assurance, United Kingdom; The Orion Insurance Co. PLC, United Kingdom; Adriatica Venezolana de Seguros C.A., Venezuela.

Minimum requirements: 100 employees in two or more countries.

Business: 25.3% medical; 62.5% life; 12.2% long-term disability.

International dividends: Loss carryforward system; loss carryforward system with contingency fund.

Officers: Abelardo Angulo, executive vp-Grupo Nacional Provincial; Herve Guenard, director-UAP; Tim Lloyd-Williams, general manager-GRE; Bruce MacMillian, president-International Operations Travelers; Dario Schiller, vicedirettore-RAS; Hans Verstegen, general manager-Nationale Nederlanden.

U.S. contact: Michael G. Sandmann, division vp-Travelers, 203-954-3784.

S

The Swiss Life Network

General Guisan-Quai 40, 8002
Zurich, Switzerland; 411-284-3797;
fax: 411-280-1980

	1991	1990
Int'l premiums	NA	NA
U.S. owned	50%	50%
Non-U.S. owned	50%	50%
Employees	100	100
U.S.	10	10
Non-U.S.	90	90
Foreign countries	40	39
Offices	46	43

Formed: 1960.

Member companies: Sud Atlantica, Argentina; Colonial Mutual, Australia; Wiener Stadtische, Austria; Swiss Life, Belgium, Italy, Luxembourg, Spain, United Kingdom; Iochpe Seguradora, Brazil; Canada Life, Canada; Renta Nacional, Chile; Seguros Bolivar, Colombia; Kooperativa, Czech and Slovak Federal Republic; PFA Pension, Denmark; Danica, Denmark; International Health Insurance, Denmark; Ilmarinen, Finland; Suomi-Salama, Finland; Societe Suisse (Swiss Life), France; Schweizerische Rentenanstalt (Swiss Life), Germany; Laiki, Greece; Seguros de Occidente, Guatemala; Jardine Life, Hong Kong; Lippo Life, Indonesia; Irish Life, Ireland; Meiji Life, Japan; Korea Life, Korea; La Comercial, Mexico; ZwitserLeven (Swiss Life), Netherlands; Colonial Mutual, New Zealand; Vital, Norway; Aseguradora Mundial de Panama, Panama; Lincoln Philippine Life, Philippines; General Life Insurance Co. of Poland, Poland; Imperio, Portugal; NTUC Income, Singapore; Southern Life, South Africa; Swiss Life-Rentenanstalt, Switzerland; La Suisse (non-life), Switzerland; Swiss Mobiliar (non-life), Switzerland; Kuo Hua Life, Taiwan; Bangkok Life, Thailand; The Guardian, United States; MassMutual, United States; Swiss Life North American Services, United States; La Metropolitana, Venezuela.

Minimum requirements: 100 lives and a minimum of two countries.

Business: 7% medical; 16% life; 2% accidental death; 7% short-term disability; 10% long-term disability, 58% old age pension.

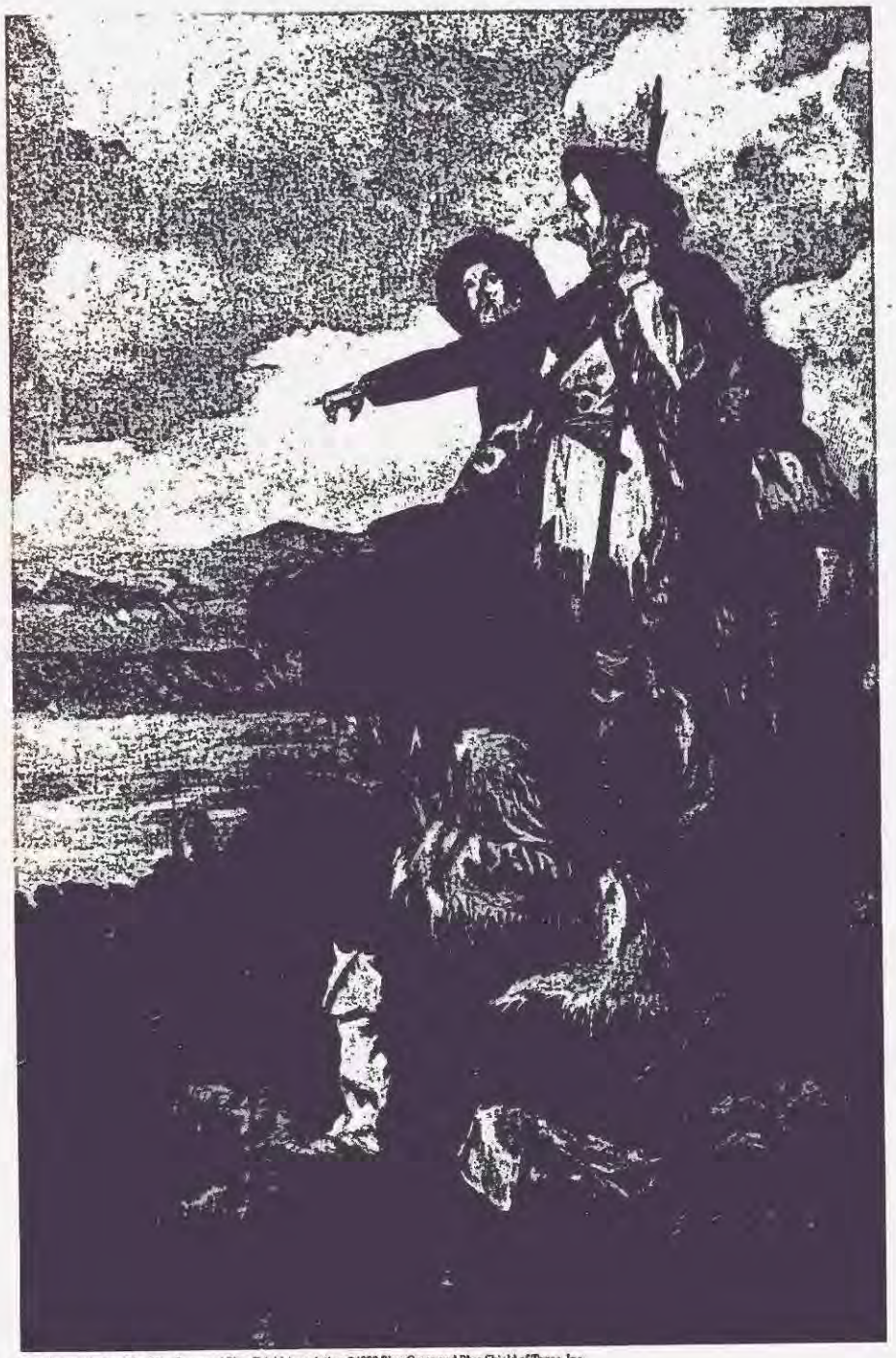
International dividends: Stop-loss system; loss carryforward system.

Officers: Dr. G. Winterberger, chairman-supervisory board and committee; P. Dreyer, chairman-investment committee; K. Rutz, president/chief executive officer-executive board; E. Schneebeli, deputy co-president-executive board; Dr. K. Muehlebach, executive vp.

U.S. contact: Philipp Frei, president-Swiss Life North American Services; 201-670-1515. ■

Making your way through a range of group health coverage options can be difficult, to say the least. And while that may not require you to be fluent in native dialects or great at navigating a canoe, it still helps to have a partner who can guide you through it all.

WHEN MAPPING OUT HEALTH COVERAGE IT HELPS TO HAVE A PARTNER WHO'S A PIONEER IN THE FIELD.



HAD CAPT. MERIWETHER LEWIS NOT CHOSEN WILLIAM CLARK TO ACCOMPANY HIM, MANY DOUBT THAT THE EXPEDITION OF 1804 WOULD HAVE EVER SUCCEEDED.

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Listings of networks by country

American Samoa

AILIFE (A.I.G./Winterthur)

Antigua

ALICO (A.I.G./Winterthur)

Argentina

Assicurazioni Generali (Aetna/Generali)
Cia Providencia Seguro de Retiro (Aetna/Generali)
Compania la Buenos Aires (Multinational)
Equitativa del Plata (Insurope)
La Meridional (A.I.G./Winterthur)
Plus Ultra (AREA)
Sud Alantica (Swiss Life)
Sud America Compania de Seguros de Vida y Patrimoniales S.A. (John Hancock)

Aruba

ALICO (A.I.G./Winterthur)

Australia

AAA (A.I.G./Winterthur)
Australian Mutual Provident Society (John Hancock)
CIGNA Life Insurance Australia Ltd.
Colonial Mutual (Swiss Life)
Legal & General Life of Australia Ltd. (GAIN)
Mercantile Mutual (Multinational)
National Mutual (Insurope)
The Prudential Assurance Co. Ltd. (Aetna/Generali)

Austria

Anglo-Elementar (Multinational)
Bundeslander (Insurope)
Generali-Allgemeine Lebensversicherung A.G. (Aetna/Generali)
Raiffeisen Versicherung (AGRI)
Victoria-Volksbanken Versicherungs AG (John Hancock)
Wiener Allianz Leben (AREA)
Wiener Stadtische (Swiss Life)
Winterthur (A.I.G./Winterthur)

Continued on next page

Continued from previous page

Bahamas

ALICO (A.I.G./Winterthur)
Colina Insurance Co. Ltd. (CIGNA)
The Travelers Insurance Cos. (Multinational)

Bahrain

ALICO (A.I.G./Winterthur)
CCI (AREA)

Bangladesh

ALICO (A.I.G./Winterthur)

Barbados

ALICO (A.I.G./Winterthur)

Belgium

ABB (AGRI)
A.G. 1824 (Insurope)
AG Group (John Hancock)
Assubel-Vie S.A. (GAIN)
Generali Belgium S.A. (Aetna/Generali)
Patriotique S.A. Compagnie d'Assurances (Multinational)
Royale Belge (AREA)
Swiss Life (Belgium)
Winterthur (A.I.G./Winterthur)

Belize

ALICO (A.I.G./Winterthur)

Bermuda

ALICO (A.I.G./Winterthur)

Brazil

Bradesco Seguros (AREA; Insurope)
Brasil Companhia de Seguros Gerais (GAIN)
CIGNA Seguradora S.A.
Companhia Adriatica de Seguros (Multinational)
Generali do Basil (Aetna/Generali)
Interamericana (A.I.G./Winterthur)
Iochpe Seguradora (Swiss Life)
Sul America Companhia Nacional de Seguros (John Hancock)

Burkina Faso

L'Union des Assurances de Paris (Multinational)

Cameroon

ALICO (A.I.G./Winterthur)
Compagnie Camerounaise d'Assurances (Multinational)

Canada

Aetna Canada
Canada Life (Swiss Life)
CIGNA Life Insurance Co. of Canada
Crown Life Insurance Co. (Multinational)
London Life (A.I.G./Winterthur)
Maritime Life Assurance Co. (John Hancock)
Mutual Life of Canada (GAIN)
Standard Life (Insurope)

Cayman Islands

ALICO (A.I.G./Winterthur)

Central African Republic

L'Union des Assurances de Paris (Multinational)

Chad

La Star Nationale Societe Tchadienne d'Assurances (Multinational)

Channel Islands

ALICO (A.I.G./Winterthur)

Chile

Aetna Chile Vida S.A.
CIGNA Compania de Seguros de Vida S.A.
Consorcio Nacional de Seguros S.A. (John Hancock)
La Constuccion (Multinational)
La Interamericana (A.I.G./Winterthur)
Renta Nacional (Swiss Life)

China

Peoples Insurance Co. (A.I.G./Winterthur)

Colombia

Cia Granadina de Seguros (Aetna/Generali)
CIGNA Seguros de Colombia S.A.
Compania de Seguros de Vida S.A. (John Hancock)
La Interamericana (A.I.G./Winterthur)
Pan American de Colombia (John Hancock)
Seguros Bolivar (Swiss Life)
Skandia de Colombia (Multinational)

Continued on next page

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Banque Indosuez
Conning International Inc.
Crédit Lyonnais Securities
Credit Suisse First Boston Limited
Daiwa Europe Limited
Dresdner Bank AG
Merrill Lynch International Limited
Nomura International
N M Rothschild & Sons Limited
UBS Phillips & Drew Securities Limited

Continued from previous page

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Instituto Nacional de Seguros de Costa Rica (A.I.G./Winterthur)

Curacao

ALICO (A.I.G./Winterthur)

Cyprus

ALICO (A.I.G./Winterthur)

Czech and Slovak Fed. Rep.

Ceska Pojistovna (John Hancock)
First American Czech (A.I.G./Winterthur)
Kooperativa (Swiss Life)

Denmark

Danica (Insurope) (Swiss Life)
International Health Insurance (Swiss Life)
PFA Pension (John Hancock; Swiss Life)
Tryg Forsikring (GAIN; Multinational)
Tryg Pension (AREA)
Winterthur (A.I.G./Winterthur)

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Compania Nacional de Seguros C. por A. (Multinational)

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Dominicana

ALICO (A.I.G./Winterthur)

Ecuador

AIU (A.I.G./Winterthur)
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Ecuatoriana-Suiza (Insurope)
La Nacional, Cia, de Seguros (Aetna/Generali)

Egypt

AIU/Al Clark (A.I.G./Winterthur)
Misr Insurance Co. (Aetna/Generali)

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NOVA Life Insurance Co. (Multinational)
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Pohjola (A.I.G./Winterthur)
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La Federation Continentale (Aetna/Generali)
GAN (Insurope)
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U.A.P. (AREA)
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L'Union des Assurances de Paris (Multinational)

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Alte Leipziger (Insurope)
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Deutsche Bank Group Life and Pension Co. (CIGNA)
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Gerling-Konzern (COMP)
Gothaer Life (Multinational)
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Winterthur (A.I.G./Winterthur)

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Interamerican Life (AREA)
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Carlingford Medical (Multinational)
CIGNA Worldwide Insurance Co.
Eagle Star (AREA)
East Asia Aetna Insurance Co. Ltd. (Aetna/Generali)
Guardian Assurance P.L.C. (Multinational)
Jardine Life (Swiss Life)
Manulife (Insurope)
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AJIA (A.I.G./Winterthur)
Bumi Asih Jaya (Multinational)
Jiwasraya (Insurope)
Lippo Life (Swiss Life)
P.T. Asuransi Pensiun Bumiputera (John Hancock)
Panin Putra (AREA)

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Caledonian Insurance Co. (Multinational)
Eagle Star (AREA)
Irish Life Assurance P.L.C. (Aetna/Generali; GAIN; John Hancock; Swiss Life)
New Ireland Life (A.I.G./Winterthur)
Standard Life (Insurope)

Isle of Man

Eagle Star International Financial Services (AREA)

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Allianz Pace (AREA)
Assicurazioni Generali S.p.A. (Aetna/Generali)
CIGNA Life Insurance Co. of Europe
Fondiaria (Insurope)
Riunione Adriatica di Sicurta (Multinational)
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Swiss Life (Italia)

Ivory Coast

ALICO (A.I.G./Winterthur)
L'Union des Assurances de Paris (Multinational)

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ALICO (A.I.G./Winterthur)
Jamaica Mutual (Insurope)

Japan

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Asahi Mutual (Insurope)
Dai-ichi Mutual Life Insurance Co. (John Hancock)
INA Life Insurance Co. Ltd. (CIGNA)
Meiji Life (AREA; Swiss Life)
Mitsui Mutual Life Insurance Co. (Aetna/Generali)
Nippon Dantai (Insurope)
Nippon Life Insurance Co. (Multinational)
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Al-Nisr Al-Arabi (AREA)

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ALICO (A.I.G./Winterthur)

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Le Foyer S.A. (Multinational)
La Luxembourgeoise Vie (AGRI; AREA)
Swiss Life (Luxembourg)
Winterthur (A.I.G./Winterthur)

Malaysia

A.I.A. (A.I.G./Winterthur)
Aetna Universal Insurance Co. (Aetna/Generali; John Hancock)
Great Eastern Life Assurance Co. (Insurope; Multinational)
Malaysia National (AREA)

Malta

ALICO (A.I.G./Winterthur)

Mexico

Aseguradora Cuauhtemoc (AREA)
La Comercial (Swiss Life)
Grupo Nacional Provincial (Multinational)
Interamericana (A.I.G./Winterthur)
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Al Amane (Multinational)

Netherlands

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AMEV Levensverzekering N.V. (AREA; John Hancock)
De Nederlanden van 1870 (Aetna/Generali)
Delta LLoyd (Insurope)
Interpolis (AGRI)
Nationale-Nederlanden Levensverzekering Maatschappij N.V. (Multinational)
Winterthur (A.I.G./Winterthur)
ZwitserLeven (Swiss Life)

New Zealand

Aetna Health New Zealand Ltd. (Aetna/Generali)
ALICO (A.I.G./Winterthur)
Australian Mutual Provident Society (John Hancock)
CIGNA Life Insurance New Zealand Ltd.
Colonial Mutual (Swiss Life)
Guardian Assurance P.L.C. (Multinational)
National Mutual (Insurope)
The Prudential Assurance Co. New Zealand Ltd. (Aetna/Generali)

Niger

L'Union des Assurances de Paris (Multinational)

Nigeria

African Alliance (AREA)
ALICO (Nigeria) Ltd. (A.I.G./Winterthur)
Royal Exchange Assurance (Nigeria) Ltd. (Multinational)

Norway

Forenede Liv A/S (Aetna/Generali)
Gjensidige Liv (AREA)
Gjensidige (A.I.G./Winterthur)
UNI Storebrand (Insurope; John Hancock; Multinational)
Vital (Swiss Life)

Oman

ALICO (A.I.G./Winterthur)
CCI (AREA)

Pakistan

AIU (A.I.G./Winterthur)

Panama

ALICO (A.I.G./Winterthur)
Aseguradora Mundial de Panama (Swiss Life)
Cia Internacional de Seguros de Vida S.A. (Aetna/Generali)
Compania Internacional de Seguros de Vida (Multinational)
Metropolitana (AREA)

Paraguay

American Home (A.I.G./Winterthur)

Peru

Cia de Seguros ATLAS (Aetna/Generali)
El Pacifico (A.I.G./Winterthur)
Peruana-Suiza (Insurope)
El Sol, Compania de Seguros Generales (Multinational)

Philippines

Ayala Life (AREA)
Great Pacific Life Assurance Co. (Multinational)
Insular Life Assurance Co. (Aetna/Generali; John Hancock)
Lincoln Philippine Life (Swiss Life)
Pan Philippine Life (Insurope)
Philam Life (A.I.G./Winterthur)

Poland

First American Life (A.I.G./Winterthur)
General Life Insurance Co. of Poland (Swiss Life)

Portugal

ALICO (A.I.G./Winterthur)
Fidelidade (AREA)
Imperio (Swiss Life)
Portugal Prevedente Companhia de Seguros (Multinational)
Sociedade Portuguesa de Seguros (GAIN)
Tranquilidade Seguros E.P. (Aetna/Generali; Insurope)
Victoria Seguros (John Hancock)

Puerto Rico

Aminport (A.I.G./Winterthur)
Pan American Life Insurance Co. (John Hancock)
The Travelers Insurance Cos. (Multinational)

Qatar

ALICO (A.I.G./Winterthur)
CCI (AREA)

Saipan

A.I.A. (A.I.G./Winterthur)

Saudi Arabia

ALICO (A.I.G./Winterthur)

Senegal

ALICO (A.I.G./Winterthur)
L'Union des Assurances de Paris (Multinational)

Singapore

A.I.A. (A.I.G./Winterthur)
Great Eastern (Insurope; Multinational)
Insurance Corp. of Singapore (Aetna/Generali; John Hancock)
NTUC Income (Swiss Life)

South Africa

Liberty Life Assn. of Africa Ltd. (Multinational)
Norwich Life (A.I.G./Winterthur)
Sanlam (Insurope)
Southern Life (Swiss Life)
Standard General Insurance Co. (Aetna/Generali)

South Korea

ALICO (A.I.G./Winterthur)

Spain

AGF Seguros (GAIN)
ALICO/Winterthur (A.I.G./Winterthur)
Allianz-RAS Seguros (Multinational)
Assicurazioni Generali (Aetna/Generali)
Catalana Occidente (AREA)
CIGNA Life Insurance Co. of Europe
Espana (Insurope)
Sud America Vida y Pensiones (John Hancock)
Swiss Life (Espana; Swiss Life)

St. Kitts

ALICO (A.I.G./Winterthur)

St. Lucia

ALICO (A.I.G./Winterthur)

St. Marten

ALICO (A.I.G./Winterthur)

St. Vincent

ALICO (A.I.G./Winterthur)

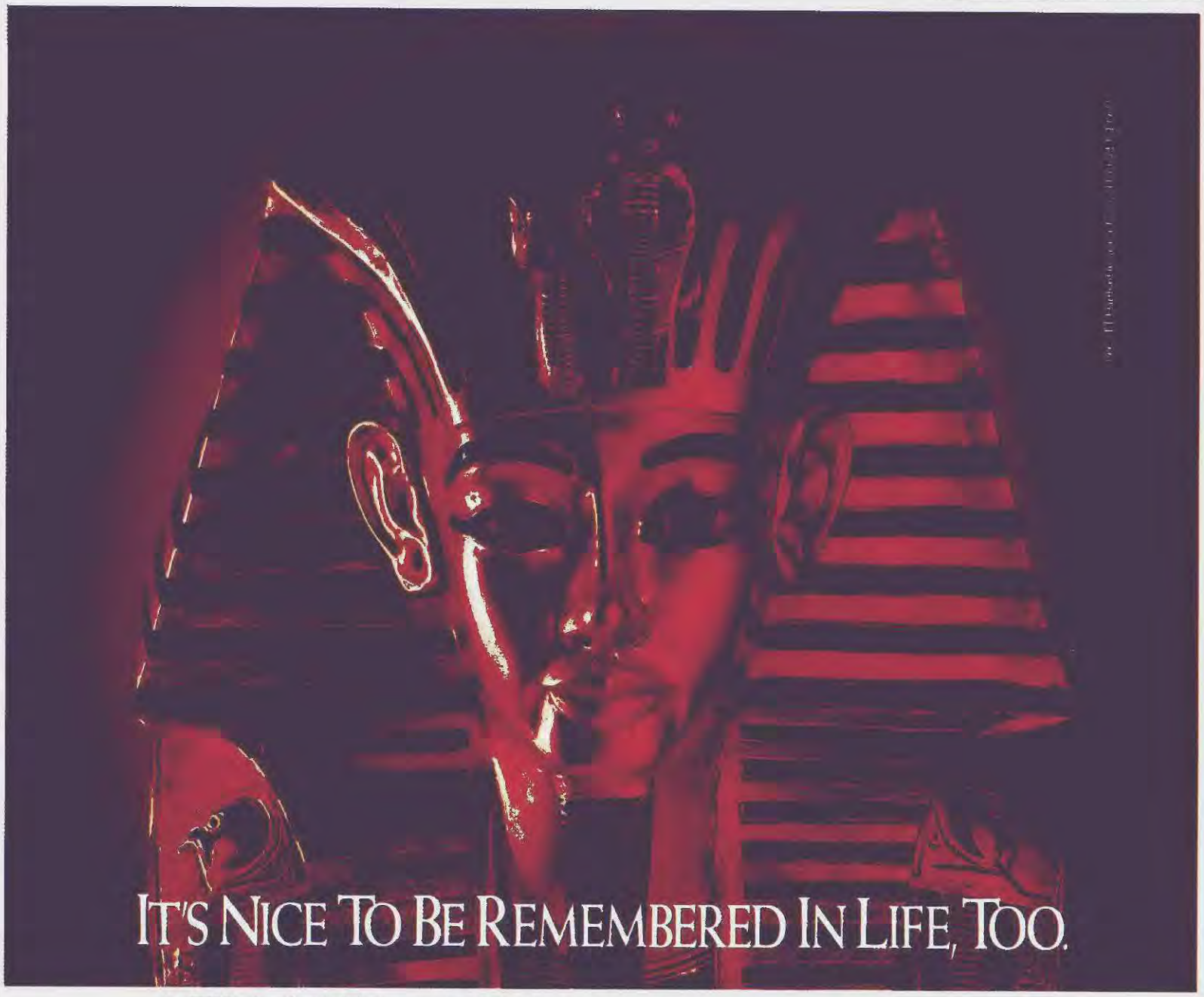
Suriname

ALICO (A.I.G./Winterthur)

Sweden

Lansforsakringar (AGRI)
Skandia International (A.I.G./ Winterthur; Aetna/Generali; AREA)
Trygg Hansa/SPP (Insurope)

Continued on next page



At ITT Hartford, life insurance is living up to its name.

Our new Living Benefits Option provides up to 50% of the face value of a group life policy if a plan participant is stricken by a terminal illness (with a prognosis of a year or less). This money is paid out in one lump sum and there are no restrictions on its use.

The sad fact is, a prolonged illness can quickly wipe out a family's lifetime savings.

Our Living Benefits Option can be used to pay off a mortgage, for nursing or health care, to consolidate household bills or simply as a financial cushion for family members.

ITT Hartford is the seventh largest writer of group life in the nation. We're well recognized as a superior market for basic and supplemental group term policies that protect loved ones from the consequences of a death. But it's nice to be remembered in life, too.

Our Living Benefits Option is available in 38 states. To find out if yours is one of them, contact your ITT Hartford Life Representative.

ITT HARTFORD

For The Best In Life—And Health.

Malpractice study

Continued from page 2

The study of New Jersey malpractice claims was done by researchers led by Dr. Mark I. Taragin of the University of Medicine and Dentistry of New Jersey.

The study was based on data provided by doctor-owned New Jersey Medical Inter-Insurance Exchange, which covers 60% of the state's doctors.

Results of the study appear in the Nov. 1 issue of the Annals of Internal Medicine, an American College of Physicians publication.

The researchers analyzed 8,231 lawsuits filed against doctors in New Jersey. The incidents underlying the suits occurred from 1977 through 1985 and were resolved by courts or by settlements by 1992.

The New Jersey malpractice insurer classifies claims as defensible, indefensible or unclear.

Physicians' actions were considered indefensible in one-quarter of the cases. Doctors admitted their errors in half those cases; the other half were classified indefensible after peer review.

Care was deemed defensible in 62% of the cases and unclear in 13%.

Patients were compensated in nine out of 10 cases considered indefensible but in only two of every 10 defensible cases, researchers found.

The study also shows that huge awards are uncommon and that the severity of injury affects neither the probability of a malpractice award nor the size of jury awards.

Severity of injury, though, was found to be closely correlated to the size of awards made by judges and the size of settlements.

In 64% of the 3,515 cases that resulted in payment to patients, payments were $10,000 to $200,000. Twenty-one percent were less than $10,000; 15% exceeded $200,000.

Payments ranged from $24 to $4 million, with a median of $45,551.

The median jury award, $114,170, was more than twice the median for all cases, but the highest jury award was only $2.6 million.

Despite the study's conclusion that the tort system system works better in resolving malpractice claims than many doctors believe, tort reform proponents say the findings are not an argument against the need for further reform.

"It's no comfort to a doctor who has had to suffer through years of pre-trial discovery to eventually be vindicated," said Martin Connor, president of the American Tort Reform Assn., a business-backed lobby in Washington. "It tells you we need tort reform action."

Although the study set out to dispel myths in the medical community that the legal system is biased against doctors, "physicians will not regard this as comforting," Mr. Connor said. "It's the constant challenge to the competence and integrity of physicians that wears them down."

Mr. Connor expects that sweeping malpractice tort reforms will be introduced early to the next Congress.

"I predict major efforts in 1993 to address this problem," he noted.

Referring to Gov. Bill Clinton's presidential campaign promise to reform the national health care system, Mr. Connor said: "Any comprehensive health care proposal will include provisions for medical malpractice reform."

Tort and malpractice reform efforts also will continue on the state level, he said. "They are not waiting for the federal government."

But one health policy researcher believes tort reform does not go far enough in improving the medical malpractice system.

"The biggest failing of the system is not preventing preventable injuries," said Randall R. Bovbjerg, senior research associate with the Urban Institute's Health Policy Center in Washington, a non-profit, non-partisan research group.

Mr. Bovbjerg, who wrote an editorial accompanying the study, calls for a no-fault medical malpractice insurance system and closer monitoring of physicians' mistakes.

But, a no-fault system would have to be modified for medical malpractice. "There is no true no-fault (in health care)," Mr. Bovbjerg explained. The claimant would still "have to prove the injury was caused by medical care, due to (physicians') action or inaction," and not by the underlying illness or injury.

But, simplifying the process for filing and processing malpractice claims would reveal medicine's "dirty little secret: There are more medical injuries than people realize that never become the basis of a liability (claim)," Mr. Bovbjerg said.

Even with a low rate of injury, estimated between 3.5% and 4.5% of all hospitalizations, malpractice affects many people, he said.

Not all injuries are obvious, and a medical review board could reveal more cases than currently reach the courts.

"This study says the existing system works better than most doctors believe, because the main system has become insurance companies run by doctors," Mr. Bovbjerg said. "Nonetheless, the system gets hardly any of the cases. It takes a long time and it is costly to get them through."

Malpractice reform efforts should focus on improving medical care and reducing injuries, not on fear of litigation, he said.

"Even if you shoot all the lawyers, it won't solve the problem," Mr. Bovbjerg said.

Placing caps on the amount of awards for specific injuries is aimed at lawyers, not at doctors.

Mr. Bovbjerg said that improving the malpractice claim-payment system would eliminate "defensive doctoring," like doctors either pulling out of what they perceive to be high-risk fields or "overservicing" by ordering extensive tests or procedures to build a defense against potential malpractice claims. ■

Continued from previous page

Switzerland

Baloise Life (Insurope)
Geneva Life Insurance Co. (Aetna/Generali)
Pax Versicherungen (AREA)
Pictet & Cie-pensions (John Hancock)
La Suisse, Societe d'Assurances sur la Vie-life and pensions (John Hancock)
La Suisse, non-life (Swiss Life)
Swiss Mobiliar, non-life (Swiss Life)
Vaudoise Assurances (GAIN)
VITA Life Insurance Co. Ltd. (Multinational)
Winterthur (A.I.G./Winterthur)

Taiwan

Aetna Life Insurance Co. of America (Aetna/Generali)
Cathay Life Insurance Co. Ltd. (Multinational)
China Life (Insurope)
Connecticut General Life Insurance Co. (CIGNA)
First Life Insurance Co. Ltd. (GAIN)
Kuo Hua Life (Swiss Life)
Nan Shan (A.I.G./Winterthur)
Shin Kong Life Insurance Co. Ltd. (John Hancock)

Thailand

A.I.A. (A.I.G./Winterthur)
Bangkok Life (Swiss Life)
Muang Thai Life Assurance Co. Ltd. (John Hancock)
Siam Commercial Life (Insurope)
Siam Life Insurance Co. Ltd. (Aetna/Generali)
The South East Insurance Co. Ltd. (Multinational)

Togo

L'Union des Assurances de Paris (Multinational)

Trinidad & Tobago

ALGICO (A.I.G./Winterthur)
Guardian Life of the Caribbean (Insurope)

Tunisia

Dhamen Union d'Assurance et de Prevoyance (Multinational)

Turkey

AGF Garanti Sigorta A.S. (GAIN)
ALICO (A.I.G./Winterthur)
Basak Sigorta (Insurope)
Generali Sigorta (Aetna/Generali)
Halk Yasam Sigorta A.S. (John Hancock)
Oyak Sigorta (AREA)
Sark Hyat Sigorta A.S. (Multinational)

Uganda

Uganda/American (A.I.G./Winterthur)

United Arab Emirates

ALICO (A.I.G./Winterthur)
CCI-U.A.E. (AREA)

United Kingdom

Aetna Life Insurance Co. Ltd. (Aetna/Generali)
ALICO (A.I.G./Winterthur)
Assicurazioni Generali (Aetna/Generali)
CIGNA Insurance
Clerical Medical Investment Group (Aetna/Generali)
Eagle Star Life (AREA)
Guardian Royal Exchange Assurance (Multinational)
Legal & General Assurance Society Ltd. (GAIN)
NFU Mutual (AGRI)
The Orion Insurance Co. P.L.C (Multinational)
Private Patients Plan-health (John Hancock)
Prudential Assurance Co. Ltd.-life and pensions (John Hancock)
Standard Life/BUPA (Insurope)
Swiss Life (UK)

United States

A.I.G.Life/A.I.Life (A.I.G./Winterthur)
Aetna Life & Casualty/Employee Benefits Division (Aetna/Generali)
CIGNA Worldwide Insurance Co.
Global Medical Management
The Guardian (Swiss Life)
John Hancock Mutual Life Insurance Co.
MassMutual (Swiss Life)
The Principal Financial Group (GAIN)
Provident Life & Accident (Insurope)
Prudential (Insurope)
Swiss Life North American Services
The Travelers Insurance Cos. (Multinational)

Uruguay

Montevideo (A.I.G./Winterthur)

Venezuela

Adriatica Venezolana de Seguros C.A. (Multinational)
La Metropolitana (Swiss Life)
Pan American (Insurope)
Seguros La Seguridad, C.A. (John Hancock)
Seguros Nuevo Mundo S.A. (Aetna/Generali)
Seguros Venezuela (A.I.G./Winterthur)

Virgin Islands

Aminport (A.I.G./Winterthur)
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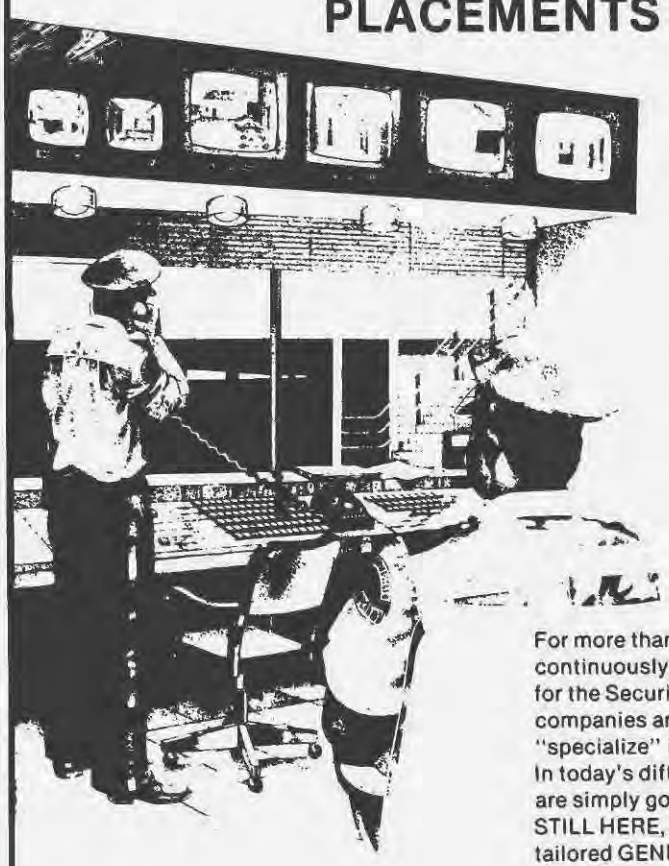
Yemen

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INTERNATIONAL

40 Lloyd's syndicates close, merge

By STACY SHAPIRO

LONDON—Fewer members and more selective members agents are forcing consolidation at Lloyd's of London's, which may drive down capacity by 15% for 1993.

But policyholders shouldn't worry, says Lloyd's Chief Executive Peter Middleton, who stressed that Lloyd's security is sound and the market will pay its claims.

Forty of the 279 syndicates writing this year are closing or merging, members agents report. Of these, a dozen have ceased trading. This includes recently closed syndicate 235, managed by Edward Williams Coutts & Partners Ltd. and underwritten by Michael Williams.

A spokesman for Lloyd's confirmed 33 syndicates have ceased or merged, but he conceded his information is not as up-to-date as the members agents.

Most of the mergers and closures in the market are due to lack of support from members agents.

Many of the closing syndicates are small and their expenses could outweigh any profits, explained one agent. "Once you get to between 6 million pounds and 8 million pounds, members agents are not interested."

In the meantime, Lloyd's has earmarked between 360 million pounds and 400 million pounds ($554.2 million and $615 million) of its 1 billion pound ($1.54 billion) Central Fund for uncollected cash calls on members, Bob Hewes, Lloyd's head of regulatory services, said last week.

Lloyd's has sent 3,500 letters asking members to pay their losses before it takes legal action, and has issued 194 writs against members in the High Court to compel them pay their debts.

But, in a burst of sympathy last week, Lloyd's announced a six-month moratorium on any more writs being issued to members. Lloyd's Mr. Middleton said he had told a group of four Members of Parliament of this decision, which they felt was "a good step forward."

The moratorium coincided with—but was not connected to—the first reported suicides linked to the Lloyd's debts of two members in Wales and Canada, observed Mr. Middleton. "We are human beings and we are affected (by the deaths),

Continued on next page

Svenska Kredit's rescue plan fizzles, bankruptcy follows

By MARIA KIELMAS

STOCKHOLM, Sweden—Troubled credit insurer Svenska Kreditforsakring has filed for bankruptcy as recriminations continue to fly between insurance companies and banks about who's to blame for killing a rescue proposal.

A three-year rescue plan agreed to in principle last month required approval by the boards of all financial institutions involved with the insurer. The plan was not approved. Now, banks and insurers are blaming each other for the failure, making it difficult to determine which party was willing to sign on to the proposal.

Meanwhile, in other Scandinavian insurance developments:

- Norway's UNI Storebrand A/S, which was taken under administration in August (*BI*, Aug. 31), has announced losses of 1.36 billion Norwegian krone ($213.1 million) for the first eight months of the year from its failed takeover attempt of Skandia Group.
- Denmark's Baltica Holding A/S announced a restructuring plan designed to relieve its liquidity crisis and refocus operations on its Baltica Forsikring subsidiary.

In the rift over Svenska Kredit, the credit insurer issued a statement saying that major shareholders Skandia Group and Trygg-Hansa SPP Holding A.B. were prepared to make substantial commitments to avert bankruptcy. But Swedish banks, which are the insurer's major creditors, were not prepared to assume responsibility for any part of the liquidity that Svenska Kredit could require during a winding-up period, the statement said.

A Trygg-Hansa spokesman said that his company and Skandia were together prepared to put up nearly 1 billion Swedish krona ($169.4 million at current exchange rates) for the credit insurer, as long as the banks also agreed to provide the liquidity.

"Our efforts to save Svenska Kredit must be justified on purely commercial grounds, and we have now reached our limits," said Skandia Chief Executive Bjorn Wolrath.

But a spokesman from Skandinaviska Enskilda Banken in Stockholm, one of the creditor banks, said the banks did agree to take responsibility for Svenska Kredit liquidity during the three-year wind-up.

In the worst-case scenario, the total risk capital the banks would have had to provide would be about 3 billion Swedish krona ($508.2 million), the SEB spokesman said.

But the insurers wanted the banks to provide further loans to Svenska Kredit, which would mean that the banks would be lending money without collateral, he said. The SEB spokesman also said the banks were unable to determine the source of the 1 billion Swedish krona the insurers supposedly were putting up for Svenska Kredit.

"We think we have gone a long way to save the company, but there is a limit," he said.

However, Skandia Secretary Johan Bergenstjerna noted that the banks and insurers were far apart in their positions over Svenska Kredit even without the liquidity issue.

Continued on page 63

Reinsurers want change

Resolve is high at Baden-Baden to force rates up

By CAROLYN ALDRED

BADEN-BADEN, Germany—European reinsurers appear determined to push through rate increases and tighten terms in an effort to bring their books back into the black.

At their annual gathering in this Black Forest spa town, reinsurance executives took a hard line.

"There was a resolve evident that this year has to be the year the market hardens," said Thomas J. Mahoney, general manager of CIGNA Reinsurance Co. S.A N.V. in Brussels, Belgium.

"Everybody realizes that the market has to turn if reinsurance is to survive in its present form," said Tony Dodd, treaty manager of Commercial Union P.L.C. of London and manager of its reinsurance subsidiary, The British & European Co. Ltd.

"Rate increases of 20% to 30% should be attempted this renewal season. That must be the goal and that will not be the end of it," said Christian Baumguertel, a director of Gerling Konzern Allgemeine Versicherungs A.G. of Cologne, Germany.

Reinsurance rates throughout Europe generally are "half what they should be," estimates Mr. Baumguertel, a reinsurance buyer.

"There is definitely a squeeze on capacity and as capacity shrinks resolve is strengthened by those who remain. It is a classic example of the survival of the fittest," said Victor Blake, chairman and chief executive of CNA International Reinsurance Co. Ltd. in London.

There was a lot of "hard thinking"

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Photo by Grant V. Faint/Image Bank

Reinsurers gathered last month in Baden-Baden, a spa and town in the heart of Germany's Black Forest.

German market is one of top concerns

BADEN-BADEN, Germany—With the rapidly shifting social, economic and political currents in the recently unified Germany, discussion of reinsurance issues facing that market flowed like Baden-Baden's hot springs during the annual pre-renewal meeting in the spa town.

The German insurance market—striving to turn around several years of appalling losses in the industrial property sector—faces several problems partly generated by Europe's changing political scene. Underwriters explained that when German insurers lose their monopoly after European Community trade barriers collapse, they will have less of a spread of risk and therefore require additional reinsurance to avoid large losses from any one risk.

An increased demand for catastrophe reinsurance is likely to stretch the market's resources, pointed out Kurt Schaefer, director and reinsurance manager for Colonia Versicherung A.G. For example, in Baden-Wurttemberg, one of Germany's two major earthquake zones, two insurers are likely to lose their monopoly writing coverage for natural perils in that area, noted

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French insurers hurt by lower property values

By ALINE SULLIVAN

PARIS—The income of France's leading insurers has been hammered by falling real estate values this year. First-half earnings were down significantly from the same period last year, and insurers are warning of worse results to come.

Two insurers already have said premium rates will be raised to offset the losses, and analysts say they expect non-life rates to increase across the board.

French insurers are exposed to real estate values in two ways. About half of their shareholder capital is directly invested in real estate, analysts said, while insurers with banking subsidiaries have substantial property-related loans.

Property values in France have declined as much as 30% over the past year, resulting in a real drop in insurers' asset values and hefty provisions by their banks for bad or doubtful bank loans.

Among the worst hit insurers is Union des Assurances de Paris, the biggest French insurer, whose net profits in this year's first half dropped 59% to 948 million francs ($184.9 million at the applicable exchange rate) from 2.34 billion francs ($380 million at the applicable exchange rate) a year earlier.

Chairman Jean Peyrelevade said that he doesn't expect second-half profits to be any better, largely because of property losses at Banque Worms, which is the insurer's merchant bank subsidiary.

As part of an effort to offset its real estate exposure, UAP plans to increase property/casualty rates by about 20% next year. The company's management has repeatedly said it is willing to sacrifice market share for higher rates.

However, the benefit of higher rates could be outweighed by rising claims, according to Michael Huttner, a European insurance analyst at BNP Securities in London. "People claim more during a recession," said Mr. Huttner. "The insurers think they will be able to muddle through this crisis by raising rates, but the problems facing their banking subsidiaries aren't going to go away soon."

According to Mr. Huttner, Groupe des Assurance Nationales, with the third-largest premium income of the French state-owned insurance companies, faces the biggest exposure to deteriorating property values.

The company has 22 billion francs ($4.15 billion) in outstanding loans to Paris real estate developers, Mr. Huttner said. That amount represents 60% of its equity risk capital, compared with 11% for UAP and 12% for Assurances Generales de France.

The insurers are also suffering from escalating non-life claims in France and heavy competition, analysts said. GAN's net profits fell 49% in the first half of 1992 to 487 million francs ($95 million) from 962 million francs ($156.7 million) a year earlier. The

Continued on next page

INTERNATIONAL

Lloyd's

Continued from previous page
and that's why we're doing everything we can to help members through this."

Last week was the deadline for members to meet solvency standards and decide whether to continue to write in 1993.

About 1,600 to 1,800 members are expected to discontinue underwriting for next year, bringing the total number of members to 20,459, according to Mr. Hewes. This is only a third of the 3,925 members who resigned at the end of last year, so "we've turned the corner" on resignations, he said.

But as many as 12,343 members may be unable to resign because they are on syndicates with still-open years of account.

As a result of the resignations, Mr. Middleton said capacity next year would be "close to 9 billion pounds ($14 billion)."

However, observers at both members agencies and the Corporation of Lloyd's agree that capacity will likely drop about 15% to 8.5 billion pounds ($13.18 billion) from 10.05 billion pounds ($18.79 billion) this year, and 11.06 billion pounds ($21 billion) in 1991.

Further erosion could be critical. Were capacity to fall below 7 billion pounds ($10.85 billion), the remaining members—and the profits the market could produce—would not be enough to sustain past-year losses, observers say (*BI*, Aug. 31).

Syndicate mergers and closures follow massive overall losses for Lloyd's in1988 and 1989, the last two years to close under Lloyd's three-year accounting.

Already sources are predicting an overall loss of 1.5 billion pounds ($2.3 billion) for 1990, though Mr. Hewes said the deficit to date is around 1 billion pounds. This would be less than 1989's record loss, but would be three times worse than the previous record set for 1988.

Most of the dozen syndicates that have said they are ceasing to trade in 1993 have 1992 premium capacity below 9 million pounds ($16.9 million). Many wrote mainly property business, which could have produced losses in 1990 following the European windstorms, though their results are not yet posted.

Some of these small syndicates were also minor players in the excess-of-loss reinsurance market. And most are dominated by external members, with only a handful of working members.

These small closing syndicates include:

- Syndicate 469, managed by Charman Underwriting Agencies Ltd. and underwritten by B.D. Indri. The property/excess-of-loss reinsurance syndicate kept open its 1981 year, which has made a loss of 4.9 million pounds ($11.76 million), or 100% of its 1981 capacity.
- Syndicate 640, managed by Syndicate Underwriting Management Ltd. and underwritten by Paul Toomey. The 1989 account was left open with a slight loss due to a "dispute over an unlimited reinsurance protecting 1965 and all prior years," according to Limelight, Lloyd's publication of syndicate results.

'It is easier to leave (Lloyd's) than to go against the trend. . .' says David McElhiney.

The preliminary issues of the dispute between the syndicate and Eagle Star Insurance Co. Ltd. will be heard in the High Court on Nov. 16.

Syndicate 640's capacity nearly halved to 4.1 million pounds ($7.5 million) in 1992.

- Syndicate 613, managed by B.P.D. Kellett & Co. Ltd. and underwritten by M.J. Bonds. After making a profit of 275,000 pounds ($514,000) for 1989, its capacity this year fell by about a third to 7.5 million pounds ($14 million).

So far, two major syndicates said they are shutting down for 1993.

The largest is syndicate 404, managed by Cuthbert Heath Underwriting Ltd. Founded in 1888, it is the oldest non-marine syndicate in the market and is a leading North American property syndicate. Syndicate 404, underwritten by R.A. Lissendon, kept its 1989 year open with a loss of at least 58.1 million pounds ($108.7 million). Capacity for 1992 fell about 70% to 22.8 million pounds ($42.6 million) (*BI*, Sept. 28).

The closure of leading property syndicate 235 was a surprise. It was recently rated 2-stars, on a 3-star scale, by Insurance Solvency International.

The 56-year-old syndicate did not close its 1989 underwriting year, which has a loss of 4.4 million pounds. As a result, its capacity halved this year to 19.8 million pounds ($37 million).

Members were recently told that syndicate 235 will suffer another underwriting loss in 1990—which closes at the end of this year—of between 5.5 million pounds and 7.3 million pounds ($10.6 million and $14.1 million at applicable exchange rates), confirmed David McElhiney, its former deputy underwriter. The losses for 1989 and 1990 are not excessive, but after a run on capacity "members agents become concerned about being the last ones left with the baby," said Mr. McElhiney.

Syndicates will continue to close until members agents drop this follow-the-leader attitude, he said. "They don't want to be the last ones with a syndicate. It is easier to leave than to go against the trend. . . though I can't say it's in the interests of all the names."

Some syndicates will continue next year despite severe 1990 account problems, although underwriters might change.

In particular, underwriting agents last week agreed to support excess-of-loss reinsurance syndicate 745 and its new underwriter, Andrew Elliott. This follows the departure of leading XL underwriter David King, whose syndicate will suffer major losses in 1990 (*BI*, Nov. 2).

John Heynes also announced last week that he would be leaving his post as chairman of K.P.H. Underwriting Agencies Ltd., the managing agent for syndicate 745.

The flurry of activity at Lloyd's comes on the eve of election for three working members and one external member of the council. The Assn. of Lloyd's Members has endorsed David James for the external member. Rebel members support Alfred Doll-Steinberg.

There are 10 candidates for one external member slot and 10 candidates for three working member slots.

The Nov. 25 elections are also expected to bring to the council David Rowland, set to be the first full-time Lloyd's chairman. Other candidates for the three working members' positions are Robert Hiscox, chairman of the underwriting agency Roberts & Hiscox Ltd.; Richard Keeling, underwriter for Lloyd's third-largest syndicate, 362, managed by Murray Lawrence & Partners Ltd.; and Stephen Merrett, chairman of Merrett Holdings P.L.C. ■

French market

Continued from previous page
company's non-life business lost 389 million francs ($75.9 million), compared with a profit of 252 million francs ($41.1 million) for the same period last year.

AXA, France's largest private-sector insurer, was hit by hefty losses from its banking operations although its insurance earnings rose.

Overall, the group recorded a 36% drop in net profits, down to 812 million francs ($158.4 million) in the first half of 1992.

Michael Wheelhouse, an insurance analyst at Hoare Govett in London, said that AXA's first-half performance had mitigated his concern about what he regards as an "obsession with size" exhibited by the company's chairman, Claude Bebear.

Mr. Wheelhouse is optimistic that AXA's $1 billion investment last year for a stake in The Equitable Life Assurance Society of the United States may have satisfied—at least temporarily—Mr. Bebear's appetite for foreign expansion.

Group net profits at AGF, France's second-largest insurer, slid 23% in the first half to 1.4 billion francs ($270 million). Chairman Michel Albert said last month that the drop in profit was caused by losses from real estate provisions and foreign insurance operations. AGF also said it will increase premium rates, but did not say by how much.

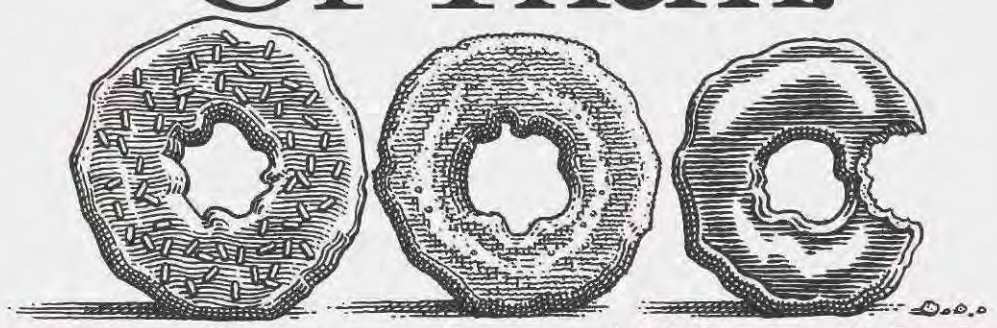
The outlook for the second half of 1992 is no less gloomy.

Analysts expect all the insurers to make further real estate provisions. Furthermore, storms and flooding in southern France in late September could cost insurers more than 1 billion francs ($188.6 million) this year.

"The French government may have to delay selling its shares in the state-run insurers for another year at least," said BNP's Mr. Huttner. "It will be a long time before these problems are over." ■

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INTERNATIONAL

Baden-Baden

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going on at Baden-Baden, said Kurt Schaefer, director and reinsurance manager of Colonia Versicherung A.G. in Cologne, and one of the meeting's organizers.

"Social events were very much in the background. People were punctual and disciplined and recognized that they have to face the problems that clearly lie ahead," he observed.

"The renewal season will be slow and the problems will be difficult," Mr. Schaefer predicted.

Baden-Baden is generally regarded as the season's most important renewal meeting. It allows reinsurance, insurance and brokerage executives to hold more detailed and technical discussions than, for example, they do at the Rendez-Vous de Septembre in Monte Carlo.

This year's meeting, held Oct. 26-30, attracted 852 underwriting executives, representing 302 companies and 38 nations.

Many underwriters left the meeting encouraged by their competitors' apparent resolve to hike rates and restrict underwriting terms. But at the meeting itself, the tone was far different. "The mood of the meeting was like the weather," CIGNA Re's Mr. Mahoney noted drily. "It rained all week."

Particularly sobering were the difficulties in the Scandinavian market. "People at Baden-Baden were seriously worried about their own companies and jobs. When you see companies like Skandia pulling out it helps turn the market," he said, referring to the Swedish company's recent cutbacks in reinsurance underwriting (*BI*, Nov. 2).

CNA's Mr. Blake warned that many years in the insurance business had taught him to treat talk of hardening markets with some caution. "The cynics would say, 'We've heard it all before. Where's the proof?' " he said.

Many other executives, though, remain convinced that the European market is now turning.

They point to several factors that will make this renewal season a tough one for buyers. Foremost among them is shrinking capacity, which began several years ago in the retrocessional market and is now evident throughout the reinsurance market. Many companies are curtailing the amount of reinsurance they write.

"What we are seeing is companies deciding something basic—do they, as a company, want to be in the reinsurance business?" asks CNA's Mr. Blake.

"Some have said no because they don't like the volatility of the reinsurance business and some are in trouble in other areas of their business," he said.

Meanwhile, executives at the Baden-Baden meeting agreed that U.S. reinsurers are very unlikely to undermine attempts by their European counterparts to raise rates.

"Europe is not going to see a lot of competition from U.S. reinsurers (this season)," predicted Mr. Mahoney.

"U.S. companies will not alter the impetus in Europe," agreed Mr. Dodd of CU. "They have enough problems of their own."

In recent years, insurers, with their increasing ability to write business on a net basis, have been less vulnerable to reinsurer pressure. But that erosion of reinsurer power may now be stalled, executives say.

"What's in our favor is poor investment returns and plummeting real estate values," said Mr. Mahoney. "Insurers are looking to strengthen their balance sheets and cannot afford to reduce reinsurance."

Underwriters already see signs of hardening markets in Germany and Britain.

All major German property reinsurers have made "serious attempts" to raise rates and improve terms, said Mr. Schaefer.

For example, in just the last year, reinsurers have introduced a series of loss participation clauses into their contracts, have cut many ceding commissions and have cut many unprofitable areas of their portfolios, he said.

Generally, ceding insurers this renewal season will have to "prove to their reinsurers what they have done to increase original rates and clean up their portfolios," said Mr. Baumguertel.

"Now is the time for a very rational approach. It's simply down to facts and figures," added the Gerling executive, who estimates he attended 70 meetings during his few days in Baden-Baden.

His prediction for the upcoming renewal season? Significant rate increases, higher retentions and a reduction in the scope of cover available.

He was not alone in predicting rate increases. Mr. Dodd said facultative rates for commercial and industrial business are firming all over Europe, with rate increases at 30% to 200% depending on the risk. ■

German market

Continued from page 61

Mr. Schaefer. As a result, Stuttgart-based Wurttembergische Gebaudbrandversicherungsanstallt and Karlsruhe-based Badische Gebaudversicherungsanstallt are likely to seek reinsurance in the open market for the first time, he noted.

"This could bring a very big demand" at a time when capacity is scarce, Mr. Schaefer said.

Another hot topic at the reinsurance meeting was Germany's recent environmental legislation. The law provides strict liability for pollution and legally requires certain companies to prove they can meet their liabilities through insurance or other means.

Insurers and reinsurers already have expressed deep concern about covering gradual pollution, and the industry is still debating the best way to do this (*BI*, Oct. 12).

Pollution policies "may have to be split with sublimits included for gradual pollution.

"Sublimits for gradual pollution will be necessary," agreed Christian Baumguertel, a director of Gerling-Konzern Allgemeine Versicherungs A.G. of Cologne. However, he said he is encouraged by signs that other European reinsurers seem willing to support the German insurance and reinsurance markets in their effort to provide increased pollution coverage.

Meanwhile, Chancellor Helmut Kohl's recent announcement that the German government and local authorities are prepared to pay for the massive pollution cleanup of the former East Germany is unlikely to affect the insurers' and reinsurers' plans, underwriters say.

Insurance will not cover "any liability arising from past pollution," said Mr. Schaefer.

And insurers are unlikely to write pollution coverage for any company without first conducting a full environmental check on site, he added.

—By Carolyn Aldred

Svenska Kredit bankruptcy

Continued from page 61

According to Svenska Kredit, the rescue plan would have entailed that Skandia and Trygg-Hansa would:

- Jointly convert existing loans to Svenska Kredit into shareholder equity.
- Guarantee to pay net losses if the existing reserves proved insufficient.
- Guarantee repayment of liquidity claims up to a certain amount on final adjustment, after the wind-up period expires.

Meanwhile, Dutch credit insurer Nederlansche Creditverzekring Mattschapij plans to fill the void left by Svenska Kredit's demise. Svenska Kredit has concluded an agreement with NCM, whereby it will begin Swedish operations primarily directed at the former customers of the credit insurer. NCM has bought 100% of the Svenska Kredit subsidiary Protectoring, an NCM spokeswoman in Amsterdam confirmed.

NCM went into Sweden despite that country's current financial crisis because, "nobody is offering credit insurance in Sweden," the spokeswoman said.

Among the struggling Scandinavian insurers, UNI Storebrand now plans to compensate creditors through debt-for-equity swaps and has announced plans for a capital increase.

The recapitalization could be tricky, insurance market analysts believe, given the lack of confidence in the Scandinavian markets.

The company's 28.3% stake in Skandia was written down by 2.8 billion Norwegian krone ($438.8 million), with 1.45 billion ($227.2 million) of the loss charged to UNI Storebrand New A/S, the new holding company formed after UNI Storebrand suspended payments. UNI Storebrand said the losses for the first eight months were due to:

- A fall in prices on the Oslo Stock Exchange.
- Rising interest rates that generated substantial losses on its bond portfolio.
- Claims from Hurricane Andrew and storms in Northwest Norway.

Total premium income for the new holding company, which comprises UNI Storebrand's life, non-life and international subsidiaries, rose by 2% to 10.67 million Norwegian krone ($1.67 million) from the 438 million krone ($68.6 million) total income reported for the subsidiaries for the same period last year.

The company's administrators have hired Credit Suisse First Boston and Elcon Securities of Oslo as advisers. These advisers have revalued the group at 700 million to 1.65 billion Norwegian krone ($109.7 million to $258.6 million), on the assumption that the group will not be broken up, and suggested that a share offering to raise 1 billion Norwegian krone should go ahead. In a worst-case scenario, the consultants estimated the company's worth ranges from a negative 2.35 billion Norwegian ($368.2 million) in working capital to positive capital of 1.35 billion ($211.5 million).

The administrators say they will work toward a recapitalization based on UNI Storebrand's continued existence as a group. The advisers note that the group needs 3.4 billion Norwegian krone ($535.2 million) in new equity. It is also seeking a capital injection to be used as a safety net in order to achieve a capital ratio of 5%, as required by Norwegian regulations.

Another plan would swap 70% of the group's debt for some 2.9 billion Norwegian krone ($454.4 million) in equity and then try to raise another 1 billion Norwegian krone ($156.7 million) on the markets. The problem here, insurance analysts say, is that the group's shares would have to be valued differently for the debt-to-equity swap and for the capital increase, since the Storebrand shares are virtually worthless.

One analyst suggested that the company would be lucky to succeed in its plans. "They are asking for shareholders to come up with the money while accepting a dilution and sitting on huge losses," said Mike Wheelhouse of Hoare Govett in London.

Also striving to resolve a crisis, Baltica Holding has agreed to sell 32.35% of its shares in subsidiary Baltica Forsikring for a total of 2.5 billion Danish krone ($415.3 million) to creditor Den Danske Bank. The sale amounts to 1,512 Danish krone ($251) per share, the average value between July 21 and Oct. 31.

Baltica Holding now owns 50.74% of Baltica Forsikring shares. The agreement grants Den Danske Bank partial protection against investment losses on the shares, reducing the sale price if the value of Baltica Forsikring shares at Dec. 31, 1992, falls below 1,520 Danish krone ($252) per share.

Baltica's banking subsidiary, Baltica Bank, will in the future concentrate on activities that support the insurance group, according to the Baltica statement. ■



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Mental benefits

Continued from page 1

Lincoln National Corp., specified a $1 million lifetime benefit for major medical problems and a $25,000 maximum benefit for mental illnesses.

The group health plan did not provide a definition of mental illness.

The Fort Wayne, Ind.-based insurance company cut off benefits for James Phillips in July 1989 after his claims reached $25,000.

Lincoln said his brain disorder was a form of mental illness and treatment was therefore subject to the policy's $25,000 cap.

Mr. Phillips served a complaint against Lincoln National in May 1990. The case was filed in U.S. District Court in Chicago.

Seedboro terminated its group insurance plan in November 1990 after Lincoln National hiked the company's rates and insisted on excluding James from the plan.

In 1991, the federal court entered a summary judgment in favor of Mr. Phillips, which the 7th Circuit panel affirmed 2-to-1 on Oct. 21.

The courts "had to decide whether mental illness is appropriately defined by causation or by treatment and symptoms," explained plaintiff's attorney Dennis J. O'Hara of Wilson & McIlvaine in Chicago.

"Each side had expert testimony, and in reading the policy the court concluded the causation theory made the most sense," he said.

Mr. Phillips argued that a mental condition caused by an organic disorder should not be categorized as a mental illness and subject to treatment limits.

Lincoln National argued that the cause of a behavioral illness does not determine whether a condition is a mental illness.

The insurance company said an illness is a mental illness if its symptoms include "extremely abnormal behavior."

The district court disagreed with the insurance company, noting that "some conditions are marked by symptoms of dementia or aberrant behavior yet would not be considered mental illnesses."

The appellate court concurred, noting, for example, that a person suffering from a high fever caused by a staph infection could exhibit abnormal behavior.

The appeals court also affirmed the district court's decision to apply an Illinois contract law that calls for ruling in favor of the policyholder when there are ambiguities in an insurance policy.

In its decision, the federal appeals court wrote: "Insurance policies are almost always drafted by insurers, and they should be certain that limitations in their coverage are clear enough for the layperson to understand. "Insurers should not be permitted to exploit policy term ambiguities, which they could have avoided, to deny coverage to an unsuspecting insured."

The court sent the case back to the district court in Chicago to determine the amount Lincoln National owes Mr. Phillips under the benefit plan.

Lincoln National refused to comment on the case and said it has not decided whether to appeal.

The insurance company has withdrawn from the group health and life business, except for one small unit (*BI*, May 25; Jan. 13).

"In light of this growing trend in the law, insurers and self-insured employers need someone experienced in this area to look at their policy," advised LeAnn Pope, a partner with Burke, Warren & MacKay P.C. in Chicago who is another plaintiff's attorney.

"The 7th Circuit was quite clear that unless the policy is quite clear to a layperson, you lose," Ms. Pope said.

Claims for treatment of mental health disorders with organic causes could pose a major threat to third-party payers that do not clearly spell out limits for mental health benefits, agreed Mr. O'Hara, the other plaintiff's attorney.

For example, the ruling could be a boon for health care claimants suffering from manic depression.

Medical professionals now agree that some forms of manic depression are caused by physical malfunctions of the brain, according to Ron Schwartz, secretary of the Chicago-based National Depressive & Manic Depressive Assn.

The NDMDA, which filed a friend-of-the-court brief on behalf of Mr. Phillips, estimates that 2.5 million people suffer from manic depression.

"Lincoln National had a legitimate issue to argue," given the enormous expense that greatly expanded coverage of mental health claims could pose for third-party payers, Mr. O'Hara conceded.

However, a recent study concludes that equal reimbursement of psychiatric and non-psychiatric care can be achieved at little or no cost to health care payers if the care is properly managed (see related story).

The Health Insurance Assn. of America, which filed a friend-of-the-court brief on behalf of Lincoln National, has no power to tell its members how to word their insurance policies covering mental illness, pointed out Joel Miller, director of professional services for the Washington-based trade group.

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Gordon B. Phillips, as Guardian of James G. Phillips, vs. Lincoln National Life Insurance Co., 7th U.S. Circuit Court of Appeals, Chicago; No. 91-3477.

Mental health caps too stringent: Study

By CHRISTINE WOOLSEY

Cost-conscious employers need not cut mental health benefits or cap them below limits for general medical coverage, says a report commissioned by the National Assn. of Private Psychiatric Hospitals.

Rather, self-insured employers and group health insurers should use managed care techniques to keep mental health benefit costs in check, says the association and benefit consultant Hay/Huggins Inc., which compiled the report.

Other benefit consultants agree that such techniques can save enough money to allow higher limits on mental health claims. Some, though, say the limits remain an important cost-control tool.

The Hay/Huggins report, released Oct. 21, covered the psychiatric benefit plans sponsored by 1,048 employers. Hay/Huggins found a range of arbitrary limits on such benefits and concluded that they often result in treatment that is "arbitrary and not necessarily in the best interests of the patient."

Typical psychiatric or substance abuse treatment has always been subject to greater copayments than medical and surgical care, pointed out Edwin C. Hustead, the Hay/Huggins senior vp in Washington who wrote the report.

Most employers limit coverage to reduce their costs. But psychiatric care costs have been "misrepresented and overstated," Mr. Hustead said. Costs have grown, "but only at the same rate as other health care costs."

Psychiatric care now constitutes about 8% of total health plan costs, a figure that has not risen much in two decades.

Hay/Huggins reports that the monthly costs for average psychiatric plan coverage are $13 for an individual and $34 for a family. For total health care costs, the monthly figures are $161 and $418.

Hay/Huggins claims mental health care cost data reported by other firms is biased and based on only scattered results. A. Foster Higgins & Co. Inc. is singled out.

"We stand by our survey numbers," said John Erb, a Foster Higgins principal in New York. "Mental health and substance abuse limits, when used properly, can be an important, short-term cost-containment tool for employers."

Not so, says Hay/Huggins: "Equal reimbursement of psychiatric and non-psychiatric care can be achieved at little or no additional cost to the employer."

The report suggests using a "continuum of care" approach to match treatments and settings for specific illnesses. Conceding that there are no "definitive" figures, the authors estimate that such an approach can cut mental health care costs 15%.

Setting the same limits for all illnesses—rather than capping mental health below general medical coverage—typically costs only $3 to $8 more per employee per month, the report said.

"If you haven't done so already, pull out your psychiatric benefits, and if you have limits talk to your insurer about delivering the benefits appropriately without coverage limits," Mr. Hustead said.

"The future lies in using managed care techniques. Using them properly will allow employers to lift mental health coverage limits entirely," according to Joan Pearson, a Towers Perrin consultant in Seattle.

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For a copy of study, send $2.50 to National Assn. of Private Psychiatric Hospitals, 1319 F St. N.W., Suite 100, Washington, D.C. 20004; 202-393-6700.

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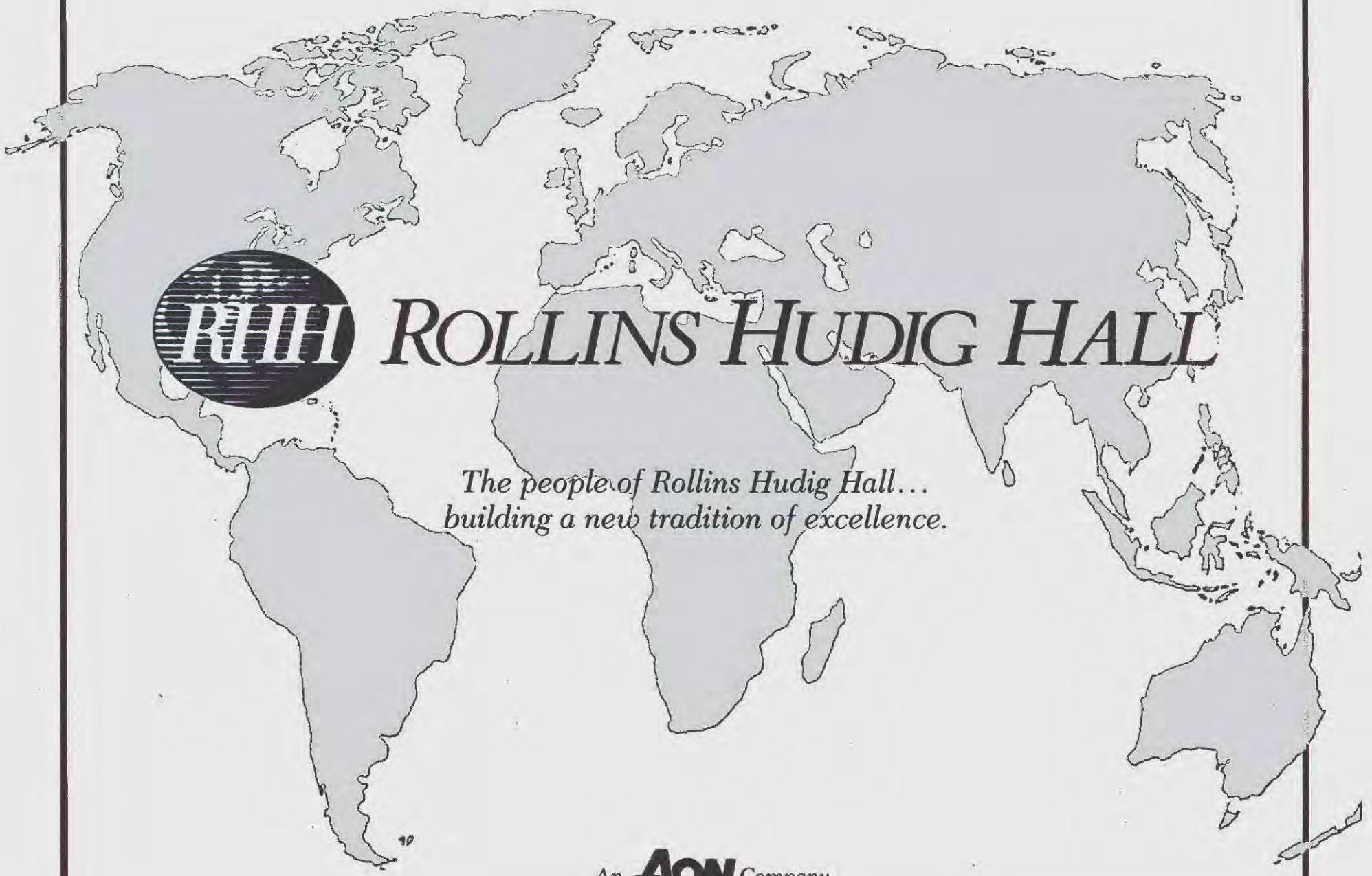
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Brokers' results

Continued from page 2

Germany's commercial property market.

"I think the entire agency brokerage system is having an extremely, extremely tough time," observed Robert H. Hilb Sr., president of Hilb, Rogal & Hamilton Co.

While larger brokers like M&M and A&A "have enough critical mass to be able to get them through it," smaller brokers have a difficult time, Mr. Hilb said.

Expense control continues to be a bright spot.

"The brokers are doing real well in their expense controls," said Lehman's Mr. Smith. Holding expenses down means profits "haven't dropped off to zero yet," he said.

"This has really been what's keeping margins where they are today, because they're not getting any help in their top line," agreed Northington's Ms. Cornish. "The expense controls really have been very good."

Results could improve next year, say observers.

"All the brokers I've talked to say about the same thing, that something is going on in the market," said Lehman's Mr. Smith. "There are definite signs that underwriters are rethinking their positions and their strategies."

The market could tighten up next year in a number of lines, particularly property and property-related lines, like commercial packages and business interruption business, Mr. Smith predicted.

However, he added, "Nobody's looking at casualty lines."

"We sense a changing attitude," commented Frank Wieczynski, corporate secretary of A&A. "Conditions are certainly there for a change in rates," although the change has not yet materialized, he said.

Property rates will rise somewhat in early 1993, predicted Mr. Wieczynski. "Casualty may be a little slower," he said. "We just don't know at this point."

Mr. Hilb said he would be "astounded" if the market did not turn within the next three to six months. "It should have turned yesterday," he said.

But now, added Mr. Hilb, "There's a lot of indication out there that the turn is close."

Vanessa Wilson, an analyst with First Boston Corp. said the situation could improve in the second half of next year. Brokerages, she said, have been affected by low insurance rates, low interest rates and the stagnant economy.

"Who would have thought A&A and M&M would have been so impacted by the economy?" she asked. But these factors could all change in the last half of 1993, said Ms. Wilson.

"I have no idea" when the market will turn, "I'm just hopeful that it will happen in my lifetime," said William F. Poe, chairman and CEO of Poe & Associates Inc.

After Hurricane Andrew, "we've seen some signs of property rates going up slightly," said Mr. Poe, but it is not across the board, and casualty business has not changed.

"We hear a lot more talk of the market changing. We haven't seen any evidence of it," said Mr. Poe, who noted his brokerage is forecasting flat rates in its own budgeting for 1993.

"We see very much of the same," said Michael J. Cloherty, vp-finance for Arthur J. Gallagher & Co. "There's not a lot of changing in spite of the recent disasters. We're planning next year with very much the same market conditions you see this year, which means it's going to be a tough market."

Individual nine-month results for the publicly-held brokers follow:

Marsh & McLennan

Gross revenues rose 5.7% to $2.23 billion during the first nine months from $2.11 billion in 1991. Net income grew a modest 0.2% to $251.7 million from $251.3 million.

Insurance services revenue grew 3.3% to $1.25 billion from $1.21 billion, while consulting revenues increased 1.8%, to $686.1 million from $673.9 million.

Once again, a key contributor was The Putnam Cos., M&M's Boston-based investment management subsidiary. Investment management revenues jumped 29.2% for the nine months to $291.3 million from $225.4 million.

Expenses increased 7.2%, to $1.78 million from $1.66 million. Operating income edged up 0.3% to $450.3 million from $448.8 million.

Results for insurance services reflect the continuation of price competition in insurance markets, said J. Michael Bischoff, vp of corporate development.

The consulting business reported record earnings growth, although its revenue growth was relatively stable on a year-over-year basis, he said.

Alexander & Alexander

Gross revenues fell slightly for the first nine months, to $1.007 billion from $1.009 billion, a 0.2% decrease.

Revenues climb 3% when the effects of higher foreign exchanges rates and the 1991 revenues of businesses sold in 1992 are excluded (*BI*, March 16).

Net income jumped 105.8% to $46.5 million from $22.6 million, but that jump largely reflects gains from the sold businesses.

Operating expenses declined 1.1%, to $941.4 million from $951.8 million. Expenses rise 1.3% after adjusting for foreign exchange, expenses of the sold operations and

Continued on next page

Nine-month 1992 broker results

Results are reported in millions of dollars

Broker	Gross revenues	% change	Net income	% change
Marsh & McLennan	$2,231.8	5.6%	$251.7	0.2
Alexander & Alexander	1,007.3	(0.2)	46.5	105.8
Rollins Hudig Hall [1]	500.1	66.0	60.7	114.5
Arthur J. Gallagher	195.5	11.1	15.2	17.4
Hilb, Rogal & Hamilton	95.1	(1.7)	6.9	35.1
Poe & Associates	38.3	6.8	3.1	(14.2)

[1] RHH reports only pretax income; does not include Hall

Source: *BI* survey

GRAPHIC BY KIMBERLY MART

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other non-recurring expenses.

Mr. Wieczynski said A&A's nine-month results were in line with expectations. "There were no real surprises in the quarter" on either the revenue or expense side, he said. He noted comparisons are difficult because of the sale of operations last year.

Rollins Hudig Hall

Rollins Hudig Hall is the name given to the newly combined Rollins Burdick Hunter Group, Frank B. Hall & Co. Inc. and Hudig-Langeveldt Group bv.

Revenues for RHH increased 66% in the first nine months, to $500.1 million from $301.2 million. Pretax income for RHH's insurance brokerage and consulting services business more than doubled to $60.7 million from $28.3 million.

These results do not include Hall. RHH parent Aon Corp. completed its acquisition of Hall last Monday.

Domestic retail brokerage revenues increased 6.3% to $171.6 million from $161.5 million.

RHH also saw revenue increases for its association and program business; reinsurance intermediary and related services; benefit and other consulting services; and international brokerage revenues.

International brokerage revenues alone increased more than tenfold to $159.9 million from $14.3 million.

Patrick G. Ryan, chairman and CEO of Aon, described the results as "very positive," pointing especially to the growth of international business attributable mainly to the Hudig acquisition.

RHH's fourth quarter and year-end results will include the operations of Hall, and the company will take an estimated $40 million charge against fourth-quarter earnings for consolidation expenses, Mr. Ryan said.

Aon completed its acquisition of Hall last Monday and has begun consolidating duplicate offices and operations.

Mr. Ryan would provide no estimate of total staff cuts. He did say that the only Hall operation being shut down entirely is Hall's former corporate management operation in Briarcliff Manor, N.Y.

Arthur J. Gallagher

Total revenues increased 11.1%, to $195.5 million from $176 million, while net income increased 17.7%, to $15.3 million from $13 million.

The revenue growth reflects a 4.3% increase in commissions to $110.7 million from $106.1 million, and a 17.8% increase in fees, to $74.9 million from $63.6 million. Investment income and other revenues increased 54%, to $9.7 million from $6.3 million.

Expenses increased 8.5%, to $172 million from $158.5 million.

"New business continues to be very strong, albeit in a market that's experiencing the downward pressure in prices we see today," said Mr. Cloherty.

Pointing to increase in fee revenue, he said "we've had a tremendous growth in our risk management (consulting) business, and we do expect continued improvement and growth in that area."

The big investment income growth is attributable to a write-off in last year's third quarter, said Mr. Cloherty (*BI*, Feb. 24).

"We're very proud that we've hung on in such a tough market."

Hilb, Rogal & Hamilton

Total revenues declined 1.8% to $95.1 million from $96.8 million, while net income increased 35.3% to $6.9 million from $5.1 million. Expenses fell 4.6% to $84.4 million from $88.5 million.

Continued on next page

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Brokers' results

Continued from previous page

Commissions and fee revenues rose 0.3%, to $93.5 million from $93.2 million. Investment income fell 47.2%, to $951,000 from $1.8 million. Other income fell 60.4%, to $673,000 from $1.7 million.

"We were very satisfied," said Mr. Hilb. While revenue volume was flat, this did not reflect the sale of insurance but other factors, such as investment income, which has been way, way off," and the sale of an office in Jackson, Miss., and the subsequent loss of its revenues.

"Our expense controls seem to be working very well," he said. "We've positioned ourselves to continue under current conditions and make money."

For the fourth quarter, "I expect another reasonably decent quarter for us," with a similar revenue base and earnings, said Mr. Hilb. "I think we'll have a year that's a good year from an earnings standpoint."

Poe & Associates

Revenues increased 7%, to $38.3 million from $35.8 million, but net income fell 13.9% to $3.1 million from $3.6 million.

However, Mr. Poe noted that for the third quarter alone, revenues rose 11.3% to $13.8 million from $12.4 million, while net income increased 7.1% to $1.5 million from $1.4 million.

"It was up slightly over last year, so from that standpoint the third quarter is a good quarter. We had had a difficult first six months," said Mr. Poe. This was particularly true in the second quarter, which was still profitable, but down substantially from the same period a year ago, he noted (*BI*, Aug. 10).

"We're hoping the pattern in the third quarter will follow in the fourth quarter," said Mr. Poe. "If that's true, we'll have a really decent quarter." ■

NAII meeting

Continued from page 2

Co. of America in Morristown, N.J.

"All cat protection will become more expensive with some exceptions," said Bard E. Bunaes, chairman and CEO of Crum & Forster Inc.'s Constitution Reinsurance Corp. in New York. Mr. Bunaes said that the exceptions would be local and regional companies with no hurricane exposures.

But like other reinsurance executives, Mr. Bunaes pointed out that the market for casualty reinsurance remains "very competitive." And there was some speculation that even Skandia's withdrawal could be handled by the broker market without serious difficulty.

"The big topics were Skandia and the property cat market and the impact Andrew would have on Jan. 1 renewals," said Phillip W. Mitchell, managing director and CEO of Towers Perrin Reinsurance in Philadelphia.

Ultimately, the impact of the Skandia pullback could be more psychological than financial. "They didn't write that much cat business," said Mr. Mitchell. "I think there's enough capacity to absorb Skandia's business if necessary in the broker market."

Many at the meeting said that Skandia rejected the offer because it is carrying its U.S. operation on its books in excess of $600 million and did not want to take about a $100 million paper loss.

The downsizing at Skandia America "is going to help turn the reinsurance market," said Edward B. Jobe, chairman and CEO of American RE Corp. in Princeton, N.J.

"We see opportunities to write renewals from companies that are downsizing. There will be a smaller pool of reinsurers," he said.

With reinsurers withdrawing from catastrophe reinsurance underwriting, he expects larger coparticipations by ceding companies in their cat covers and larger retentions.

He also predicts that more quota share programs will be written with loss ratio caps or occurrence limits. That will create "more discipline on pricing" by the primary companies, Mr. Jobe said.

American Re writes cat covers on a funded basis even if it doesn't have the ceding company's entire account. Am Re brokers also place cat covers in the world market.

A number of reinsurers have withdrawn from the market, including Yasuda Fire & Marine Insurance Co. of Europe Ltd. and New England Re (*BI*, Nov. 4, 1991). Rumors that still more would be leaving shot through conference crowd of 1,700.

But the two principal subjects of the rumors—Prudential Reinsurance Co. and St. Paul Reinsurance Co.—denied that they had any intention of getting out of the business.

"We're pretty optimistic about the future," said a spokesman for Prudential Re in Newark, N.J..

Prudential Re suffered an aftertax net loss from Hurricane Andrew of $60 million to $70 million, he said, far less than the rumored amounts.

"This is not the time to get out of the market," said a spokesman for St. Paul Re's parent, St. Paul Cos. "We will be increasing prices

Continued on next page

London broker dies at meeting

Stephen P. Woodward, executive director in the North American Reinsurance Division of Willis Faber & Dumas Ltd., died suddenly while attending the annual meeting of the National Assn. of Independent Insurers in Orlando late last month. He was 41 years old.

Mr. Woodward joined Willis Faber & Dumas, now a unit of Willis Corroon Group P.L.C., as a divisional director in 1977, 10 years after his career in the London insurance market began.

A memorial service will be held at noon Nov. 24 at the Church of St. Olave in London. Charitable donations may be made to the Sports Aid Foundation in care of Willis Faber & Dumas.

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Continued from previous page
on catastrophe reinsurance. We will be increasing deductibles required of ceding companies for catastrophe reinsurance."

St. Paul Re had a catastrophe loss of about $100 million in the third quarter, he said.

Mr. Jobe predicted that "a lot of people will go into '93 with a lot less cat cover than they need. Therefore, we will be very busy with finite risk covers to fill the gaps."

Already, "our finite risk people are inundated. We build so much risk into these that our underwriting process is not much different than our normal treaty approach," he said. The time it takes to write a cat cover depends on the layer; a layer excess of a Hugo loss takes less time than a layer over the working layer, he said.

Until recently, catastrophes on the scale of Hugo were felt much more severely by the broker market than the direct market.

That will not be the case with Andrew and Iniki because the direct market has increased its catastrophe writing—and thus exposure—"immensely" in recent years, said Paul Ingrey, president of F&G Re, a USF&G Corp. unit in Morristown, N.J.

But reinsurers and intermediaries who attended the meeting agreed that the changes in the catastrophe market alone wouldn't be enough to cause a turn the primary insurance market.

"It was a very disappointing meeting—I thought there would be more signs (of a turn)," said Mr. Ingrey.

"I don't think the impact of the storms is going to change that market," said Towers Perrin's Mr. Mitchell. But the storms could be a factor in an eventual turn as insurers deal with high combined ratios and lower returns on investment, he said.

When the turn comes, it will be a "primary-generated turn" rather than a sea change wrought by the reinsurance market, said Mark Hinkley, senior vp of Transamerica Reinsurance Co. in Stamford, Conn.

"Reinsurers are not wagging the dog this time," unlike in 1985, when reinsurance dried up and sent primary property/casualty rates skyrocketing, said Mr. Hinkley.

"I still think the market turn is a few quarters away," he said.

Kevin Brooks, chairman and president of General Star Management Co. in Stamford, Conn., was more than a little bemused over talk about a possible market turn. The NAII conference was the third insurance industry meeting he'd attended this fall, and although the possibility of a market turn was on everyone's lips, there was no sign that such a change was in the offing, he said.

Many insurers, said Mr. Brooks, seem to think that "If we talk about it enough, maybe it will happen." ■

Clinton's benefits agenda

Continued from page 1
the election of Gov. Clinton, "The possibility of reform overnight goes from very unlikely to likely," agreed Claudia Bradbury, a policy associate in the employee benefits department of the AFL-CIO in Washington.

In the Bush administration, "the chemistry wasn't there for the executive office and the Congress to work it out. That excuse no longer exists," said Walter B. Maher, director of federal relations for Chrysler Corp. in Washington.

While the chances for reform may have suddenly improved, that doesn't mean that a health care package will be immediately presented to Congress or that Congress will act quickly.

During his campaign, Gov. Clinton pledged to produce a blueprint for health care reform within the first 100 days of his administration.

Benefit experts expect him to keep that pledge. But, they add, the blueprint may be just that, with more detailed legislation to follow several months later.

In fact, many health care experts expect Gov. Clinton and the staff he will assemble during the transition period will look for input from Congress, employers, unions, insurers and providers before introducing a legislative package.

"First, there will be a lot of reaching out," Mr. Brahs said.

Several employer, insurer and provider groups, including the Washington Business Group on Health, Blue Cross & Blue Shield Assn. and the American Hospital Assn. will send a letter this week to Gov. Clinton announcing their support for reform of the health care delivery system.

Despite overwhelming public support, reform won't come easily. As yet, there is no public consensus on how to finance universal coverage, which is sure to be an element of health care reform.

Tremendous controversy is sure to greet two possible revenue sources —limiting the health care expenses that employers can deduct from their taxes or taxing employees on a portion of employer-paid health care coverage.

"We will scream bloody murder" over proposals to tax benefits, said Sharon Canner, assistant vp with the National Assn. of Manufacturers. "I don't think (Gov. Clinton) wants to pick that fight."

Other potential revenue sources, like a higher gasoline tax or a new federal sales tax, are no less controversial.

To prevent gridlock on financing threatening an entire reform package, Gov. Clinton may push for reform in stages. The first phase, for example, could include less controversial elements of reform, like reform of the insurance market and mechanisms to control increases in health care costs, says Mary Nell Lehnhard, senior vp in the Washington office of the BC/BS Assn.

One starting point could be a recent proposal by the Conservative Democratic Forum, a group of 57 House Democrats. Steps outlined in the proposal include establishing health care purchasing pools and setting national health benefit policy standards (*BI*, Sept. 21).

More controversial elements of a Clinton plan, like requiring employers to offer a health plan or pay a portion of the premiums for a publicly sponsored health plan for employees, are certain to have an extended phase-in period.

"Health care reform may be enacted in 1993, but it is likely to be phased in," said Frank McArdle, a consultant with Hewitt Associates in Washington.

"I think we are going to have pieces to the package. But the economy will be the No. 1 priority," said Linda Jenckes, senior vp of the Health Insurance Assn. of America in Washington.

Still, she added, the issue is "no longer whether to have reform; we're now at the negotiation stage over how to implement it."

Gov. Clinton will not be the first president to present a health care reform package to Congress.

In the late 1970s, President Carter unveiled a national health insurance plan, but the proposal never made it past a congressional committee.

But a Clinton reform package is unlikely to suffer the same fate. Most importantly, notes the UAW's Ms. Bradbury, health care reform a decade ago was not a national issue.

A decade of soaring costs, growth in the number of uninsured and more restrictive insurance underwriting practices have, in the eyes of the public, put reform on the national agenda, said the Blues' Ms. Lehnhard.

At the same time, some say, Gov. Clinton is likely to prove more adept than President Carter in working with Congress to enact a reform package. Health care was simply a much lower priority for Mr. Carter.

"For Jimmy Carter, health care reform was not a top priority. Bill Clinton ran on a platform whose key plank was health care reform. He will genuinely push to do something," said James Klein, executive director of the Assn. of Private Pension & Welfare Plans in Washington.

While economic recovery and jobs legislation may be his No. 1 priority, Gov. Clinton has "a golden hour that will not be wasted, and health care is high on the agenda," agreed Herb Kuhn, vp-congressional relations with the American Hospital Assn. in Washington.

The details of Gov. Clinton's health care reform plan remain to be hammered out in the months ahead.

During the campaign, in position papers as well as in speeches, Gov. Clinton outlined a number of what he considers essential elements (see related story).

Still, Gov. Clinton's views on health care reform are considered fluid.

"By design, he has not nailed himself to any one position. He wants to develop a plan that will work and can pass. He has to and will negotiate," said Ms. Bradbury.

He has, though, committed himself to a family and medical leave package twice approved by Congress and vetoed on both occasions by President Bush.

Under that package, employers with at least 50 employees would be required to extend unpaid job-protected leave to employees who need to take time off because of their own illness or other family-related situations, such as birth of a child, or illness of a spouse or child.

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Joanne Wojcik contributed to this report.

P/C agenda

Continued from page 1
One insurance executive predicted that the insurance industry will be a "tax target because we have lots of capital." William R. Berkley, chairman and chief executive officer of W.R. Berkley Corp., made this comment in a panel discussion at the recent annual meeting of the National Assn. of Independent Insurers.

In addition, Gov. Clinton's repeated assertions that foreign corporations doing business in the United States should pay more taxes "suggests" that the new administration might favor increasing the excise tax on reinsurers operating from "tax havens" to 4% from the current 1%, said Franklin W. Nutter, president of the Reinsurance Assn. of America. The RAA has lobbied in favor of such an increase, which is opposed by both primary insurers and risk managers.

The Risk & Insurance Management Society Inc. would fight against any such increase as protectionist and anticonsumer, vowed Suzanne Crager, RIMS president.

Mr. Pratt also promised that the AIA would resist the tax.

Risk managers can also probably expect to be hit with new regulations on the safety and environmental fronts, said Ms. Crager, who is assistant vp-risk manager for PNC Financial Corp. in Pittsburgh.

"There's a likelihood of tightening of OSHA regulations, which would cause heartburn for some RIMS members," she said.

Of more concern for many risk managers could be changes to the federal Superfund law, which is up for reauthorization in 1994. Sen. Albert Gore, D-Tenn., "will run with it," when he assumes the vice presidency, Ms. Crager predicted.

The RAA's Mr. Nutter said that Sen. Gore's environmental concerns could work for real reform of Superfund. A desire to put more money into actual cleanup, rather than into transaction costs associated with cleanup, might lead the new administration to support some changes in the tort liability aspects of the law, he said.

Peter A. Lefkin, vp-federal affairs for Fireman's Fund Insurance Cos., is "optimistic" about Sen. Gore's role in Superfund reauthorization. Sen. Gore's interest in environmental issues could make him receptive to Superfund reform, he said.

Insurance observers are divided on how far the new administration will back away from the Bush administration's championing of tort reform. Months before the election, many observers noted with some concern that Sen. Gore has strong ties to the trial bar (*BI*, July 20).

"The issue of tort reform will undoubtedly be pursued less aggressively," said David M. Farmer, vp-federal affairs for the Alliance of American Insurers.

But Ms. Crager wasn't so sure. "We think product liability and tort reform, despite President Bush's accusation of (Gov.) Clinton being in the back pocket of the trial lawyers. . .may pass," she said.

Gov. Clinton's relationship with the plaintiff's bar is not a given, according to Victor Schwartz, a partner in the Washington law firm Crowell & Moring and a leading product liability reform proponent. The "trial lawyers' boast that they're going to control" President Clinton is unfounded, he said.

Mr. Schwartz said that even though Sen. Kasten lost his re-election bid, the battle for product liability reform is not over. In fact, he said, Sen. John D. Rockefeller IV, D-W.Va.—the principal Democratic backer of the product liability reform bill that the Senate debated in September—remains committed to reform and has discussed the issue with Gov. Clinton.

Mr. Schwartz also pointed to Sen. Joseph Lieberman, D-Conn., as an influential lawmaker who will continue to battle for reform.

The outlook remains cloudy for other major concerns such as solvency regulation and reform of the McCarran-Ferguson Act.

Mr. Berkley noted that Rep. John Dingell, D-Mich., rather than Gov. Clinton is the driving force for federal regulation.

Kemper's Mr. Dineen agreed that solvency regulation probably wouldn't be a priority unless a major insurer failed.

At least one consumer advocacy group is optimistic about a Clinton administration.

"We have a better opportunity on several fronts," including changing the McCarran-Ferguson Act and enhancing solvency regulation, but it is too early to tell just what the Clinton administration would do, said J. Robert Hunter, president of the National Insurance Consumer Organization in Alexandria, Va. ■

The progression of Clinton's health care plan

WASHINGTON—From the start of his campaign, Bill Clinton has modified and added increasing detail to his plan for reforming the nation's health care delivery system.

But many parts of Gov. Clinton's health care reform platform remained consistent throughout the race, including his support for universal coverage; the creation of a national board to set targets—or limits—for health care spending; banning underwriting practices like "cherry-picking" the healthiest risks; and forcing health insurers to community rate smaller employers.

From the beginning, Gov. Clinton has supported establishing health care insurance purchasing networks to give small employers more buying clout and to reduce costs.

Later in the campaign, he said insurers would be given strong incentives to develop networks similar to preferred provider organizations that would negotiate fees with providers.

But other elements of Gov. Clinton's health care proposal have caused confusion, especially a provision that would require employers to offer health care coverage.

Earlier in the year, Gov. Clinton was labeled a backer of the "play-or-pay" approach to expanding health care coverage. Under this approach, employers would be required to either offer employees a basic health care plan or pay a new payroll tax to help finance a public plan to cover the uninsured.

In June, when Gov. Clinton released his first detailed position paper on health care reform, his views sounded very similar to a play-or-pay approach.

"Employers and employees will either purchase private insurance or opt to buy into a high-quality public program," he said in that paper.

But in a September speech at Merck & Co. Inc., the Rahway, N.J.-based pharmaceutical giant, Gov. Clinton said his plan "is not play or pay. It does not require new taxes."

Clinton aides, as well as campaign co-chairmen, like Sen. John D. Rockefeller IV, D-W.Va., stress that employers that do not offer health care coverage would pay a health insurance premium, not a tax, under Gov. Clinton's proposal.

Sen. Rockefeller explained in an interview that employers that do not offer health care coverage would join a health care purchasing pool and pay a yet undefined portion of the premium (*BI*, Oct. 30).

Gov. Clinton later said that employers would either offer a plan or participate in "publicly sponsored alternatives" that offer a core benefits package.

It is understandable why Gov. Clinton has distanced himself from the "pay" portion of the play-or-pay approach. Besides containing the word "tax," critics of the original play-or-pay concept have said that many employers would find it cheaper to pay the payroll tax than offer a health care plan.

As the campaign progressed, Gov. Clinton tried to allay the concerns of small employers that a health care mandate would be too great a financial burden for them to bear.

For example, in his remarks at Merck, Gov. Clinton said any health care mandate would be phased in for small employers. In addition, he said, small employers would receive tax credits during a transition.

Late in the campaign, Gov. Clinton also said Medicare would be expanded in stages to cover certain long-term care expenses.

Absent throughout Gov. Clinton's campaign, though, were the details for financing an expansion of health care coverage.

—By Jerry Geisel

Proposition 166

Continued from page 1

About 4 million of the state's 7 million uninsured would have obtained health care coverage under the law, which would have cost $100 per month on average per covered individual, the CMA estimated.

But, the state would have had to obtain a waiver of the Employee Retirement Income Security Act before implementing the initiative.

Even Insurance Commissioner John Garamendi, whose universal health care proposal was recently vetoed, (*BI*, Oct. 5), said the initiative would have placed "an intolerable burden" on many employers.

It is estimated that the state lost more than 300,000 jobs last year.

"It's not that California voters rejected health care reform," a CMA spokeswoman said. "It was the millions spent on TV ads playing on the fears of job losses."

But opponents disagree.

The initiative failed because it lacked solid cost-containment provisions, said Martyn Hopper, state director of the National Federation of Independent Business, an organization representing small-business owners nationwide. The only cost-control provision in the initiative called for creating a commission of CMA-approved physicians that would have been charged with exploring cost-containment measures.

Insurers opposed the initiative because it did not encourage the use of managed care networks, said Jan Meisels, legislative director for the Health Insurance Assn. of America in Woodland Hills, Calif.

California voters also rejected Proposition 167, which would have increased insurance premium taxes by about $60 million.

In other ballot initiatives:

- Georgia voters approved an amendment to the state constitution that authorizes the General Assembly to establish an Indigent Care Trust Fund for the primary care of poor people.
- Nearly 73% of voters in Cook County, Ill., approved an advisory referendum that requires the state to urge Congress and the president to enact a publicly funded national health care system.
- Louisiana voters rejected Proposition 4, which would have appropriated $5 million annually from the state's lottery to finance a program that would have provided health insurance for the seriously ill.
- Massachusetts voters approved an amendment to the state constitution that requires certain insurers, among others, to file with the secretary of state reports on profit, income tax due, deductions and exemptions, among other things.
- Ohio voters overwhelmingly rejected an initiative that would have created a toxic chemical right-to-know law that critics say would have been tougher than a 1986 California law (*BI*, Oct. 26).

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Sara J. Harty and Meg Fletcher contributed to this report

Key issues left in new hands

WASHINGTON—Key champions of pension simplification and product liability reform will not be returning to Washington when the 103rd congressional session begins in January.

Rep. Rod Chandler, R-Wash., one of the few congressmen to take an interest in employee benefit issues from an employer perspective, was defeated in his bid for the Senate seat left open by retiring Sen. Brock Adams, D-Wash. Voters elected Democrat Patty Murray, a state senator.

Rep. Chandler introduced many provisions to simplify pension rules that were incorporated in tax bills passed by Congress, but later vetoed by President Bush.

Sen. Robert Kasten, R-Wis., perennially the Senate's main proponent of product liability reform, was defeated by Democrat Russell Feingold, a state legislator.

But a number of other senators and representatives who have been involved in employee benefit and risk management issues were re-elected. They include:

- Rep. Jack Brooks, D-Texas, chairman of the House Judiciary committee, who has led efforts to eliminate insurers' limited antitrust exemptions under the McCarran-Ferguson Act.
- Rep. Jim Cooper, D-Tenn., a leading proponent of the so-called managed competition approach to national health care reform.
- Rep. John D. Dingell, D-Mich., chairman of the House Energy & Commerce Committee and sponsor of a bill that would create a federal agency to take over solvency regulation of some insurers.
- Rep. Hamilton Fish Jr., R-N.Y., a key opponent of Rep. Brooks' McCarran-Ferguson reform efforts.
- Sen. Ernest Hollings, D-S.C., the Senate's most vocal opponent of federal product liability reform.
- Rep. William Hughes, D-N.J., chairman of the Retirement Income and Employment Subcommittee. He has held hearings and introduced legislation to crack down on fraudulent multiple employer welfare arrangements.
- Sen. Robert Packwood, R-Ore., the leading opponent in the Senate of taxing employer-provided health care benefits.
- Rep. Thomas Petri, R-Wis., who also has supported legislation to curb MEWA fraud.
- Rep. J.J. Pickle, D-Texas. Rep. Pickle, chairman of the Ways and Means Oversight Subcommittee, has been an advocate of overhauling the Pension Benefit Guaranty Corp. to better protect the agency from big losses.
- Rep. Fortney "Pete" Stark, D-Calif. Rep. Stark has been a leading spokesman in the House for universal health care coverage.
- Rep. Henry Waxman, D-Calif., who also has championed universal health care coverage in Congress.
- Rep. Pat Williams, D-Mont., a proponent of amending the federal Employee Retirement Income Security Act to allow certain lawsuits against health insurers.

New to Congress next year will be Democrat Earl Pomeroy, former president of the National Assn. of Insurance Commissioners, who won his race for North Dakota's sole U.S. House seat. ■

Democrats capture commissioner spots

Four of five Democrats running for state insurance commissioner may have ridden Bill Clinton's coattails into office.

A strong Clinton showing in Washington state helped Deborah Senn—a lawyer who has represented consumer and labor groups—pull off the biggest upset in the races for commissioner (*BI*, Oct. 26). Ms. Senn unseated Republican Dick Marquardt, the incumbent.

In North Carolina, Democrat James E. Long won a third term, defeating Republican Mike Causey.

Two other Democrats were elected commissioners in open races.

Glenn Pomeroy won in North Dakota, defeating Republican Kent Olson. The two were vying for the post formerly held by Earl Pomeroy, who won his race for the U.S. House.

And in Montana, Mark O'Keefe defeated Republican Fred Thomas.

Only one Republican commissioner was elected—Donna Lee Williams, who defeated Democrat Jim Robb. She also defeated John R. Bothell, who ran as a candidate of the "Delaware Party," a group headed by David Levinson, the state's current commissioner.

—By Meg Fletcher

For the Record

Implant manufacturer says records falsified

MIDLAND, Mich.—Dow Corning Co. employees falsified internal manufacturing records on silicone breast implants in 1987, an outside counsel to the company concluded.

Former U.S. Attorney General Griffin B. Bell uncovered evidence of the falsified documents after a nine-month investigation financed by the company.

The documents report on the heating process that turns liquid silicone into a thicker gel which is less likely to leak from the implant. Apparently, employees had attempted to hide the fact that the heating process had been interrupted.

The interruption did not compromise the silicone gel quality, said Keith R. McKennon, the chairman of Dow Corning.

Dow discovered the altered documents in 1987 and disciplined the employees involved, he added. The company, though, did not tell the Food and Drug Administration of the falsified records. Mr. Bell recommends it do so now.

Dow Corning, a joint venture of Dow Chemical Corp. and Corning Corp., faces hundreds of product liability suits filed by women who claim their silicone gel breast implants are leaking and causing illnesses of the auto-immune system. The company has since stopped manufacturing the implants.

Meanwhile, federal lawsuits over the implants have been consolidated in federal district court in Birmingham, Ala. (*BI*, March 9).

Temporary Andrew info center opens in Miami

MIAMI—A property/casualty insurance industry-sponsored Hurricane Insurance Information Center opened on Election Day.

The center, expected to be open for at least six months and possibly as long as a year, will provide insurance industry information on consumer issues related to Hurricane Andrew for the press and public, said William Bailey, special counsel to the Insurance Information Institute and the HIIC's co-director. Sam Miller, executive director of the Florida Insurance News Service, serves as the HIIC's other co-director.

The HIIC is supported by 20 major property/casualty companies and more than a dozen national and state insurance company and agents' associations.

For further information, contact the HIIC at Dadeland Towers North, 922 S. Dadeland Blvd., Suite 420, Miami, Fla. 33156; 305-670-3203. ■

Update

USX skirted pensions: Judge

Continued from page 2

USX also violated Sec. 204(h) of ERISA by selling the Geneva Steel Works plant in Orem, Utah, in 1987 without telling employees that cuts in pension benefits were part of the deal, the judge ruled.

Damages will be assessed in separate proceedings that could last months or years. No court dates have been set.

Damages could exceed $100 million, said attorney Allen Young with Young, Kester & Petro in Springville, Utah, who represents many of the 1,900 Geneva workers who sued USX in 1987. However, if the decision stands, USX would likely have to pay less than $10 million in damages, a spokesman contends. He noted that the judge dismissed discrimination and fraud claims against USX.

Best lowers PRUPAC rating

OLDWICK, N.J.—Citing $900 million in aftertax losses from Hurricane Andrew and continued vulnerability to catastrophic losses in Florida and New Jersey, A.M. Best Co. lowered the financial strength rating of the Prudential Property & Casualty Group to A– from A.

"PRUPAC, as well as many other companies, (isn't) adequately protected by reinsurance in populated areas like Florida and New Jersey, and after this type of disaster, it will be even harder for them to obtain adequate backing," said John Snyder, senior vp in Best's property/casualty division.

The $900 million in losses does not include the $60 million to $70 million in aftertax hurricane losses suffered by Prudential Reinsurance Co. Pru Re's A rating from Best was not changed.

Meanwhile, Moody's Investor Services Inc. placed CIGNA Corp.'s senior debt rating and the financial strength ratings of several CIGNA property/casualty and life subsidiaries under review.

Moody's said that it is concerned about CIGNA's $270 million third-quarter loss within its property and casualty units as well as "adverse reserve development and uncollectible reinsurance."

A CIGNA spokesman said that despite massive hurricane losses, CIGNA companies have "more than ample working capital."

In addition, Standard & Poor's Corp. lowered the claims-paying ability rating of Continental Insurance Co. to AA– from AA, citing hurricane losses (*BI*, Sept. 28).

Separately, Best and S&P affirmed their top ratings of ITT Hartford Group Inc. after reviewing its $1.15 billion reserve bolstering and restructuring (*BI*, Oct. 5).

Tobacco liability cases dropped

NEW YORK—The nation's most prominent cigarette liability lawyer last week suddenly dropped five product liability lawsuits—including the landmark Cipollone case—against major tobacco makers.

Attorney Marc Z. Edell of Budd Larner Gross Picillo Rosenbaum Greenberg & Sade in Short Hills, N.J., asked that the five pending tobacco liability cases be dismissed. The Cipollone case led to a precedent-setting ruling by the U.S. Supreme Court that federal law does not bar plaintiffs from bringing certain damage claims against cigarette makers (*BI*, June 29). The case was scheduled for retrial in federal court this spring.

"To continue pursuing the cases would have created an unreasonable financial burden for the firm," Mr. Edell explained.

Two other cigarette liability cases from which Mr. Edell withdrew as co-counsel will likely continue with other lawyers, he said.

Philip Morris Inc. in New York, one of three tobacco company defendants in the Cipollone case, is "pleased by the development," said in-house attorney Charles Wall.

Brooke Group Ltd.'s Liggett Group Inc. and Loews Corp. unit Lorillard Inc. also were defendants in the Cipollone case.

Briefly noted

Travelers Corp. posted a third-quarter aftertax loss of $358 million, driven primarily by $240 million in hurricane-related losses and about $200 million in restructuring charges. Travelers also announced it will lay off 1,500 employees by 1994 at a cost of about $70 million. . . .President Bush last week **vetoed tax legislation**, H.R. 11, that included provisions that would have simplified pension rules and eased administrative burdens of a new federal law that slaps a 20% withholding tax on certain pension distributions. . . .Two more insurers—Metropolitan Life Insurance Co. of New York and Aetna Life & Casualty Co. of Hartford, Conn.—have **withdrawn from the Health Insurance Assn. of America**, saying they want to pursue health system reform issues on their own. . . .Severe weather caused an estimated **$75 million in insured storm damage** in Texas, Oklahoma and Mississippi last month, says the American Insurance Services Group. . . .**First Southern Insurance Co.** of Tampa, Fla., was placed into voluntary rehabilitation Oct. 31. The insurer had been under Insurance Department supervision, but Hurricane Andrew claims drove it into insolvency. . . .**Constellation Reinsurance Corp.** emerged from liquidation Friday under a plan calling for Centre Reinsurance Co. of New York to pay up to $305 million of Constellation's losses. Claim payments are to begin in August 1993. . . .The 9th U.S. Circuit Court of Appeals last week upheld two decisions by the U.S. Tax Court that said corporations can **deduct premiums paid to wholly owned captives** if the captives write "substantial" amounts of third-party business (*BI*, Feb. 4, 1991). The 7th Circuit upheld a similar Tax Court ruling affecting Sears, Roebuck & Co. in August. . . .The U.S. Supreme Court has ordered the 9th Circuit to review whether its ruling that California policyholders that are ordered to pay **punitive damages** in another state can tap their liability insurance is moot. The parties involved in the case—Fibreboard Corp. and a CNA Insurance Co. unit—settled out of court following the ruling. California law bars coverage for punitive damages.

Bad-faith damages

Continued from page 2

Meanwhile, in a separate decision overturning a lower court's decision, the appellate court ruled that Technical Equities investors were not entitled to coverage for emotional distress claims under the bodily injury provision of the firm's comprehensive general liability policy. That coverage also was written by National Union.

More than 1,200 investors in Technical Equities stock, real estate partnerships and short-term notes lost about $150 million because of fraudulent activities by the firm's executives that led to its collapse on Feb. 7, 1986 (*BI*, Oct. 29, 1990; Oct. 8, 1990; July 30, 1990).

Two so-called test cases involving only a few plaintiffs were subsequently filed against National Union. Plaintiffs' attorneys hoped that the decisions in these cases would be applied to all Technical Equities investors.

Plaintiffs claimed in one suit that their losses were covered by the firm's D&O policy and that the insurer inappropriately attempted to cancel the policy during the third year of coverage. The firm had $10 million in D&O limits in each policy year for a total of $30 million in coverage.

Plaintiffs in the other suit claimed that their emotional distress was covered by the firm's CGL policy and that the insurer tried to conceal the existence of the policy from Technical Equities.

Santa Clara County Superior Court Judge Conrad L. Rushing ruled for the plaintiffs in both cases.

Another group of test plaintiffs then filed a single bad-faith lawsuit against National Union. A Santa Clara County Superior Court jury found that National Union must pay the test plaintiffs $48.9 million in damages, of which $43 million represented punitive damages.

In a separate ruling, a jury then applied that verdict to all 1,200 Technical Equities investors. National Union was ordered to pay the 1,200 investors a total of $120.5 million in damages.

Plaintiff attorneys say that interest now brings the total bad-faith damages to about $180 million pending National Union's appeal.

In its 3-0 decision on Oct. 28, the appellate court ruled that a total of $20 million in coverage is available under the second and third year of the three-year D&O policy.

The appeals court ruled that only the second and third year of limits should respond because no claims were filed during the first year of the policy.

And, overturning the lower court, the appeals court ruled that the insurer's costs to defend Technical Equities' officers and directors against the investors' suits were included within policy limits.

Plaintiffs' attorney Mary Seth Weiner of Cotchett & Illston in Burlingame, Calif., said defense costs total $1.5 million.

National Union attorney Wayne Jeffries, a partner with Pettit & Martin in San Francisco, could not confirm defense costs.

But, the most important part of the appeals court ruling, according to Ms. Weiner, is the court's statement that National Union acted in bad faith in attempting to cancel the D&O policy during the final year of coverage.

The appeals court said Christopher Cavallaro, National Union senior vp in charge of underwriting D&O insurance, knew that Technical Equities had prepaid its D&O policy premiums and that there were "significant lawsuits pending against the directors and more were expected to be filed."

Mr. Cavallaro attempted to cancel the insurance policy because he felt certain that Technical Equities' officers were guilty of fraud, even though "National Union did not undertake any investigation" to verify that belief, the court said.

The court said the "attempted cancellation was arbitrary and without legal justification" and therefore was "a breach of the covenant of good faith and fair dealing."

Several officials of Technical Equities subsequently were found guilty of fraud.

Plaintiffs' attorneys say the appeals court's declaration of bad faith in the case is a strong signal the court will uphold the $180 million in bad-faith judgments still pending before the appellate court.

But Mr. Jeffries called the appeals court's finding "incorrect."

"I don't think it can then be carried over" to the pending bad-faith cases, he said.

Those cases "are so riddled by errors and mistakes that they have to fall no matter the result" of the appellate court's latest ruling, Mr. Jeffries asserted.

In another 3-0 decision, the appeals court overturned Judge Rushing's February 1990 decision that "the wrongful activities of Technical Equities. . .were 'occurrences' within the meaning of the CGL policy."

Judge Rushing "determined that the limit recoverable under the CGL is $1 million per occurrence with no limit on the aggregate number of occurrences."

Judge Rushing also found that the CGL policy provided a $1 million aggregate limit for advertising injury.

But, the appeals court ruled that "the wrongful activities of the Technical Equities directors and officers were not 'occurrences' within the purview of the 'bodily injury' provisions of the CGL."

The appeals court also ruled that "emotional distress without physical injury does not constitute 'bodily injury' within the meaning of the CGL policy."

Moreover, "The 'bodily injury' clause of the CGL policy does not provide coverage for emotional distress for investment losses caused by negligent misrepresentation," the appeals court ruled.

In addition, citing a California Supreme Court decision last summer involving Bank of the West, the appeals court ruled that "the advertising liability clause of the policy provides coverage only for the common law tort of unfair competition" (*BI*, Aug. 24).

Plaintiffs' attorneys had argued that advertising injury included unfair business practices, like those in which Technical Equities officers and directors engaged.

Plaintiffs' attorneys may request a rehearing. ■

In Texas court races, big business goes 1-1

The Texas Supreme Court lost two incumbents, one with a pro-worker bent and the other with a pro-business reputation.

Justice Oscar Mauzy, a liberal Democrat with a pro-plaintiff reputation, lost his seat to Judge Craig Enoch, chief justice of the appeals court in Dallas. The insurance industry and other business groups had supported Judge Enoch.

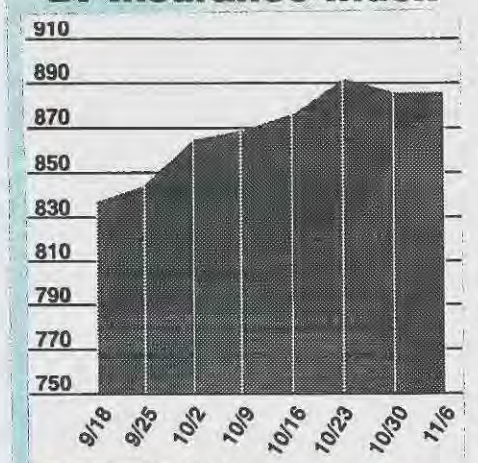
Incumbent Republican Justice Eugene Cook, also supported by big business, was defeated by state district Judge Rose Spector of San Antonio.

In a third race, Democrat Justice Jack Hightower won re-election, defeating challenger, John Montgomery a state district judge in Houston.

Business, including the insurance industry, had supported Justice Hightower.

—By Sara J. Harty

BI Insurance Index



Insurance industry stocks didn't move last week, and the *Business Insurance* Index remained unchanged at 886.5 points on Nov. 6. Advancing issues for the week were led by Reliance Group Holdings, up 15.4%; Kemper Corp., up 8.4%; and USF&G Corp., up 8.1%. Declining issues for the week followed Seibels Bruce Group, down 10.0%; American Indemnity/Financial, down 7.4%; and ULISCO Corp., down 5.6%. The most active issue for the week was U.S. Healthcare, with 5.2 million shares traded. The *BI* Index was unchanged; the NYSE Composite fell 0.2%; the Standard & Poor's 500 dropped 0.3%; and the Dow Jones 30 Industrials rose 0.4%.

British Issues

Nov. 5 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Commi Union	571	N/M	31.5	5.5	571—563	
Genl Accident	549	N/M	35.7	6.5	551—543	
Gdn Royal Exch	159	N/M	10.0	6.3	163—159	
Royal	234	N/M	7.0*	3.0	230—227	
Sun Alliance	314	N/M	19.0	6.0	330—314	
Brokers						
Bradstock	119	13.3	6.3	5.3	119—119	
CE Heath	310	18.0	34.5	11.1	328—310	
Hogg Group	157	14.8	10.9	6.9	157—157	
JIB Group	161	12.4	10.0	6.2	161—160	
Lloyd Thompson	232	18.8	7.5	3.2	232—231	
Lowndes Lmbrt	280	10.9	16.8	6.0	280—278	
PWS Holdings	40	4.6	5.3	13.3	44—40	
Sedgwick Grp	158	12.6	8.0*	5.1	165—158	
Steel Brrl Jones	196	9.7	17.7	9.0	196—196	
Willis Corroon	213	13.4	17.6	8.3	221—213	

Source: Philip Olsen, London — * Estimated

BI Industry Stock Report

NOVEMBER 2, 1992 THROUGH NOVEMBER 6, 1992

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
BROKERS												
Alexander & Alexander	NYS	26.38	0.96	28.66	27.38	18.00	154	1.00	3.79	94	13.10	2.01
Gallagher Arthur J. & Co.	NYS	28.13	1.81	25.70	29.00	20.00	370	0.64	2.28	19	5.88	4.78
Frank B. Hall	NYS	2.88	4.55	-32.35	5.50	2.63	18	0.00	0.00	-3	1.95	1.47
Hilb, Rogal & Hamilton	NYS	14.63	-0.85	10.38	15.63	11.00	108	0.40	2.74	22	3.56	4.11
Marsh & McLennan	NYS	93.75	0.54	15.21	94.00	70.00	666	2.68	2.86	22	28.00	3.35
Poe & Associates	OTC	13.75	1.85	14.58	16.00	11.25	45	0.40	2.91	17	3.05	4.51
BROKERS	AVERAGE		1.5	10.4					2.1	25		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	46.75	0.00	53.28	47.75	25.25	145	0.36	0.77	16	36.95	1.27
Berkshire Hathaway Inc.	NYS	9400.00	-0.79	3.87	9400.00	254.69	0	0.00	0.00	31	7270.00	1.29
ITT (Hartford Group)	NYS	66.25	1.73	14.72	70.63	50.00	801	1.84	2.78	16	112.05	0.59
Sears (Allstate)	NYS	42.75	1.79	12.87	48.00	32.50	3362	2.00	4.68	42	34.50	1.24
CONGLOMERATES	AVERAGE		0.7	21.2					2.1	26		
INSURERS/REINSURERS												
AEGON N.V.	NYS	41.25	-1.49	17.86	42.75	31.31	46	2.68	6.50	7	N/A	N/A
Aetna Life & Casualty	NYS	42.13	0.00	-4.26	47.00	36.50	1034	2.76	6.55	13	87.60	0.48
Allied Group Inc.	OTC	28.75	-0.86	69.12	30.75	16.25	264	0.64	2.23	9	19.85	1.45
American General	NYS	52.00	1.96	16.85	52.75	39.00	587	2.08	4.00	11	60.00	0.87
American Heritage Life Ins.	NYS	30.75	-2.38	0.41	32.50	22.03	6	0.84	2.73	15	N/A	N/A
American Indemnity/Fin'l	OTC	6.25	-7.41	31.58	9.25	4.50	1	0.08	1.28	3	12.93	0.48
American International	NYS	111.00	0.34	12.83	114.50	82.00	1777	0.56	0.50	15	99.30	1.12
Aon Corp.	NYS	48.63	-0.77	22.71	51.13	35.50	327	1.68	3.46	12	39.70	1.22
Argonaut Group	OTC	28.25	0.89	18.95	30.00	21.75	29	0.84	2.97	8	20.96	1.35
AVEMCO Corp.	NYS	22.50	-3.23	-10.00	28.00	21.50	29	0.40	1.78	24	9.55	2.36
Baldwin & Lyons Inc.	OTC	35.00	6.06	35.92	35.00	25.00	3	0.48	1.37	9	24.29	1.44
Chandler Insurance	OTC	5.00	5.26	53.85	7.63	3.00	3	0.00	0.00	45	5.95	0.84
Chubb Corp.	NYS	85.50	-1.44	11.04	88.38	62.38	1939	1.60	1.87	14	42.67	2.00
CIGNA Corp.	NYS	51.38	0.00	-15.95	61.75	47.13	573	3.04	5.92	11	117.15	0.44
CNA Financial Corp.	NYS	92.75	-1.33	-5.36	104.50	78.50	104	0.00	0.00	10	70.23	1.32
Continental Corp.	NYS	27.00	4.85	-2.26	34.75	20.00	832	2.60	9.63	18	40.00	0.68
EXEL Ltd.	NYS	45.38	0.28	21.00	46.00	30.00	333	0.92	2.03	9	N/A	N/A
Fund American Corp.	NYS	72.00	-1.03	3.04	73.25	62.50	68	0.68	0.94	17	36.11	1.99
Fremont General Corp.	OTC	26.25	0.00	7.69	27.25	17.00	40	1.00	3.81	6	45.55	0.58
Frontier Insurance Group	NYS	38.63	4.04	43.06	40.50	21.91	63	0.60	1.55	14	26.65	1.45
Gainsco Inc.	ASE	13.75	-0.90	47.32	14.63	7.28	37	0.04	0.29	19	3.37	4.08
General RE Corp.	NYS	111.63	0.56	9.57	117.00	77.50	1027	1.80	1.61	15	78.65	1.42
Guaranty National Corp.	NYS	17.63	6.82	21.55	20.38	12.63	71	0.48	2.72	11	N/A	N/A
Hanover Insurance Co.	OTC	48.38	1.31	35.31	48.38	33.00	133	0.44	0.91	8	37.44	1.29
Harleysville Group	OTC	27.25	-1.80	28.24	28.00	16.75	356	0.64	2.35	11	22.99	1.19
Hartford Steam Boiler	NYS	55.25	-1.56	-3.91	59.25	45.13	65	2.12	3.84	21	35.50	1.56
Kemper Corp.	NYS	24.13	8.43	-36.72	46.13	20.75	2913	0.92	3.81	10	50.00	0.48
Lawrence Insurance Group	ASE	8.00	0.00	-28.09	11.13	7.00	3	0.48	6.00	18	4.71	1.70
Liberty Corp.	NYS	26.38	-0.47	19.21	32.88	20.13	58	0.48	1.82	11	29.35	0.90
Lincoln National	NYS	67.13	0.19	22.60	67.50	49.38	350	2.92	4.35	12	81.00	0.83
Markel Corp.	OTC	28.75	-1.29	30.68	29.25	18.00	39	0.00	0.00	7	15.59	1.84
Mutual Risk Mgmt. Ltd.	NYS	37.75	-0.33	7.47	40.00	25.75	27	0.24	0.64	23	-	-
NAC Re Corp.	OTC	38.75	-1.90	23.02	40.25	21.75	329	0.16	0.41	17	18.90	2.05
National Re Corp.	NYS	28.25	-2.59	N/A	31.00	17.00	54	0.12	0.42	13	N/A	N/A
Navigators Group	OTC	32.75	-3.68	-20.12	48.25	28.50	1	0.00	0.00	18	13.52	2.42
Nobel Insurance LTD.	OTC	4.75	5.56	18.75	6.00	3.63	649	0.00	0.00	3	7.76	0.61
NWNL Companies	NYS	39.25	3.63	26.10	43.75	26.00	190	1.48	3.77	11	62.65	0.63
Ohio Casualty Corp.	OTC	61.00	-2.01	23.23	66.63	44.00	45	2.68	4.39	12	18.00	3.39
Old Republic Int'l	NYS	26.00	0.00	46.48	26.50	16.00	810	0.40	1.54	9	33.09	0.79
Orion Capital Corp.	NYS	38.38	0.33	21.34	41.00	29.00	72	0.92	2.40	6	43.50	0.88
Phoenix RE Corp.	OTC	13.50	5.88	28.57	13.50	8.75	55	0.20	1.48	27	13.30	1.02
Provident Life	NYS	25.00	-3.38	7.53	28.00	19.75	52	1.00	4.00	10	39.50	0.63
Re Capital Corp.	ASE	16.13	0.00	12.17	16.38	12.25	27	0.24	1.49	29	16.07	1.00
Reliance Group Holdings	NYS	5.63	15.38	36.36	5.88	3.50	345	0.32	5.69	3	6.40	0.88
RLI Corp.	NYS	22.75	1.11	37.88	22.75	15.50	43	0.52	2.29	10	17.92	1.27
St. Paul Companies	NYS	69.75	-1.41	-4.29	80.75	65.13	762	2.72	3.90	10	86.60	0.81
SAFECO Corp.	OTC	55.88	-0.45	14.62	56.75	40.00	1443	1.64	2.94	14	51.65	1.08
SCOR U.S. Corp.	NYS	18.50	-2.63	20.33	19.13	13.13	14	0.28	1.51	10	11.19	1.65
Seibels Bruce Group	OTC	2.25	-10.00	-59.09	6.50	2.13	87	0.36	16.00	-1	10.60	0.21
Selective Ins. Group	OTC	21.00	0.00	25.37	23.50	16.00	108	1.12	5.33	9	30.75	0.68
Statesman Group Inc.	OTC	8.88	1.43	54.35	8.88	5.00	665	0.00	0.00	4	2.48	3.58
Tokio Marine & Fire	OTC	44.88	-0.83	-12.86	55.25	32.25	8	0.00	0.00	-	70.93	0.63
Torchmark Corp.	NYS	52.63	2.43	36.39	54.00	34.00	385	1.04	1.98	15	40.95	1.29
Transamerica	NYS	43.00	-1.99	7.84	46.75	35.63	625	2.00	4.65	20	55.00	0.78
Transatlantic Holdings	NYS	50.38	-2.18	29.58	52.38	29.38	134	0.24	0.48	15	18.38	2.74
Travelers Corp.	NYS	22.88	-1.08	5.78	23.75	17.13	2148	1.60	6.99	10	59.00	0.39
Trenwick Group Inc.	OTC	40.00	-0.62	40.35	42.00	25.00	166	0.80	2.00	16	21.71	1.84
United Fire & Casualty	OTC	41.00	3.80	36.67	42.50	28.84	1	1.00	2.44	9	35.39	1.16
Unitrin	OTC	38.75	0.00	8.39	39.50	31.00	273	1.20	3.10	12	37.23	1.04
UNUM Corp.	NYS	47.88	5.22	18.21	47.88	32.00	619	0.64	1.34	14	37.70	1.27
US Facilities Corp.	OTC	10.13	6.58	-31.93	19.00	7.00	472	0.00	0.00	8	9.58	1.06
USF&G Corp.	NYS	13.38	8.08	84.48	15.00	5.63	2306	0.20	1.50	-26	12.30	1.09
USLICO Corp.	NYS	17.00	-5.56	-8.11	20.38	17.00	53	1.00	5.88	24	33.15	0.51
USLIFE Corp.	NYS	48.13	-0.77	0.52	52.50	39.00	152	1.80	3.74	9	84.55	0.57
Washington National	NYS	22.75	4.00	43.31	23.63	14.00	105	1.08	4.75	18	33.50	0.68
Zenith National Ins.	NYS	17.13	0.00	1.48	19.50	13.75	62	1.00	5.84	12	13.14	1.30
INSURERS/REINSURERS	AVERAGE		0.6	16.0					3.3	14.2		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	OTC	19.25	2.67	35.09	21.25	10.00	1620	0.00	0.00	19	15.50	1.24
Pacificare Health Sys.	OTC	43.25	0.58	9.49	45.75	10.88	288	0.00	0.00	26	28.25	1.53
Safeguard Health Enter.	OTC	9.25	2.78	-1.33	14.75	6.75	118	0.00	0.00	12	3.53	2.62
Sierra Health Services	ASE	33.38	-3.61	260.81	35.38	13.38	206	0.00	0.00	16	1.78	18.75
United Healthcare Corp.	NYS	51.00	-2.16	-31.54	54.75	29.06	1166	0.01	0.02	36	43.60	1.17
United Medical Corp.	ASE	6.50	1.96	-7.14	8.75	6.50	2	0.20	3.08	59	8.79	0.74
U.S. Healthcare	OTC	43.50	-1.14	57.23	51.25	21.66	5197	0.36	0.83	26	20.55	2.12
HMOs	AVERAGE		0.2	46.1					0.5	24		
ALL COMPANIES	AVERAGE		0.7	23.4					2.8	16		

System design: Nordby International Inc.



Prehistory is full of species that were unable to adapt to changes in the world around them. While hundreds of thousands of these animals may have once roamed the land, they now leave nothing more than a fossil record.

Surviving Change Isn't Always Easy. In Group Insurance, It Requires A Whole New Way Of Thinking.

Some health insurance plans are designed as if the world never changed.

The Mutual of Omaha Companies have always believed that group benefit programs should be flexible enough to meet the evolving needs of individual organizations — and adaptable enough to keep pace with changes as they inevitably occur.

Mutual of Omaha's group programs are developed and administered in partnership with clients, using Total Quality methodology to determine mutually agreed upon objectives and benchmarks. They are designed to blend with your employee benefits system, not just be layered onto it.

You know how your benefit programs have to change to meet employees' and management's changing needs. We know, too — and we've done something about it.

Find out what the Mutual of Omaha Companies Group Operation can offer your company. Call Patrick Moeschler, 1-800-877-1052.

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