

OCTOBER 10, 1983

business insurance

update

House committee approves permanent benefit tax rules

WASHINGTON—The House Ways and Means Committee last week passed legislation setting permanent rules on taxing benefits, but only after approving key changes in a section that sets new rules for cafeteria benefit plans.

The legislation, H.R. 3525, originally would have barred cafeteria plans from including taxable benefits (BI, Aug. 1).

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Push for wage-loss law exploding in California

By CAROL CAIN

SACRAMENTO, Calif.—California employers that want workers compensation reform will be asked to put their money where their mouths are.

Employers will be asked to contribute as much as \$1 million to push for reform measures, specifically a wage-loss system.

At the same time, a legislative joint study committee has been formed to study wage-loss systems and California's workers comp program.

Under the wage-loss or wage-replacement concept, injured workers do not receive permanent partial disability benefits except for extreme impairment.

Instead, benefits are paid only for proven lost wages after an accident. If an injured worker returns to a lower paying job, he or she would be compensated for the difference in salary, or most of the difference.

Workers compensation rates in Florida, which was the first state to start a wage-loss system, decreased about 50% during the first three years (1979-81) of the program, while benefits rose about 100%, said a spokesman for the Florida Assn. of Insurance Agents.

Last year, however, rate increases totaling 20% were approved but a recently requested 10% rate increase was denied by the Florida insurance commissioner.

In California, rates may be finally dropping, after a 15.1% increase this year, but employers will still pay more

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Labor unlikely to agree to benefit concessions

By CAROL CAIN and SALLIE J. DRURY

Employers better not count on benefit concessions from union employees to cut corporate health care costs, but they may find the unions willing to work with them to contain these expenditures.

Although benefits are always a big part of contract negotiations, major employers have pushed harder this year for more health cost sharing by union workers and probably will continue to do so.

"It will be a major issue in bargaining in the next couple of years," says Irving Brotslaw, a professor of labor education and assistant director of the School for Workers at the University of Wisconsin's Milwaukee campus.

"The pattern is to go for increased deductibles and to ask the employee to pay a part of the premium," adds Ronald J. Peters, head of labor education for the Institute of Labor & Industrial Relations at the University of Illinois at Champaign-Urbana.

But the employers may meet with little success.

"The era of concessions is over," says David Walker, a consultant with A.S. Hansen & Co. in Lake Bluff, Ill. "Everyone believes that the recession is over and that there's a boom ahead. And, if that's the case, workers won't accept reductions in their benefits."

"I'm not saying there will be absolutely no concessions, but the point is they're going to be a lot tougher to get," said Mr. Walker, a former benefits manager.

For one thing, employers are going to have to convince union workers that they are in financial straits before workers will talk about cost sharing.

"We understand costs are going up, but employers are asking for more cost sharing than they can prove is necessary," explained John Zalusky, an economist

who specializes in collective bargaining for the AFL-CIO in Washington, D.C.

"And they're asking workers to pay this greater (percentage) share at a time when their incomes are lower than they've been in years. I think that's grossly unfair."

The Chicago Teachers Union, which was on strike

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Graphic: Jim Bakasetas



Map: Jim Bakasetas

Lloyd's buys adjuster to improve U.S. service

By STACY SHAPIRO

LONDON—Lloyd's of London's acquisition of a U.S. company—the first in its 300-year history—should result in improved claims services for American policyholders, Lloyd's officials say.

Lloyd's announced last week that it is buying Chicago-based adjuster Toplis & Harding Inc. from the Employers Reinsurance Corp. subsidiary of Getty Oil Co.

The \$10 million purchase, which will be finalized by the end of the year, includes Toplis & Harding's offices in the United States and Canada, but does not include Toplis & Harding of London or Toplis & Harding S.A. in Paris, which are independent companies.

The trans-Atlantic deal will particularly benefit U.S. insurance buyers, who comprise 50% of Lloyd's business, Lloyd's officials say.

"The Lloyd's Council has attached great

importance to claims settling in the United States," Lloyd's Chief Executive Ian Hay Davison said at a London news conference last week.

Mr. Davison admitted that U.S. policyholders have criticized Lloyd's for unusually slow claims settlements. But the purchase of Toplis & Harding should make Lloyd's claims services competitive with those of U.S.-based underwriters, he said.

After the purchase is completed, Lloyd's will attempt to guarantee payments within seven days after claims are settled, Lloyd's officials say.

The precedent-setting acquisition of Toplis & Harding was announced the same day that Lloyd's said it would enact major changes in its disclosure policies, including opening syndicate accounts for public inspection (see story, page 83).

But the acquisition of the claims adjusting firm took top billing.

Michael Cockell, chairman of the Lloyd's Underwriters Non-marine Assn., who negotiated the deal for Lloyd's, says he is thrilled by the prospect of the acquisition.

"This market under this roof has the best and most skillful underwriters in the world, surrounded by superb brokers and noted for its top security. Now we intend to round off our servicing, and Toplis & Harding will help put the systems in force."

W.B. Remdt, president of Toplis & Harding, referred all questions about the acquisition to the adjusting firm's parent, Employers Re.

Officials at the reinsurer, based in Overland Park, Kan., said they were happy to sell the adjusting firm to Lloyd's.

"Toplis & Harding did not mesh in with Employers Re," said John Connelly, the reinsurer's general counsel.

"At one time, when we acquired Toplis & Harding, we thought it would provide ser-

vices to our corporation. But for one reason or another, it did not have the results we anticipated," Mr. Connelly said.

Employers Re bought Toplis & Harding in 1981 through a holding company called ERC Management Corp. as an investment opportunity, Mr. Connelly said, but the company has not achieved the profits expected.

Mr. Davison said last week that the company reported 1982 pretax profits of \$800,000.

"It appeared to us to be a strict investment and a good service company and profits could be achieved in the organization, but they were not," Mr. Connelly said.

"We were not looking to sell Toplis & Harding or to actively look for a purchaser," Mr. Connelly said, "but we received information that there was an interested purchaser, which turned out to be Lloyd's."

In order to consummate the deal, Lloyd's will have to set up a U.S. holding company to

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But under the bill approved by the Ways and Means Committee, two taxable benefits—term life insurance exceeding \$50,000 and extra vacation days—still could be offered by cafeteria plans. However, all other taxable benefits no longer could be provided.

The measure, introduced by Reps. Barber Conable, R-N.Y., and Fortney (Pete) Stark, D-Calif., also would make clear that discounts to employees that exceed 20% of the goods' or services' regular selling price would be taxable to the employee.

Baldwin SPDAs trigger suits

NEW YORK—Four new lawsuits involving Baldwin-United Corp.'s insurance units have washed up in federal courts in the wake of Baldwin's bankruptcy filing last month.

Three Pennsylvania investors filed separate suits in U.S. District Court in Manhattan against Merrill Lynch & Co., Thomson McKinnon Securities Inc. and Prudential-Bache Securities Inc., charging that the firms should have warned investors of the risks of buying single-premium deferred annuities from Baldwin insurers.

The investors allege, among other things, that the securities firms violated federal racketeering laws by engaging in a pattern of fraud and conspiracy in selling the SPDAs. A lawyer for the three investors says that he will seek to have the suits certified as a class action.

A spokesman for Prudential said the suit was "without merit" and that the company would defend itself "vigorously." Merrill Lynch and Thomson McKinnon had no comment.

Meanwhile, a Dallas-based marketer of the SPDAs filed a \$60 million suit in bankruptcy court against Baldwin, former Baldwin Chairman Lucien Wulsin and former President Morley P. Thompson. James B. Van Treese III claims that National Investors Life Insurance Co., a Baldwin unit, refused to pay him commissions after he complained that certain SPDAs were being misrepresented to buyers. Baldwin's action caused his companies to file for bankruptcy he says.

John Roney, Baldwin's acting general counsel, confirmed Baldwin has no directors and officers liability insurance covering executives, adding that Baldwin has agreed to indemnify executives.

Blackout loss estimate reduced

NEW YORK—Losses from the Aug. 10-12 blackout in New York's Garment District are not as bad as first thought.

"We estimate a short-term loss of between \$25 million and \$30 million," said Kurt Barnard, executive director of the Federation of Apparel Manufacturers, which represents about 3,500 companies. Initial loss estimates were as high as \$100 million.

Insurance claims for the losses are untotaled, but most of the garment makers didn't have the special provisions in their policies to cover business interruption losses stemming from off-premise causes, like a blackout, explained Ed Beckemeier, national manager of fire and allied perils for GAB Business Service Inc., an independent adjusting firm in New York (BI, Aug. 29, Aug. 22).

Some of larger retail establishments affected by the blackout, like Gimbels Bros. Inc. and R.H. Macy & Co. Inc., did have the specialty coverage and have filed claims for substantial losses, Mr. Beckemeier said. The exact amounts of those losses were unavailable. Fewer than 10 claims are being handled by GAB, he added.

James completes acquisition

SAN FRANCISCO—Fred S. James & Co. Inc. has signed a definitive agreement to acquire Dinner Levison Co., a large, privately held San Francisco-based broker.

John C. Crane, James' senior vp of finance and administration, declined to reveal the price paid for the acquisition, but said it involved a transfer of Transamerica Corp. stock. Transamerica is James' parent.

James plans to merge its San Francisco office with Dinner Levison's headquarters and its Irvine, Calif., office with DL's sole branch in Newport Beach, Calif.

James is the nation's fifth-largest broker with revenues of \$241.3 million in 1982, while Dinner Levison was the 19th largest, reporting gross revenues of \$12.5 million.

Meanwhile, Memphis-based Cook International Inc. has terminated plans to sell Cook International Agencies Inc. to Hood-Liddell & Associates. Hood-Liddell was a holding company formed by Donald Liddell, president of Cook International Agencies.

A spokesman for Cook International Inc. gave no reason for the end of talks and said the agencies would continue with "business as usual." However, the spokesman confirmed that Cook had sold its Grand Rapids-based employee benefits consulting firm, Actuarial Benefits Inc., to local investors for an undisclosed price.

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NAIC pooling proposal draws renewed criticism

By CAROL CAIN

ATLANTA—There's a battle going on in the workers compensation marketplace and a draft model law on work comp self-insurance pools gives the fighting edge to commercial insurers, charges one administrator of a self-insurance group.

"Where (commercial insurers) can't win without giving up a lot of profit and premium... they pursue regulation," says Bill Griffin, executive vp of the new Florida Group Risk Administrators Assn.

But one regulator says the self-insurers are overly critical of the draft model bill because they don't want any regulation. On the other hand, insurance regulators are being criticized for not seeking enough input from self-insurers and others who regulate them.

At issue is a National Assn. of Insurance Commissioners' model bill that spells out financial security requirements for employers that want to form a self-insured workers compensation pool. It was discussed at both the fall meeting of NAIC in Tampa, Fla., and the

International Assn. of Industrial Accident Boards & Commissions' meeting in Atlanta last month.

Despite all the rhetoric, the bottom line is the model bill apparently will be put to a vote by insurance regulators at the December NAIC meeting.

Some 30 states already permit both public and private employers to join workers compensation pools (BI, July 4, April 11). But in seven states, only public employers may pool their workers comp risks and, in Kansas, only private employers may form self-insured pools. In three other states, pooling membership is even more narrowly defined to allow only school boards to form pools (New Jersey and Washington) or physicians and health care institutions (Colorado).

Regulators report that several states have held off on serious consideration of any self-insurance pool regulation until the NAIC completes its model. And some states that already allow pooling for select groups may use the model bill to allow more groups to pool risks, regulators add.

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Lloyd's hopes 'Brainstorm' will pay off

By STACY SHAPIRO

LONDON—Lloyd's of London and other underwriters are watching the results of their first foray into the movie business: the \$18 million science fiction thriller "Brainstorm," which premiered in 170 U.S. theaters late last month.

Underwriters will receive about 33 cents for every dollar the film grosses, and that could be a substantial sum if the favorable reviews of the film are any indication.

The underwriters' involvement in "Brainstorm" is not really an investment, but a rather unusual salvage operation.

"Think of the salvage that underwriters get when they pay for a hull loss and are stuck with a damaged ship," said a Lloyd's underwriter involved in the film who did not wish to be identified. "That is what we are doing."

The involvement of Lloyd's and other underwriters in the production of "Brainstorm" dates back to November 1981 when Natalie Wood, one of the film's leads, drowned off the coast of Southern California before shooting on the movie ended.

Metro-Goldwyn-Mayer Film Co., "Brainstorm" producer, wanted to scrap the film after Ms. Wood's death and file a \$10.5 million loss on its \$15 million in producers' indemnity insurance covering the film.

"We felt sincerely at the time that the loss of Natalie Wood would deter from the film's objective,"

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New coverage theory still favors asbestos firms

By STEPHEN TARNOFF

CHICAGO—The latest court decision on insurance coverage for asbestos-injury claims takes a new approach, but still favors the policyholder rather than insurers.

In Zurich Insurance Co. vs. Raymark Industries Inc., Cook County Circuit Court Judge James C. Murray defined two distinct periods during the asbestos-disease process when Raymark can recover defense and indemnification costs from its insurer.

He ruled that coverage is triggered both during the period when a victim inhales asbestos and during the period when the disease is manifested in the victim, often many years later.

The decision gives Raymark more coverage than provided under most court rulings on asbestos coverage. So far, most courts have ruled that coverage is triggered by either a victim's exposure to asbestos (the exposure theory) or by the manifestation of asbestos disease in the victim (the manifestation theory), but not both.

But the decision provides less coverage than the triple-trigger theory, which is the coverage interpretation that Raymark sought.

The triple-trigger theory, first handed down in Keene Corp. vs. INA, says all insurers on the risk—from the time of exposure through manifestation, including the interim latency period—are liable.

Judge Murray's decision, handed down late last month, did not specifically provide that coverage would be triggered during the latency period, but he left the door open for such coverage to be decided on an individual basis.

The decision also did not allocate indemnity payments and defense costs among the insurers. He reserved that ruling until the views of the participants in the litigation can be heard.

Insurers in the case and the years in which they provided coverage include: Zurich Insurance Co., 1969 to the present; Commercial Union Insurance Co., successor to Employers' Liability Assurance Corp., 1941-45 and 1947-1950; Federal Insurance Co., part of Chubb Corp., 1951-1967; Globe Indemnity Co., 1950-51; and Northbrook Excess & Surplus Insurance Co., an excess insurer since 1967.

Zurich and Northbrook sought an exposure interpretation, Commercial Union and Federal advocated the manifestation theory, while Globe did not advocate a coverage theory.

Zurich filed the declaratory judgment action in 1978 seeking the proper interpretation of policies.

Raymark, formerly Raybestos-Manhattan Corp., could have \$400 million in coverage under Judge Murray's decision, attorneys say. It

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Insurers for MGM contractor deny liability for hotel claims

By STEPHEN TARNOFF

LAS VEGAS, Nev.—Like a hot potato, liability for claims stemming from the 1980 MGM Grand Hotel fire continues to be tossed about by insurers.

In the latest action, insurers for the general contractor for an addition to the MGM Grand have thrown the ball right back at Union International Insurance Co., which wrote the first \$35 million of the \$165 million in retroactive liability insurance MGM purchased three months after the November 1980 fire that killed 84 persons and injured more than 700 (BI, Dec. 1, 1980).

In June, Union sued general contractor Del E. Webb Corp., Del Webb's insurers and MGM after Union, its parent Frank B. Hall & Co. Inc. and other retroactive insurers were sued by MGM for not paying claims

under the retroactive coverage (BI, March 21, July 18). Union says Del Webb and its insurers are responsible for fire claims and should return to Union \$11.4 million in advances it made to MGM.

But Del Webb's insurers have answered Union's charges saying they should owe nothing, charging that Union is trying to escape liability because MGM settled fire claims faster than Union expected, reducing the investment income it could make on the premiums MGM paid for the retroactive coverage. MGM paid \$25 million for the first \$35 million layer of the retroactive coverage, and \$39 million in total.

Union denied any liability for MGM defense and indemnification costs after MGM and fire plaintiffs reached a \$75 million settlement last January.

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spotlight report

The Reinsurance Market

Questions about reinsurer security could push rates higher

By RHONDA L. RUNDLE

"How real is your reinsurance?" reads the headline on a full-page advertisement that General Reinsurance Corp. is running in a number of financial publications, including this one.

A competitor, North American Reinsurance Corp., a U.S. unit of the Swiss Reinsurance Co., asks the same question repeatedly in a current ad campaign: "Do you know who your reinsurer is? How financially stable is your reinsurer?"

It's no coincidence that the top two powerhouses of the U.S. reinsurance business are using similar appeals to pitch their products. These companies understand that buyers today are nervous about the strength of their reinsurance—and may be gently needed into paying more for the peace of mind to know that their reinsurers will be there years from now to pay claims.

In fact, some market observers believe that concerns about security—rather than a major catastrophe like a hurricane, earthquake or flood—are likely to cause an upward push in reinsurance rates and a toughening in contract terms and conditions.

Such a price shift would hit commercial insurance buyers as their direct insurance suppliers pass along these higher reinsurance costs. No one can say for sure how long it would take such a price shift to filter through the market.

Unlike the proverbial "big bang," a cataclysmic event that would force reinsurers and direct insurers to recover huge losses through higher rates charged to buyers, the tightening caused by security concerns is likely to be slow and gradual—even imperceptible to some players in the reinsurance market.

"We no longer expect a natural calamity to bring a noticeable change in the market, nor

even an accumulation of asbestos or other product-related claims," notes Edmond F. Rondepierre, senior vp and general counsel of General Reinsurance Corp. in New York.

Gen Re expects higher rates to evolve slowly as insurance companies re-evaluate the security behind their reinsurance and opt to stick with or switch to sellers with com-

fortable reputations, solid financial positions and probably—although not necessarily—higher prices.

And, this scrutiny will intensify as insurers' independent auditors and state insurance regulators start to ask more questions about an asset on the balance sheet termed "reinsurance recoverable" (see stories, pages 18

and 54).

This theory is not only plausible but also explains the widely differing perceptions in the business about current conditions and prospects for a relaxation of competition.

Security concerns among ceding companies—although widespread—do not always

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Top 10 U.S. reinsurers at midyear

Reinsurance company (Parent company)	Net premiums written (000)			Combined ratio		Policyholder surplus (000)		
	6 mos. 1983	6 mos. 1982	Percent change	6 mos. 1983	6 mos. 1982	6 mos. 1983	6 mos. 1982	Percent change
General Re Group (General Re Corp./USA)	\$417,082	\$428,004	-2.6%	101.9%	101.2%	\$912,435	\$688,904	32.4%
North American/Swiss Re Group (Swiss Reinsurance Co./Switzerland)	257,257	240,709	6.9	111.7	109.7	377,978	216,028	75.0
Employers Re (Getty Oil Co./USA)	230,266	229,306	0.4	103.4	106.4	403,832	287,540	40.4
American Re-Insurance Co. (Aetna Life & Casualty Co./USA)	197,210	167,540	17.7	112.3	109.6	294,626	283,584	3.9
Prudential Re Group (Prudential Insurance Co. of America/USA)	160,777	189,085	-15.0	123.2	109.2	215,095	195,076	10.3
INA Reinsurance Co. (CIGNA Corp./USA)	133,001	76,460	73.9	111.5	106.5	167,611	152,273	10.1
Skandia America Group (Skandia Insurance Co. Ltd./Sweden)	98,789	84,503	16.9	114.8	108.5	114,268	95,364	19.8
Munich Re Group (Munich Reinsurance Co./Germany)	94,802	99,416	-4.6	113.8	114.8	120,304	99,408	21.0
Transatlantic Reinsurance Co. (consortium of eight companies/worldwide)	75,712	65,506	15.6	114.8	105.5	123,992	124,593	-0.5
Kemper Reinsurance Co. (Kemper Group/USA)	68,591	50,166	36.7	107.4	111.7	125,389	92,137	36.1

Intermediaries' historical image clashes with modern role

By LEN STRAZEWSKI

Reinsurance intermediaries hate being called brokers. They prefer a more Victorian image of circumspect matchmakers who bring interested parties together for mutual support.

Corporate insurance buyers and many direct insurance brokers see them still another way, as somewhat enigmatic figures who skulk behind the scenes, carrying millions of dollars in insurance capacity in battered, locked briefcases.

Both old-fashioned views contrast sharply with modern reality. Advanced computer technology, sophisticated marketing and worldwide reinsurance connections have long ago replaced the intermediary's black book of a few London and domestic reinsurers.

As the reinsurance marketplace has grown, doubling in the United States over the past five years and expanding to more than 400 reinsurers internationally, so has the reinsurance intermediaries' business grown and changed. What were once small, personal independent brokerage operations have become large, powerful marketing and service companies. Five of the 10 largest U.S.-based intermediaries are owned by the biggest of the direct insurance brokers (see chart).

This time of year, as they prepare 1984 reinsurance treaty renewals, intermediaries are one of the most powerful forces in the insurance industry. They are dealing, bargaining and ultimately controlling the financial security behind most commercial insurance policies. It's estimated that at least 75% of the \$9.3 billion net premium of U.S. reinsurers flows through the hands of intermediaries. U.S. intermediaries also place untaxed premiums abroad at Lloyd's of London and elsewhere, as well as broking retrocessions, thus adding to the amount of premiums they handle.

The premiums are predominately for treaty reinsurance, in which a reinsurer accepts a portion of risk from a ceding company related to a class or classes of business. Intermediaries earn an average commission of 2.5% for placing treaty reinsurance, from a low of 1% to high 10%.

The larger reinsurance intermediaries for

the most part shun facultative reinsurance, which provides coverage to a ceding company for a portion of a single insurance policy. The labor and paperwork-intensive facultative business generates significantly less volume at about half the commission rate of a treaty.

Business Insurance's list of the Top 10

U.S.-based intermediaries, ranked according to premium volume, is compiled from responses to a survey conducted by *BI* to publish an exclusive directory of U.S. and Bermuda-based reinsurance intermediaries (see page 29).

Six of the 10 largest intermediaries ranked

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Top 10 U.S. reinsurance intermediaries

Reinsurance intermediary (Parent company)	Premium volume (000)			Employees			1982 business	
	1982	1981	Percent change	1982	1981	Percent change	Percent treaty	Percent facultative
Guy Carpenter & Co. Inc. (Marsh & McLennan Cos. Inc.)	\$3,300,000 ^E	\$3,000,000 ^E	1.1%	1,200	1,200	—	85% ^E	15% ^E
E.W. Blanch Co. (Independent)	1,317,940	1,127,929	16.8	253	242	4.5%	98	2
Frank B. Hall (Re) Holdings Inc. (Frank B. Hall & Co. Inc.)	750,000	450,000	66.7	175	150	16.7	65	35
John F. Sullivan Co. (Fred S. James & Co. Inc.)	720,000 ^E	560,000 ^E	28.6	222	184	20.7	90 ^E	10 ^E
Towers, Perrin, Forster & Crosby Inc. (Independent)	700,000 ^E	680,000 ^E	2.9	198	194	2.1	87	13
Willcox Inc. (Johnson & Higgins/Willis Faber)	600,000 ^E	550,000 ^E	9.1	200	185	8.1	90 ^E	10 ^E
Intere Intermediaries Inc. (Independent)	420,000 ^E	380,000 ^E	10.5	151	135	11.9	100	—
RFC Intermediaries Inc. (Reinsurance Facilities Corp./St. Paul Cos. Inc.)	257,698	201,847	27.5	230	216	6.5	59	41
Thomas A. Greene & Co. (Alexander & Alexander Services Inc.)	150,000 ^E	150,000 ^E	—	215	138	55.8	50	50
Delaney Offices Inc. (DMT Financial Group)	125,000	66,000	89.4	39	14	199.0	90	10

^EBusiness Insurance estimate

Security concerns

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translate into acceptance of tougher terms or higher costs as long as the market continues to stock cheaper alternatives. So, the impact of security concerns on the market is sporadic and uneven.

Some observers believe contract terms are tightening and prices are moving up. They point to three reinsurers that have recently taken dramatic actions (see story, page 7).

Others point to continued new capital coming into the market—especially the New York Insurance Exchange—that will keep competition keen and coverage prices low.

New capital flooding the reinsurance market has been blamed (or heralded, depending on the point of view) more than any other factor for keeping reinsurance rates in the cellar during recent years. Bargain prices have encouraged insurance companies to buy increasing

quantities of reinsurance, rather than to fulfill their traditional role of bearing risk.

A measure of this trend can be seen in the increase in premiums written by the U.S. market over the past five years. Total premium volume has risen more than 50% in five years, notes Frank W. Nutter, president of the Reinsurance Assn. of America in Washington, D.C.

Last year, total premium volume for U.S. reinsurance companies, the reinsurance departments of U.S. direct insurers and alien reinsurers doing business in the U.S. hit \$9.3 billion compared with about \$6 billion in 1978, according to RAA figures.

The 10 largest writers represent about 38% of the total U.S. reinsurance market, which is not expected to grow this year. At midyear, these companies had written about \$1.8 billion in net written premium, compared with roughly \$4.7 billion market-wide (see chart, page 3).

If it were listed in the Top 10, the New York Insurance Exchange with \$81.3 million in net written premiums at midyear would rank eighth behind Munich Re Group and ahead of Transatlantic Reinsurance Co.

Many of the largest, best-established, and—presumably—most secure reinsurers don't see signs of a hardening in the market, although they believe they may be benefiting from increasing concerns about security. The migration of security-conscious business to these markets enables them to stand firmer on terms and rates with less risk of a substantial drop in volume.

But, many reinsurance intermediaries and smaller companies take a different view of the market: They feel confident that 1984 will indeed be the year that the market turns. Some of them say that reinsurance renewals in the wake of Hurricane Alicia will be steeper than expected.

Total insured losses from Hurricane Alicia, which struck the Texas coast in late August, are expected to exceed \$1 billion (BI, Aug. 29).

"We think the market is on the verge of tightening," says Richard E. Cole, president of Sten-Re, Cole & Associates Inc., an affiliate of Reed Stenhouse Inc. Sten-Re is a U.S. reinsurance intermediary specializing in placing domestic treaties for small and medium-sized regional insurance companies.

"We've had more than our fair share of clients hit with Alicia losses," notes Mr. Cole. "Those who have been hitting their catastrophe programs will see tightening in their treaty terms next year."

Donald R. Smith, executive vp at Kemper Reinsurance Co., a subsidiary of Kemper Corp., agrees that there will be a strengthening in reinsurance terms and increases in rates because of Hurricane Alicia.

The steepness of the increase will

depend upon how much an insurer's reinsurance was attached by Alicia—as well as by other storms in recent years. If Alicia was the first hit, rate increases might run in the 10% to 15% category; if there were greater frequency of claims, then the increases might be 20% to 30%.

"This is what we will be shooting for," sums up Mr. Smith.

Kemper Re also will ask companies that have maintained steady retention levels for four or five years to raise those levels if they have enjoyed substantial premium volume growth.

But, for every optimistic reinsurer who believes that Hurricane Alicia will trigger rate increases, there are at least as many who shake their heads and say their colleagues are whistling "Dixie." Here's a small sampling of their reactions:

"It's a small noise in the market—nothing more," notes a senior executive at Munich American Reinsurance Co. in New York, a unit of Munich Reinsurance Co. in Munich, West Germany.

"It's a pimple as opposed to a boil," suggests Frederick D. Easty, vp-underwriting for Insurance Corp. of Hannover in Los Angeles.

"It won't make the slightest ripple in the market," says Ronald Compton, president of American Re-Insurance Co, a unit of Aetna Life & Casualty Co.

However, there is a fairly widespread perception in the U.S. market that London may be taking its Alicia losses more seriously. And, if there is going to be a turn in the market—however slow and gradual—it may originate in London.

Besides the accumulation of losses from Alicia and other catastrophes, London may need rate increases because of the decline in the value of the pound sterling against the U.S. dollar, the form of payment for a vast amount of the insurance and reinsurance business in the United Kingdom.

U.S. reinsurers who attended the Rendez-Vous de Septembre in Monte Carlo last month, where the British market is strongly represented, seem to be more optimistic than their counterparts who stayed home that 1984 will see some relaxation of competition.

For example, after returning from the Rendez-Vous, executives at C/Re Management Corp. in New York, a subsidiary of W.R. Berkley Corp. that acts as underwriting manager for Winterthur Swiss Insurance Co.'s facultative property and casualty reinsurance, decided to delay quotes on new and renewal business until Nov. 15. Top management is convinced that the market is headed for a turn (see story, page 7).

Mr. Compton at American Re acknowledges that the London market may be an exception to his overall belief that there is little prospect for a change in the reinsurance market next year.

"We see more firming in London, he says."

So does Mr. Easty at the Insurance Corp. of Hannover in Los Angeles, who recently returned from London where he met with four or five underwriters.

"It's my candid opinion that the London market does intend to toughen up—especially on the casualty side. They are rattling the saber a lot more than we are, I think."

Insurance Corp. of Hannover is a major treaty reinsurance market for excess and surplus lines insurance companies. The E/S reinsurance market has bottomed out, reports Mr. Easty. "Some of the less responsible insurers are losing their treaties," he adds.

And, Insurance Corp. of Hannover has declined to underwrite for new E/S markets for about a year. "I don't care how good they purport to be," declares Mr. Easty.

The most dramatic reports of re-
Continued on page 6

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CIGNA

Retrocession woes

Continued from page 4

insurance tightening have come in the market for retrocessional protection—reinsurance bought by reinsurers.

"It's becoming increasingly difficult for reinsurers to purchase retrocessional protection," reports David P. Delaney Jr., president of Delaney Management Co. in New York, a unit of DMT Financial Group.

The prices of some retrocessional programs are running 50% to 100% higher on renewal, he says.

There are several reasons for this, he explains. Retrocessional protection traditionally has been written by new entrants in the reinsurance business. But, there are fewer new entrants today because the business is suffering.

Secondly, professional reinsurers do not like to write retrocessional protection because it expands their competitors' capacity, creates problems in tracking exposures that could accumulate from a single risk or occurrence and makes it tough for the assuming company to buy its own retrocessional protection.

Warren O. Hart, chairman of W.O. Hart & Co. Inc., a reinsurance intermediary in Stamford, Conn., has a reinsurance client who will be paying substantially more next year for property catastrophe retrocessional protection.

The reinsurance company client will pay a 36% increase on a \$1 million layer above a \$750,000 retention. The layer suffered an Alicia loss, but maintained a residual profit of \$1 million.

The assuming reinsurer is raising rates on all layers in the \$18.5 million program, even those that were not affected by Alicia. On the second layer, which is loss-free since 1975, the ceding reinsurer will pay a 14.3% increase, says Mr. Hart.

The mid-1980s also are ushering in some fresh opportunities for reinsurers to support the activities of direct insurers writing a wide assortment of financial guarantee coverages, executives note.

"This is a market where we see increasing activity and one we are moving into very conservatively and cautiously," points out George S. Nimmo, president of Prudential Reinsurance Co. in Newark, N.J.

Another Prudential unit, Gibraltar Casualty Co., underwrites excess insurance above protection provided by the Federal Deposit Insurance Corp. Gibraltar also underwrites surety bonds that provide coverage excess of that offered to securities brokers by the Securities Investors Protection Corp. Pru Re provides some of Gibraltar's reinsurance protection.

Other types of financial guarantee protections emerging on the market include residual value insurance, interest rate protection on variable loans for business borrowers and limited partnership insurance that guarantees a lender that the partners will make payments on a loan when due.

Pru Re, Gen Re, and Munich Re are among those that are active or interested in providing reinsurance for some of these products.

Another category of reinsurance business that has been on the upswing during the past year enables an insurer to sell a block of loss reserves to a reinsurer.

These transactions—variously described as loss portfolio transfers, loss reserve reinsurance, surplus relief treaties and funding plans—may be structured in many ways.

Typically, the insurer pays a premium, based on the present value of unpaid claims, to the reinsurance company that is accepting the liabilities. The premium, which will be invested by the reinsurer until it is needed to pay losses, must be carefully calculated to reflect both the timing and the amount of the ultimate claims payments.

The difference between the premium payment and the book value of the loss reserves translates into taxable income for the insurer. The reinsurer gets a sizable stash of cash for immediate investment.

Although loss portfolio transfers are nothing new, reinsurers say more transactions are occurring because many insurers are under pressure to improve their earnings and to improve the various financial ratios used by insurance rating services such as A.M. Best's.

A reinsurance executive whose company participates in this market estimates that there may have been 30 loss portfolio transactions this year. "I would say 30 is not an unreasonable guess," observes Pru Re's Mr. Nimmo. "There may have been as few as 20 or as many as 40 to 45."

Earlier this year, Aetna Life & Casualty Co. reinsured an \$80 million block of medical malpractice business with Fireman's Fund In-

urance Cos. to boost its first-quarter operating earnings by \$48.3 million (BI, May 9). Reinsurance Corp. of New York also has sold loss reserves, industry sources say.

Critics of the transaction call it an accounting trick to artificially inflate a financial statements. But, reinsurers who accept loss portfolio transfers argue that there are many sound and legitimate reasons for an insurer to seek them.

"They can help a company build a wall around a class of business—such as medical malpractice—from which it intends to permanently extricate itself," points out a reinsurance executive, who asked not to be identified. Results in one line of insurance might be dragging down the whole company whose performance is otherwise acceptable, if not actually profitable.

Portfolio transfers also enable a company to close down its business. It can transfer its liabilities to another insurer who will pay future

claims. This sometimes happens when a small insurance subsidiary is owned by a non-insurance parent that wants to get out of the risk-bearing business.

"As more Bermuda captives are cut loose, we will see more of this," said the reinsurance executive.

It is not uncommon for new underwriting management to sell off existing loss reserves when it assumes leadership of an insurance company. This gives the new management a clean slate against which future performance can be measured.

Reinsurers do not deny that loss portfolio transfers can be and have been used in the past to camouflage the actual or impending insolvency of financially shaky insurance companies. Reinsurers that write the coverage stress that they would never offer it to an insurer if they knew the transaction would have a material effect on the ceding company's financial position.

Several markets that write loss reserve reinsurance say they will grant coverage only after receiving assurances from the ceding company that it has discussed the transaction in advance with the insurance commissioner in the state where the company is domiciled.

However, an official in the California Insurance Department complains that examiners have discovered several undisclosed loss portfolio transactions after conducting audits of insurance company reinsurance programs.

"In one or two instances these were situations in which an immediate gain in surplus was of material gain to the reinsured," reports Al Gershaneck, head of the reinsurance bureau in the field examination division. He hopes that the issue will be discussed at the December meeting of the National Assn. of Insurance Commissioners.

Reinsurers also are nervous
Continued on facing page

AMERICAN IN REINS

The arson crisis: putting the heat where it belongs

How big is the arson problem today?

One northeastern county with 69 municipalities identified 66% of structural fires as suspicious or incendiary in 1981. In 1982 this same county delivered 42 criminal indictments for arson and received 92 more confessions of arson.

No one knows how many fires are actually caused by arson. A leading property insurance company shows that over 43% of structural fires in 1982 were suspicious or incendiary in origin.

One of the country's best-known arson experts estimates that at least 50% of all

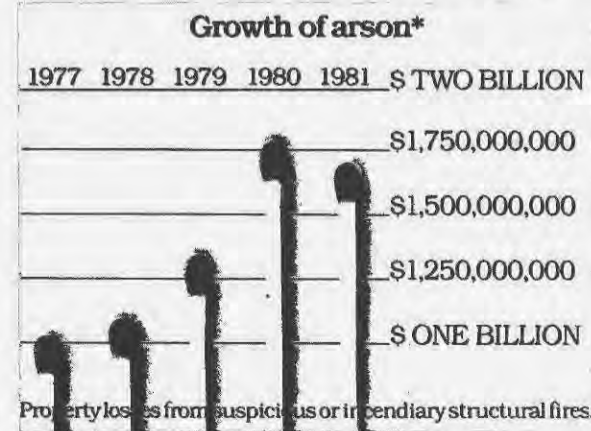
structural fires are deliberately set.

Figures from the National Fire Protection Association show a 72.5% increase in costs associated with arson from 1977 to 1980. In 1981, however, the dollar loss declined slightly. Is this the effect of increased anti-arson activity? It is too early to tell.

What can be done about this growing problem? At American Re we decided to tackle it head on. We teamed one of America's foremost arson experts with one of the country's most respected arson attorneys to lead a series of anti-arson seminars. The seminars address such topics as:

- Whose problem is arson?
- What's the toughest problem in fighting arson?
- Working with local anti-arson squads
- Preserving evidence
- Identifying arson defense firms
- The role of the arson investigator
- Benefits of an anti-arson program
- How to set up a successful anti-arson program

At the seminars, small numbers of primary insurance company executives discuss their experiences with arson, and exchange ideas on how to cope with this



AMERICAN REDEF

Continued from facing page about legal entanglements that could follow in the wake of loss portfolio transactions with insolvent—or shaky—companies.

For example, Scor Reinsurance Co., a U.S. unit of Societe Commerciale de Reassurance (SCOR), and other defendants have been sued by the Illinois Insurance Department in an action stemming from a surplus relief treaty entered into by Scor Re with Reserve Insurance Co., which was declared insolvent and entered into receivership four years ago.

The suit alleges that Scor Re and Reserve did not fully disclose to the insurance department the terms of the surplus relief transaction. If the regulators had been fully informed of the details, they would have acted sooner to shut down Reserve, the suit claims.

Scor Re argues that the regulators' own reports show they did have full knowledge of the transac-

tion prior to approval. Also, it challenges the department's claim that retrocessional arrangements backing up the surplus relief transaction enabled Reserve to transfer assets out of the United States.

"This is the first time that a department of insurance or any plaintiff has brought action against a reinsurer because it engaged in a surplus relief transaction," observed Ronald A. Jacks, an attorney with the Chicago firm of Isham, Lincoln & Beale that is representing Scor Re in the litigation.

The suit also is notable because the Illinois Insurance Department is seeking treble damages of \$300 million for the alleged fraud under the Racketeer Influenced and Corrupt Organizations (RICO) Act.

"The suit sounds a note of caution, but reinsurers should not overreact because the ultimate exposure of Scor Re to the RICO Act has not been demonstrated or proven," says Mr. Jacks. ■

Three reinsurers take action to deal with bitter competition

The U.S. reinsurance market is abuzz with news of three companies that are taking dramatic action to deal with the impact of cut-throat competition on their respective businesses.

The three companies are Scor Reinsurance Co., owned by Societe Commerciale de Reassurance (SCOR) in Paris, Great American Insurance Co. in Cincinnati and C/Re Management Corp. in Cherry Hill, N.J., a wholly owned unit of W.R. Berkley Corp.

Scor Reinsurance Co. will move its headquarters to New York City from Irving, Texas, and slash the size of its total operating staff including branch offices to about 70

people down from 120, say industry sources. Officers of the company were unavailable for comment.

The reinsurer's Atlanta office has been closed and staff will be significantly reduced at the Irving, Chicago and Hartford, Conn., branch offices, according to the unconfirmed reports. Only a half-dozen people on the current corporate staff will be transferred to New York and the rest will be released.

Scor will concentrate on treaty rather than facultative reinsurance, which has been the source of severe losses.

Although Scor Re's overall combined loss ratio of 109% in 1982 on

net premiums written of \$39 million is better than the reinsurance industry average of about 111%, retrocessional coverage for Scor written by the French parent company has showed horrendous results, say industry sources.

Great American Insurance Co. in Cincinnati is shutting down its assumed treaty reinsurance department, *Business Insurance* has learned. The company declined to discuss the decision, but said a formal announcement on the matter would be made soon.

Last year, Great American's reinsurance department wrote \$13.6 million in net reinsurance premium with a combined loss ratio of 119%, according to Reinsurance Assn. of America figures.

C/Re Management Corp., the property and casualty facultative underwriting manager for the U.S. branch of Winterthur Swiss Insurance Co., is withdrawing all quotes on 1984 contracts and will not consider new or renewal business prior to Nov. 15.

"The reason for this decision is that we at C/Re are convinced there will be a significant contraction and thus an improvement of the facultative marketplace within the next 60 to 90 days," the company explained in a Sept. 28 telex sent to 125 producers.

This change in the market might make it possible for facultative reinsurers to increase rates on new and renewal business, said Keith E. Sweat, C/Re president.

"We realize this delay may cause us to lose some premiums," he added.

The underwriting manager expects to write \$17.5 million in property and casualty facultative reinsurance on behalf of Winterthur Swiss this year, compared with \$14.7 million in 1982.

Although the actions of Great American, Scor Re and C/Re are not expected to have a material impact on the overall U.S. reinsurance market, they are examples of the kind of corporate behavior that reinsurers say must become widespread before the current buyers' market hardens.

C/Re's Mr. Sweat said his belief that there would be a significant contraction in the market was partly based on the mood he perceived at the Rendez-Vous de Septembre, the annual gathering of reinsurers held last month in Monte Carlo (*BI*, Sept. 19).

"I see problems with respect to completing facultative retrocession treaties—particularly on the casualty side," he said.

Last year, too, there were early signs that pointed to a possible tightening of capacity and higher reinsurance rates, but they proved to be isolated incidences.

Fremont Reinsurance Co. in San Francisco, a unit of Fremont General Corp., was one of three or four companies that took action to re-underwrite its book of business last year, reports President Wesley J. Kinder.

"We thought more companies would do this last year, and we think ultimately more will have to do it this year," he observes.

Fremont's re-underwriting program, begun in 1982, resulted in significant cuts in market participation this year. The reinsurer estimates that its 1983 written premium will be less than \$100 million, compared with nearly \$132 million in 1981.

"We did the bulk of our re-underwriting last year so we do not feel the need to make a lot of changes at this year-end," added Mr. Kinder. ■

FRONTIERS URANCE

problem. Sessions in Santa Barbara, Kansas City, New York and several South American cities have produced astonishing results. It is evident that insurers are serious about working to reduce arson. The

Federal Government has also shown its commitment by making arson a Class 1 felony.

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RES REINSURANCE

opinions

Openness appreciated

OUR COMPLIMENTS TO THE Council of Lloyd's of London for deciding to open up syndicates' finances to their members and the public.

Beginning Jan. 1, any member of any syndicate at Lloyd's, or any insurance buyer, can find out exactly how well any syndicate is doing and what financial interests the syndicate's management has in insurance and reinsurance companies.

Historically, only a syndicate's members could see its accounts. And, there was quite a flap among syndicate managers when their "names" started swapping financial information for publication last year. Now, Lloyd's names will not have to go to such surreptitious lengths to judge the performance of the various syndicates.

Equally important will be the disclosure by syndicate managers of their interests in insurance, reinsurance and insurance-related companies. This full disclosure will go a long way toward re-establishing Lloyd's good reputation. It will remove the veil of secrecy that has so long covered Lloyd's operations. Granted, that secrecy once sustained an attractive mystique about Lloyd's. But, when unscrupulous dealings were charged against a few of its syndicates, that attractive mystique turned

ugly. Speculation about business dealings was creating the most sinister scenarios. Now, we'll see the facts.

While on the topic of full disclosure, we'd like to thank the 59 reinsurance intermediaries in the United States and the 15 in Bermuda that responded to the questionnaire for our first annual listing of intermediaries. It's a listing we know readers want.

We'd especially like to praise those reinsurance intermediaries who swallowed tradition and disclosed their financial figures for the readers of *Business Insurance*. By disclosing their business volumes, and in some cases gross revenues, these intermediaries also are pulling back a veil from the shrouded world of the reinsurance intermediary business.

And just like at Lloyd's, disclosing facts about the reinsurance intermediary business will work wonders to improve the reputation of the business. Given that recent scandals involving reinsurance in the United States have been traced to unscrupulous intermediaries, the more information intermediaries disclose about themselves, the better their individual and collective reputation in the marketplace.

Meet on neutral ground

THE TASK FORCE working under the auspices of the National Assn. of Insurance Commissioners to develop a model law for regulating group self-insurance pools for workers compensation risks should find another site for its Oct. 21 meeting in New York City.

CIGNA Corp. has offered its board room free of charge to the task force. It's a gracious invitation—and one made without strings attached—that we think the task force should politely refuse.

The task force has been criticized by some executives of group self-insurance pools as being unduly influenced by the insurance industry in its work on the model law. These critics contend that the resulting model law overregulates group self-insurance pools beyond what is necessary to protect the interests of the members of the pools and their workers. The critics contend the model law makes group self-insurance pools less of a competitive threat to insurers.

We don't endorse these charges. We think the members of the task force have drafted a reasonable model

law that includes the bare-bones necessary to ensure that these group self-insurance pools are solvent. It appears to us that recent revisions have improved the first draft of the model law and that the surviving provisions of regulation are not so onerous as to interfere with the efficient functioning of the pools or to make the pools less competitive with insurers.

We do, however, think that this NAIC task force, and all NAIC task forces, must not only avoid undue influence from the insurance industry but also must avoid the appearance of undue influence.

To put it bluntly, it's tough to contend that the task force isn't in the pocket of insurers when it is holding its meeting in an insurance company's board room.

We understand that the task force can't afford to pay for a meeting place—which is unfortunate to begin with—but we believe with a little time and effort a free meeting place other than the office of an insurer could be found. The New York Insurance Department, for example, could probably offer a room.

letters

'Psychology' of sprinklers makes safety sense

To the editor: In the article "Installing sprinkler system in Trade Center not a tall job" by Donna Gordon (BI, Sept. 12), Robert Linn, the deputy director for physical facilities at the World Trade Center, talks about "dealing with a psychological thing" that building tenants feel safer knowing there is a sprinkler system.

The tenants certainly should feel safer because they are safer, particularly since full evacuation of the Trade Center is not feasible at the time of a fire.

Mr. Linn also expresses concern about water damage to computers. I suggest that if a fire occurs of sufficient intensity to cause a sprinkler to operate, the fire situation is serious enough to need sprinkler operation. Where prompt action is taken to dry out computers, water damage should be minimal and far less than the potential fire damage if sprinklers failed to operate.

In the guidelines offered to federal agencies in 1978 for fire protection of essential electronic equipment, the National Fire Prevention and Control Administration made a strong recommendation for the provision of automatic sprinklers in computer rooms. In the development of its rationale supporting the use of water on essential electronic equipment fires,

the following points were made:

"Review of actual fire situations consistently demonstrates that wherever sprinklers have activated, the magnitude of the loss was low. Conversely, where sprinklers had been deactivated or were not installed, a major loss was suffered on a few occasions. The cost of recovery from exposure to water is low especially when immediate restoration actions took place."

Finally, a comparison is made between smoke detectors and sprinklers. Smoke detectors are a better fire detection system than sprinklers—that is their intended purpose: early detection. But having detected a fire, what is the next step? Sprinklers offer protection to the building contents and its occupants, something that is not available from smoke detectors.

It is unfortunate that this major fire protection improvement to the largest high-rise building in the world was not treated in a more positive vein rather than the expressed attitude of "belt-and-suspenders" overkill. The 35,000 daily occupants of the World Trade Center will certainly be much safer in any fire emergency that may occur.

The capability for early detection of fire previously existed, but protection was strictly reliant upon manual efforts. The promptness and effectiveness of such

firefighting response would obviously vary, depending upon a number of factors, including location within the building, ease of access, time of day, smoke and heat conditions on the fire floor, confusion and obstruction caused by occupants leaving the fire floor and possibly other areas. The fire, heat and smoke exposure to adjacent floors could likewise vary depending on the response time and initial effectiveness of the responding firefighters.

Now occupants can rest easy knowing that any fire will not only be promptly detected but will also be quickly controlled by sprinklers operating automatically in the fire area. As a result, there should be minimal impact on adjacent areas and no threat to human life.

Jack S. Barritt
Chief Research Engineer
Industrial Risk Insurers
Hartford, Conn.

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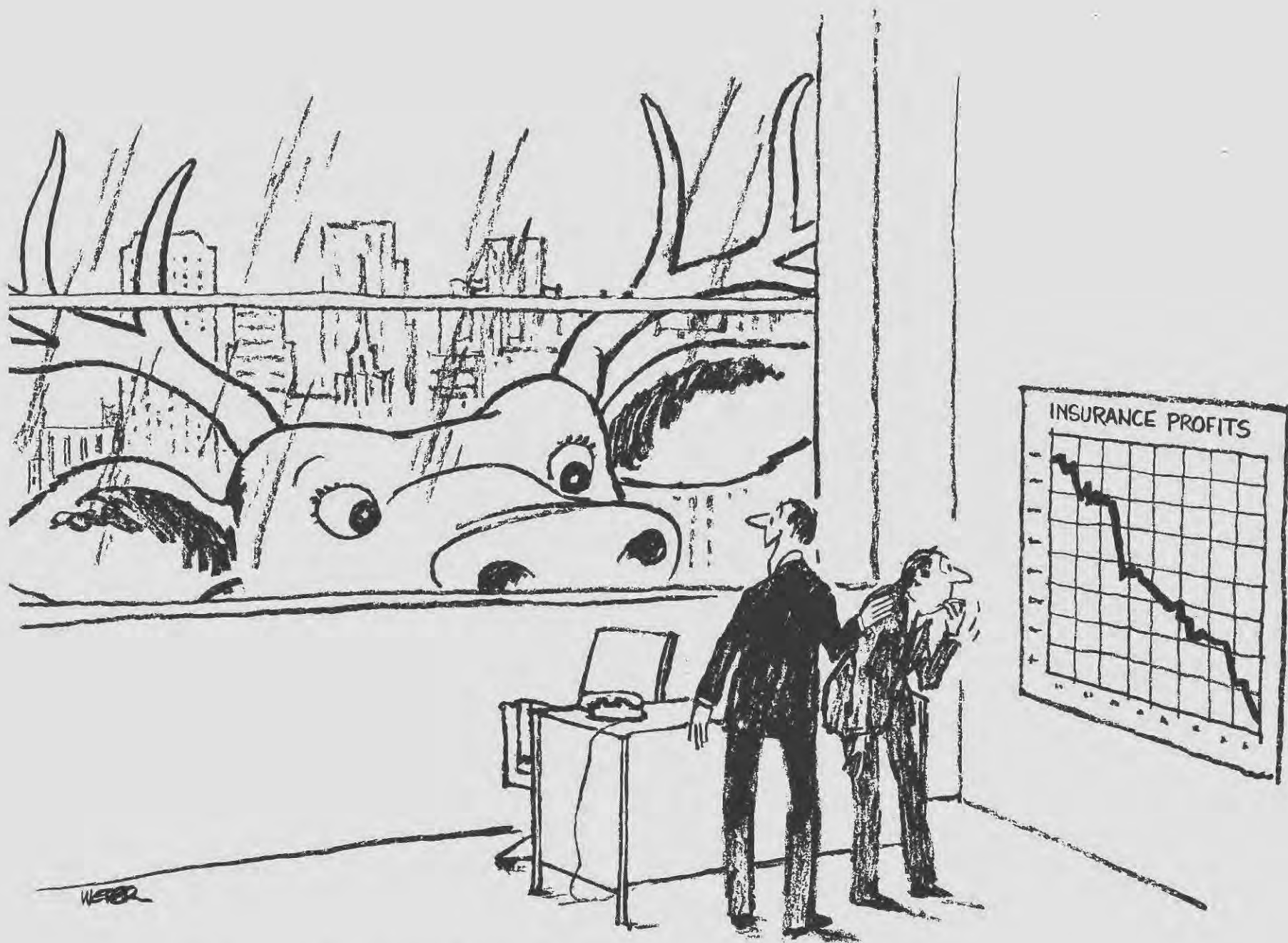
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Continued from page 3
by BI declined to disclose their premium volumes. BI estimated the premium volumes of these six intermediaries based on public information available and with the help of industry sources.

Dominating the U.S. reinsurance brokerage business is Guy Carpenter & Co. Inc. in New York City. It controls almost one-half of the U.S. domestic-brokered reinsurance premium volume, or more than \$3.3 billion in reinsurance premiums, industry sources say.

Neither Guy Carpenter nor its parent company, Marsh & McLennan Cos. Inc., the world's largest direct insurance brokerage, would discuss premium volume figures. But, the M&M 1982 annual report notes that Guy Carpenter earned about \$92 million in gross revenues, up 3% from 1981, and employs a staff of 1,200, which has held

steady over the past two years despite a series of cutbacks in the parent company.

Its premium volume grew an estimated 1% in 1982 from 1981.

It's estimated that Guy Carpenter derives about 15% of its volume from facultative reinsurance and 85% from the more lucrative treaty reinsurance.

M&M's surplus lines company, NBA Excess Inc., also places some facultative reinsurance as part of Marsh & McLennan Inc.'s special risk and captive insurance company projects.

Guy Carpenter's size makes it likely to hold as clients most of the major U.S. insurers, but key to the company's business is American International Group Inc., whose massive and aggressive use of reinsurance provides a substantial volume to the giant intermediary.

E.W. Blanch Co., Guy Carpenter's next-biggest competitor, is slightly less than half its size in vol-

ume and less than one-quarter its size in staff. However, the Minneapolis-based intermediary, which generated \$1.3 billion in reinsurance premium volume in 1982, is still considered a major force in treaty reinsurance and a choice for many of the most conservative U.S. domestic insurers. Its 1982 premium volume was up 16.8% from the previous year.

Highly automated and known for a high level of marketing and service efficiency, E.W. Blanch employed 253 in 1982, up 11 from 1981. It generated more than 98% of its volume from treaty reinsurance.

In addition to general property/casualty treaty reinsurance, specialties include professional liability reinsurance, life reinsurance and crop/hail reinsurance marketed through its AgRe Management Inc. subsidiary.

Another subsidiary of a major direct brokerage, Frank B. Hall (Reinsurance) Holdings Inc. in New

York City, is probably the fastest-growing of the giant intermediaries and ranks third in premium volume. Frank B. Hall Re includes the former InterOcean Agency Inc., a large New York-based reinsurance intermediary.

Hall Re generated about \$750 million in reinsurance premium volume last year, up 66.6% from \$450 million in 1981. The staff size has grown, too, but not as dramatically, from 150 in 1981 to about 175 in 1982 and perhaps to about 180 by the end of 1983, according to President Douglas L. King.

Unlike some of its competitors, Frank B. Hall Re aggressively solicits reinsurance business from Mexican and South American insurers through subsidiaries in Mexico, Venezuela, Peru and Colombia. The Middle East, Far East and Africa are the company's latest expansion goals, Mr. King says.

"We think it's important to be overseas and in South America," he

said. "We paid a lot of attention to clients in areas where other U.S. intermediaries were not interested and it has paid off for us. We are now the largest intermediary in South America and likely to stay that way."

A majority of the foreign reinsurance business flows into U.S. reinsurers, a dynamic that certainly helps the firm's U.S. market relations. Hall Re places about 70% of all its business with U.S. reinsurers. The rest is spread through London and Europe.

Although only 65% of Frank B. Hall Re's total volume is generated by treaty reinsurance, Mr. King estimates that half of the total volume is generated by casualty reinsurance treaties. Like its larger competitors, Hall Re offers sophisticated computer services, including trending and forecasting, loss reserve analysis and other services.

Another direct brokerage subsidiary is John F. Sullivan Co., which was acquired by Fred S. James & Co. in the 1970s in a deal that made founder John L. Sullivan one of James' largest shareholders. Since James sold to Transamerica Corp. last year, John L. Sullivan has done nothing but grow, increasing its staff from 184 in 1981 to 222 in 1982.

Although Sullivan executives were unavailable for comment, BI estimates that the intermediary generated \$720 million in premium volume last year, up from an estimated \$560 million in 1981, placing it fourth among the Top 10.

Primarily a treaty reinsurance intermediary, the Seattle-based company brokers a substantial portion of major treaty contracts for Insurance Co. of North America for a large part of its volume.

Another large treaty intermediary ranks fifth in size, according to industry sources. Towers, Perrin, Forster & Crosby Inc.'s reinsurance division is also a major intermediary for some of the largest insurance companies, including those based in the conservative bastion of insurance—Hartford, Conn.

BI estimates that TPF&C's intermediary division's 198 employees generated about \$700 million in reinsurance premium in 1982, up only slightly from 1981.

The Philadelphia-based intermediary reports that about 87% of its business was generated by treaty reinsurance last year, down a few percentage points from the previous year. Usually this trend is a sign of market slippage and industry sources say that TPF&C has lost some of its aggressive edge as other firms added the actuarial and related services that made the company's reputation.

Next largest in size is probably Willcox Inc. in New York City, which just became a joint venture between the nation's fourth-largest direct insurance brokerage, Johnson & Higgins, and British brokerage Willis Faber P.L.C.

Announced last month, the joint venture combines both firms' U.S. treaty reinsurance operations, including part of what was formerly Willcox Baringer Inc. (BI, Oct. 3). Chairman Kenneth Hecken predicts Willcox will earn about \$20 million in gross revenues for 1983.

Estimating Willcox's premium volume for the past two years is particularly difficult since the company has completely pulled out of facultative reinsurance. Like other large direct brokers, J&H has chosen to place most of its facultative reinsurance through its direct brokerage operations and J&H Intermediaries Inc. in Bermuda, which solicits reinsurance business for J&H senior captive clients.

Based on industry sources, BI estimates Willcox handled about \$600 million in premiums in 1982, up from about \$550 million in 1981. It employed 200 persons in 1982, up from 185 in 1981.

Continued on page 12

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Top intermediaries

Continued from page 10

Intere Intermediaries Inc. of New York City is another intermediary that has completely abandoned facultative reinsurance, according to Chairman and Chief Executive Officer Ward Gordon, though the intermediary made its decision some years ago.

"I don't think that any broker does all facultative reinsurance and for good reason. The brokerage commissions are small and the service is labor-intensive. We have been in and out of the facultative business several times over the past 65 years and we have been out now for the past 2½ years," he said.

Treaty business is consistently more profitable, he notes, and Intere volume was up about 6% from 1981 to 1982 and is expected to be up 9% to 10% this year, he adds. BI

estimates Intere generated about \$420 million in reinsurance volume in 1982, up from about \$380 million in 1981. Staff size increased to 151 in 1982 from 135 in 1981.

Mr. Gordon expects significant volume increases next year as the company completes its automation plan and develops the additional service capacity it needs to match bigger competitors.

Competitors say Intere has slipped in the marketplace because it's been slow to automate, but has a good chance of regaining a fast growth pace if its automation plan is successful. About 90% of the intermediary's volume is placed with domestic reinsurers.

Another large intermediary also notes a problem with facultative reinsurance, but for that company the problems are something it has to live with.

Know primarily as a facultative

intermediary, RFC Intermediaries Inc. in Los Angeles is ranked as the third-largest intermediary by staff size and the eighth-largest by premium volume. It reported 230 employees and handled \$257.7 million in reinsurance premium volume in 1982.

Sold by Continental Corp. to The St. Paul Cos. Inc. last month, the intermediary has worked to change its business mix over the years, executives say, reducing its proportion of facultative reinsurance and increasing its treaty volume. In 1982, treaty reinsurance had grown to be 59% of its business. However, RFC's 41% facultative reinsurance volume is still the largest proportion of this type of reinsurance among the Top 10 intermediaries.

"A lot of smaller brokers are apparently abandoning their commitment to facultative reinsurance," notes RFC Senior Vp Fred S. Hit-

chens. "We are in the business to stay, both because we started in this business and because we believe we can still profit from it. But facultative reinsurance is a problem for every intermediary. Volume is down and paperwork is up," he says.

Facultative property reinsurance is particularly competitive. Mr. Hitchens says. "We should be getting a 5% commission on pro rata facultative property insurance and we are not settling for less. We need every penny to service the business properly. But there are plenty of intermediaries out there who are willing to take 2.5%.

Mr. Hitchens says RFC's facultative volume was up 6% to 8% last year, despite extreme competition.

Treaty reinsurance is generally more profitable, notes Wolfgang J. Buettner, senior vp and treaty reinsurance manager. Treaties pay a 1% to 10% commission for a high-vol-

ume proportional contract and about 5% for excess-of-loss.

"We are currently undergoing a dramatic change in the treaty department," he says. "Previously all accounting was done on a manual basis and we had exceptionally good results with our system in terms of speed and accuracy. However, we have now reached the point where we are servicing some 400 treaties and at this point, we must be converting to automation."

Mr. Buettner hopes that with increased automation, RFC will be able to expand its treaty business and attract the large contracts from major insurers that have so far eluded the company.

"I can't claim that we have major treaty programs now. What we have are a lot of bits and pieces of things in which we were able to put our clients together with some good ideas."

RFC has added two new treaty brokers so far this year to handle anticipated increased volume.

The ninth-largest intermediary is a particular puzzle, even among the generally enigmatic reinsurance intermediaries. One of the largest in staff size, Thomas A. Greene Inc. is rarely cited as one of the largest intermediaries and not frequently noted in major treaty competition. However, BI estimates its 1982 reinsurance volume at about \$150 million, well off a productive pace for its large size.

Thomas A. Greene, the reinsurance division of Alexander & Alexander Services Inc. of New York City, reported 215 employees in 1982, ranking it fifth-largest in staff. But, Chairman Thomas A. Greene admits that his firm's volume won't match many of his top 10 competitors.

"It's the business that's killing us. If I had a wish for 1984, it would be that everyone would return to their senses as regards pricing and competition," Mr. Greene remarks. "We are split about half and half treaty and facultative, and in the facultative arena there is a tremendous amount of pressure on pricing, reflecting primary business.

"We are getting by, but we are not making a lot of money. We are doing business with the larger insurers, but we are competing with the best—Guy Carpenter, Sullivan and the direct-writing reinsurers, Gen Re and North American Re."

Thomas A. Greene has also had personnel troubles, expanding staff too quickly despite slow business growth. Ballooning up to 215 employees with the acquisition of Reinsurance Services of America in Houston last year, the company has since laid off at least 15 reinsurance brokers, mostly in Atlanta.

Industry sources also report that Greene hired several staff members from competitors such as Frank B. Hall Re and E.W. Blanch last year, only to let them return to their previous employers as A&A's austerity program forced cutbacks.

Mr. Greene says he would like "to make a little money by the end of this year and boost our treaty volume to 70% or 80% of our business."

One of the fastest-growing of the intermediaries is Delaney Offices Inc. in New York, a subsidiary of the new DMT Financial Group that includes several reinsurance underwriting management firms and two mass-marketing direct insurance agencies.

Delaney Offices reports 1982 premium volume of \$125 million in 1982, almost double its 1981 volume of \$66 million. Staff size has jumped from 14 in 1981 to 39 in 1982.

About 90% of the firm's volume is generated by treaty reinsurance. The giant burst of business is simple, according to Senior Vp David Delaney: It is a product of new aggressiveness and the firm's greater visibility since the consolidation of its other activities, including underwriting management on the New York Insurance Exchange. ■

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Reinsurance security concerns underwriters

Continued from page 14
ried about finding enough reinsurance that meets his standards, even if the reinsurance market tightens.

And, he hastens to add that he will weed out some reinsurers that meet his capital and surplus standards if they fail to meet other financial tests commonly used to judge the stability of reinsurers.

Mr. Jackson admits that his scrutiny of reinsurers is partly a result of being burned in the past by reinsurers who have not paid claims. "But then again, who hasn't been burned?" he asks.

His method may not prevent some reinsurers from defaulting on claims. "But at least with 5 million pounds I know they are serious about being reinsurers."

Other Lloyd's underwriters and

brokers, though, disagree with Mr. Jackson's means of assessing reinsurance security.

"To impose a minimum is not the answer," said Peter Wilson, managing director of property and casualty underwriters managed by H.S. Weavers (Underwriting) Agencies Ltd.

For example, he asks which company is the most sound: One with 5 million pounds of capital and gross premium income of 10 million pounds, or a company with 2 million pounds of capital and gross premiums of 1 million pounds?

He stresses a ceding company must look at a reinsurers premium volume as well as its capital and surplus, a point with which Mr. Jackson would agree.

Like other underwriters and bro-

kers, H.S. Weavers has established a security committee that examines reinsurers using several tests.

While Mr. Jackson is concerned about reinsurers, a Finnish reinsurer is concerned about the ability of ceding companies or intermediaries to pay premiums.

Kansa Reinsurance Co. in Helsinki has waited up to two years to receive premiums, says President Inge Linderoos.

In an attempt to speed up payment, Ms. Linderoos recently sent provisional notices of cancellation of contracts to both reinsurance intermediaries and directly to ceding companies, which is very unusual.

"(Intermediaries) say it is unbelievable that anyone can do anything like this," Ms. Linderoos said. "But we have sent the provisional

notices to the broker because it could be the ceding company which does not work efficiently, and we sent them to the ceding company because it may be the broker who is sitting on the money and accounts. We are prepared to lose business from this action. If I have signed a contract with a ceding company, I want the ceding company to answer."

But London reinsurance brokers disagree.

"I am all against any company cutting out the broker and going straight to the ceding company," says Alastair Macneal, director of C.T. Bowring Reinsurance Ltd.

"Some European and American reinsurers deal directly with a ceding company without hiring brokers, but not when they come to

London. If you have a query you should go to the brokers first."

David Vermon, a director of Sedgwick Ltd., suggested that Kansa's action "is just lacking in courtesy."

Ms. Linderoos also says Kansa will not pay claims to ceding companies nor renew contracts if the ceding company's premium payment is not forthcoming.

Many of Kansa's problem contracts are placed through London reinsurance brokers, she adds, but she would not identify which brokers were creating problems.

She predicts her unpopularity with London brokers and the tightening of Kansa's conditions could cost her company about 50% of its business, but she adds, "it may be worth it."

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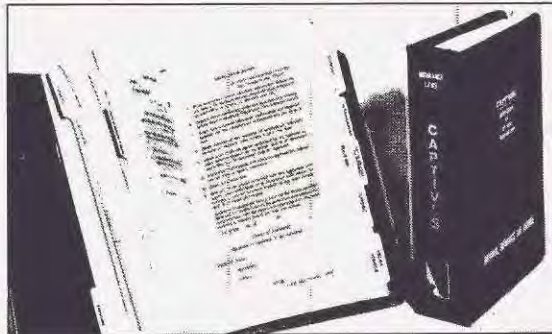


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Texas storm could affect renewal rates

LONDON—Hurricane Alicia may blow reinsurance rates upward during the upcoming year-end renewals.

Sources in the London insurance market expect that Alicia, which devastated portions of the Texas coast in August, will cost underwriters more than \$1 billion (BI, Aug. 29, Sept. 5).

They reckon, however, that much of this loss will be borne by Lloyd's and other London excess-of-loss catastrophe reinsurers.

In fact, these reinsurers may increase their rates by as much as 10% to 15% on their primary and secondary layers to compensate for the hurricane losses.

"The reinsurance market is less well prepared to handle this loss than they were in the past," said Edward Nelson, a Lloyd's Council member and chairman of K.F. Alder (Underwriting Agencies) Ltd.

"This year's renewal season will be difficult because no one will know exactly how much Alicia will cost reinsurers," said Alastair Macneal, director of C.T. Bowring Reinsurance Ltd.

Mr. Macneal said at least one Lloyd's underwriter, who he would not name, will respond to Alicia by raising rates on primary excess-of-loss catastrophe layers to 33% of the sum insured from 20%.

This underwriter's syndicate, Mr. Macneal said, suffered huge losses from the hurricane.

"The picture of (Alicia's) damage on the market may not really be clear, however, until next year and then you will see more rates hardening," he said.

"I am tightening here," says one London excess-of-loss underwriter who did not want to be named. He said that secondary excess-of-loss layers, which were pierced by Alicia, need "filling out."

However, he did not say how much of an increase he proposed. Currently, rates on these layers are from 7% to 10% of the sum insured.

Although Alicia could affect reinsurance rates, those in the London market do not expect the direct insurance market to be significantly affected by the storm.

They agree with Mr. Macneal that there is still too much capacity in the direct insurance market for Alicia to affect rates.

"Alicia has cost about \$1 billion in insured losses and that figure will probably be higher considering \$900 million has been paid out already," said one excess-of-loss underwriter. "You will need 10 times that to cause a ripple in the primary market."



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New guidelines to spell out reinsurance audit procedures

By DOUGLAS McLEOD

NEW YORK—Insurance company auditors will pay closer attention to the security behind reinsurance contracts under a new set of audit guidelines to take effect at the end of the year.

The guidelines, prepared by the American Institute of Certified Public Accountants, spell out the steps that assuming companies, ceding companies, reinsurance pools and intermediaries should take to ensure that they are conducting their business wisely and know their true financial state.

Many reinsurers expressed support for the AICPA guidelines, not-

ing that the recommended procedures are already followed by many large reinsurance companies.

Others, however, say the additional burdens imposed by the rules are more than some reinsurers and intermediaries will accept.

The guidelines were first published by the AICPA in October 1932 as "Statement of Position: Auditing Property and Liability Reinsurance." They will be used by accountants conducting reinsurance audits after Dec. 31.

If auditors find that their clients do not keep the kinds of information suggested in the guidelines and that the lack of information "materially" affects the company's finan-

cial position, the auditor could qualify its opinion of the company's financial health or disclaim an opinion altogether.

The rules are intended to make insurance company managements responsible for collecting and analyzing information that sheds light on the reliability of their reinsurance, according to Richard P. Meyerowich, a partner with the accounting firm of Deloitte, Haskins & Sells in New York and a member of the AICPA task force that prepared the guidelines.

"This is the first place that has codified the controls management should have in place," he said.

According to the guidelines, ceding companies should have internal accounting procedures by which they can evaluate the financial responsibility of assuming companies in the United States and abroad, as well as to ensure the accuracy of information and the amount of premiums or losses due.

The guidelines lay out several procedures for meeting these goals, including:

- Obtaining and analyzing recent financial information on the assuming company, including financial statements and reports by independent auditors; financial reports filed with the Securities and Exchange Commission in the United States, the Department of Trade in Great Britain or similar entities in other nations; or financial information filed with state insurance regulators.

- Reviewing other sources of information on assuming companies, like that available from industry reporting and rating services, insurance department examination reports, loss reserve certifications and Insurance Regulatory Information System reports filed with the regulators.

- Enquiring about the assuming companies' retrocessional practices and experience, as well as their general business reputation.

- Discovering whether the assuming company is authorized to do business in the ceding company's state and, if not, whether the assuming company provides letters of credit as security.

- Considering the need for collateral from assuming companies and the adequacy of that collateral for certain reinsurance contracts.

Likewise, the assuming company should follow internal audit procedures to ensure the reliability of the information it receives from ceding companies, both in the United States and abroad. These procedures include:

- Maintaining an underwriting file with information pertinent to the reinsurance contract, like historical loss ratios and combined ratios of the ceding company; anticipated loss ratios under the contract; a record of the frequency and content of reports from the ceding companies; prior business experience of the ceding company, and the assuming company's experience with similar risks.

- Monitoring the results of each contract and studying the cause of deviations from expected results.

- Visiting the ceding company to review its underwriting, claims and loss reserving procedures.

- Obtaining an independent auditor's report on the ceding company's internal accounting controls related to its ceded reinsurance.

Assuming companies might also follow the same control procedures outlined for ceding companies, the AICPA guidelines suggest.

In examining ceding and assuming companies, independent audi-

Continued on page 22

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Reinsurance audit rules set

Continued from page 18

tors should review the companies' control procedures to determine whether they are adequate and perform tests to find out if the procedures are being followed.

If the auditor decides that an assuming company's procedures aren't reliable enough to track the information from a ceding company, the guidelines give the auditor several choices, including:

- Performing some of the outlined control procedures that the company has not performed.
- Visiting the ceding company's auditor and reviewing that auditor's working papers.
- Performing some audit procedures at the ceding company or asking the ceding company's auditor to perform them.
- Obtaining a report from the ceding company's auditor on the

adequacy of the ceding company's own audit procedures.

If, after taking these steps the auditor still isn't satisfied, he could qualify or disclaim the opinion.

The AICPA guidelines suggest that the same procedures followed by assuming companies may be followed by reinsurance pools, associations and syndicates.

The guidelines also suggest the responsibilities of reinsurance intermediaries could be expanded.

Ceding and assuming companies should have procedures to ensure that intermediaries collect, hold and remit premiums and claims payments as they should.

In addition, the ceding companies should be able to delegate to the intermediary the responsibility for performing any of the suggested checks on assuming companies. Assuming companies might

also ask the intermediary to perform some of the control procedures relating to ceding companies.

"Intermediaries are going to have to do some kind of monitoring job," explains John E. Hart, senior insurance consulting partner for Coopers & Lybrand in New York and chairman of the task force that drew up the guidelines.

Mr. Hart added, though, that the rules don't dictate the role of intermediaries. They only suggest possible duties, leaving specific responsibilities open to negotiation.

In fact, none of the AICPA guidelines represent hard-and-fast rules that insurers and intermediaries must follow, according to Mr. Meyerowich. Since auditors will follow the guidelines, however, most companies will adopt some control procedures, he said.

Currently, many large companies have procedures for reviewing reinsurance contracts.

"It's been standard practice

among the better-run companies to know who they are doing business with," said Peter Cheney, vp and treasurer for National Reinsurance Corp. of Stamford, Conn., which supports the guidelines.

A survey of 626 property/casualty companies conducted by the Reinsurance Bureau of the California Insurance Department showed that of the 393 companies responding, 61% already had controls similar to those recommended by the AICPA and the remaining 39% said they planned to implement such procedures.

A bureau official said most of the companies that already operate under audit guidelines are larger companies. "It's not the big companies that we're worried about; it's the little ones," he said.

Reaction from insurers and reinsurers to the guidelines has been "basically favorable," Coopers & Lybrand's Mr. Hart said.

"The guidelines are nothing

more than a good businessman's evaluation of the people he is doing business with. It's hard to argue with procedures like these."

One of the arguments raised by insurers is that the guidelines demand that information regarding alien companies, as well as domestic U.S. companies, be tracked.

In some cases, insurers argue, financial information about overseas reinsurers is hard to come by. Or, foreign reinsurers may use accounting methods not generally accepted in the United States.

Mr. Meyerowich responds that if auditors are to assess the reliability of a company's reinsurance, they cannot differentiate between domestic and foreign reinsurers. Ceding companies will have to "do as much as possible" to get the information, he suggests.

"How can we tell someone that it's OK if your controls on foreign business aren't very strong?"

Another common objection has been the cost of acquiring and analyzing the additional financial records of parties involved in reinsurance contracts.

The additional paperwork "is a little ridiculous," Mr. Cheney says. He adds, though, that National Re is developing "materiality criteria," which he expects will reduce the paperwork by separating reinsurance contracts that are material to the company's financial health from those that aren't quite as important.

National Re may have these criteria ready in about a year, he says. Meanwhile, the company is consolidating the information it has already collected on its ceding and assuming companies in a central filing system and will develop "a compliance checklist" in response to the AICPA guidelines, Mr. Cheney says.

While National Re supports the guidelines, the traditionally important factor of reputation will continue to be crucial in the reinsurance business, Mr. Cheney noted. "You can analyze till doomsday, but if you don't have confidence in management, you have nothing to hang your hat on."

Intermediaries have also objected to the possibility that they might have to assume new responsibilities for monitoring contracts.

Mr. Hart concedes that the reaction of many intermediaries was unenthusiastic, and some say that the possibility that they might be found liable if a reinsurer fails would keep them from ever assuming financial review responsibilities, if given a choice.

"I don't see how any intermediary could afford to do anything else" but simply pass financial information to clients as they have in the past, said Timothy Delaney, chairman of New York-based intermediary Delaney Offices Inc.

He noted that the AICPA guidelines are in line with what he sees as "the movement" to make intermediaries more responsible for reinsurers. But, he suggested that he is less concerned about the more flexible guidelines than about regulation like New York state's Regulation 98, which sets out specific disclosure requirements for intermediaries.

And while many reinsurers support the guidelines, some indicate that they might not have much practical effect.

"More emphasis needed to have been placed on these guidelines in the past," said James R. McNeil, vp and treasurer for Fremont Reinsurance Co. in Los Angeles. "(But) my greatest feeling is that not everybody will follow through with them."

Fremont already keeps financial information on its ceding companies and retrocessionaires, though the AICPA rules may prompt it to make more thorough reviews of its contracts, a company official says.



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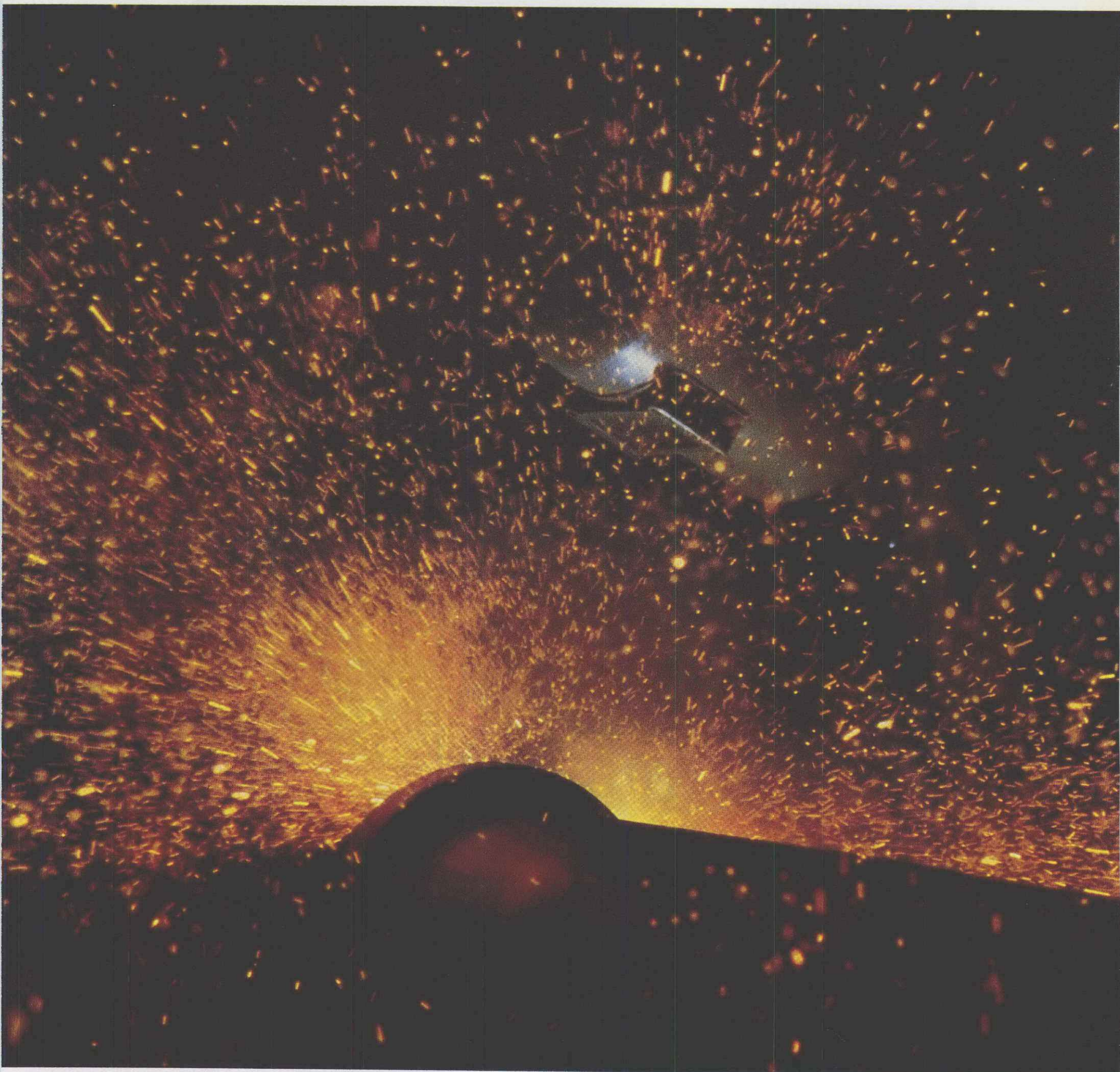
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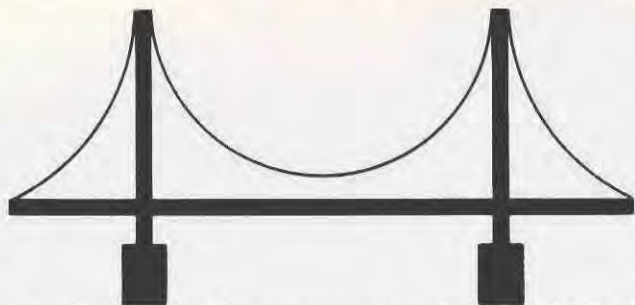
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Reinsurance exchanges plan to grow in direct insurance

By SALLIE J. DRURY

The three U.S.-based insurance exchanges are mainly reinsurance markets now, but the leaders of all three hope to make names as direct insurance markets, too.

Combined, the New York Insurance Exchange, the Illinois Insurance Exchange and the Insurance Exchange of the Americas in Florida underwrote about \$130 million in gross premiums the first six months of this year—almost all of it in reinsurance. New York had the lion's share with \$120 million in gross premiums; Illinois reported \$5 million in gross premiums; and the Exchange of the Americas reported

\$5.5 million gross.

The 3-year-old New York Insurance Exchange has 38 operating syndicates and a per-line capacity of \$15 million to \$20 million. About 66% of its premiums comes from treaty reinsurance; 33% from facultative reinsurance, and 1% from direct business.

"That 1% (in direct insurance business) represents a 341% growth over last year, however," noted Donald E. Reutershan, the exchange's president and chief executive officer. "I predict we'll see \$300 million in total premiums for this year, and that in 1984 we'll continue to see sound growth in direct business."

The New York exchange reported \$156.4 million in premium volume in 1982.

The Insurance Exchange of the Americas in Miami, which just opened for business in April, has six operating syndicates, 38 other member syndicates and a per-line capacity of about \$5 million. About 92% of its premiums is reinsurance business—75% treaty and 25% facultative. About 8% of its business is direct insurance, according to President and Chief Executive Officer Alan Teale.

"Any new (insurance) ventures these days seem to make their mark in reinsurance first—for the first year or two years," Mr. Teale said. "We plan to remain in reinsurance for a while, but in the future we expect to see growth in direct business. It's really up to the syndicates, though."

Mr. Teale declined to predict what the exchange's premium volume will be by the end of the year, although earlier this year it was predicted the exchange would bring in \$25 million in premium in its first year (BI, April 11.)

The 2-year-old Illinois Insurance Exchange in Chicago has eight operating syndicates and a per-line capacity of \$7 million to \$10 million. About 70% of the Illinois exchange's business is treaty reinsurance, 25% is facultative reinsurance and 5% is direct business.

However, Executive Director James M. Skelton predicts that most of the Illinois exchange's growth will be in direct business, although the exchange's share of direct insurance is down this year.

Last year, direct business accounted for about 30% of the exchange's premiums, compared with only 5% the first six months of this year.

"I think it's just a matter of the market," said Mr. Skelton. "Our future growth will still be in direct business. We're perceived as more of a direct market than the other exchanges."

Although the Illinois exchange's growth, in the shadow of the New York exchange, has been slow, Mr. Skelton says this gradual growth is intentional. "We believe we could write a lot more business, but we would pay out a lot more losses. We have been very cautious in our early years so we can grow slowly but steadily."

"We take pride in the fact that the business we are writing is good and profitable business," he said. "And, we'll have \$8 or \$9 million in premium volume for 1983."

All three exchange directors say growth in 1984 will be steady and deliberate.

A new ruling from the Internal Revenue Service (Ruling 83-132) that allows non-corporate members in the exchanges to be taxed as an insurance company is not expected to attract a wave of new capital, according to Mr. Reutershan.

"I don't think many people will consider this a significant advantage. There are disadvantages of corporate taxation."

So far, most investors in the exchanges have been insurance companies. Sentry Insurance Co. of Stevens Point, Wis., for example, has syndicates on both the New York and Illinois exchanges.

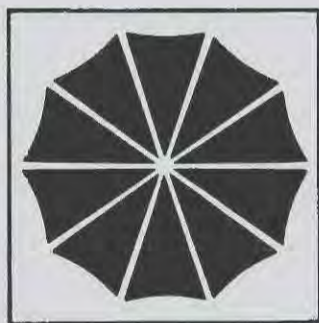
"We visualized the exchanges as an extension of our reinsurance activity," said Harvey R. Hoth, executive vp for the Sentry Syndicates.

"Right now, New York is turning out to be basically a reinsurance market. But we see Illinois as being an excess/surplus lines market as well as reinsurance market. But (Ill-

Continued on page 28

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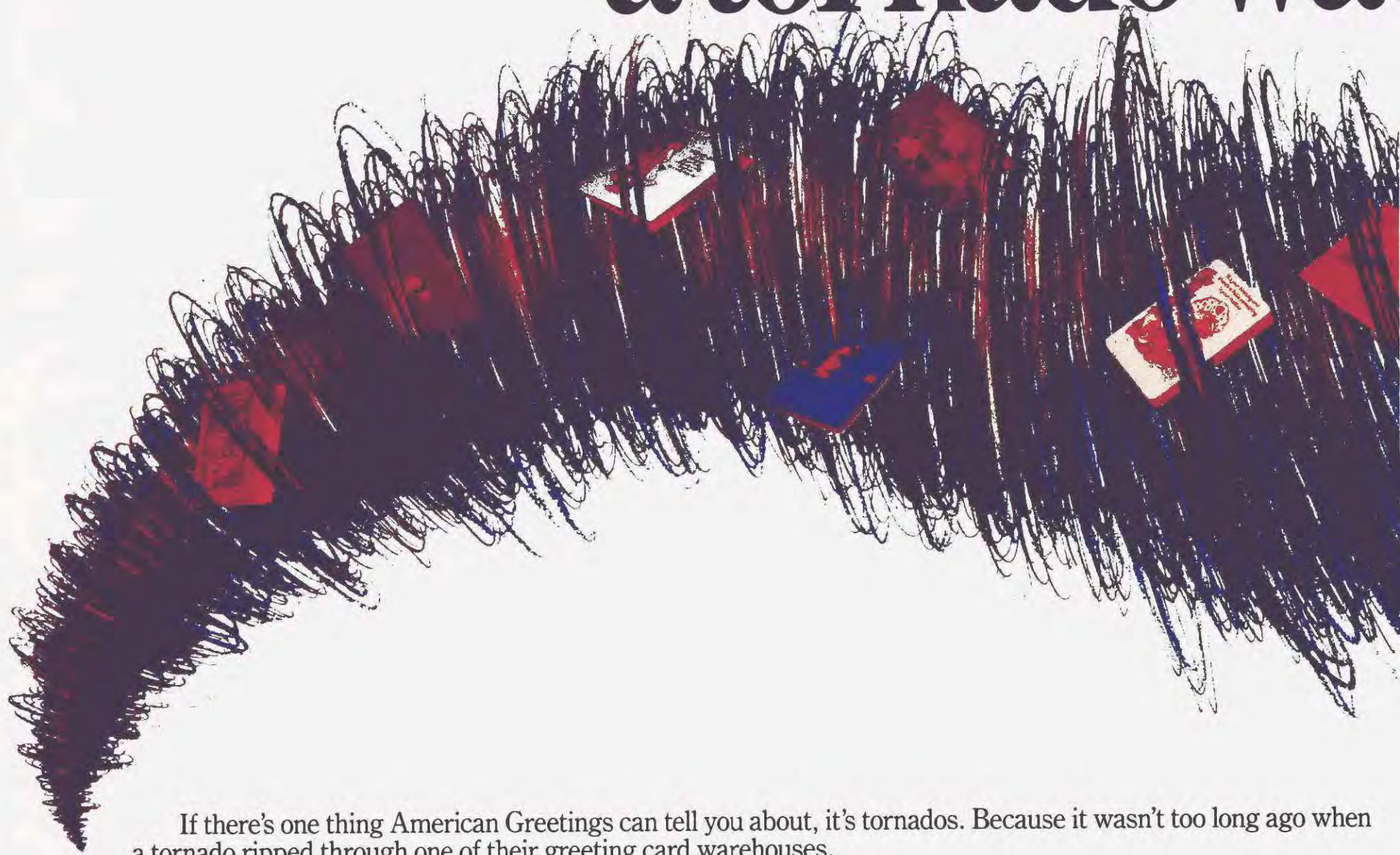
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If there's one thing American Greetings can tell you about, it's tornados. Because it wasn't too long ago when a tornado ripped through one of their greeting card warehouses.

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It all started in McCrory, Arkansas, Christmas Eve, 1982. A tornado tore across the state. Taking with it a sizeable portion of the American Greetings plant, including the entire roof.

Our adjuster was on the scene the next morning, and stayed for weeks making the recovery process as painless as possible. And our claims manager was there to make sure the policy was interpreted to everybody's satisfaction.

Something else American Greetings appreciated. Once we know we're going to adjust a loss, it's our philosophy to advance our clients the money they need to get back on their feet. So we advanced them \$2.5 million.

This way, their cash flow remained unaffected during the recovery period. And they were able to begin cleaning up, move merchandise out and lease new warehouse space.

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To make a long story short, the recovery and repair of the plant went so well, that it was fully operational after only five months.

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Another thing that proved invaluable. The Policy Workshop that we encourage all our insureds to attend. It enabled American Greetings to learn how coverages apply to a loss before it even occurs.

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Exchanges write mostly reinsurance

Continued from page 24

nois) started later so its growth is coming slower."

Sentry is also looking into the Insurance Exchange of the Americas. "We've attended some of their meetings but we have not activated a syndicate yet," Mr. Hoth said. "It may be another market for us."

At this point, the three exchanges have not carved out specialties in any specific risks.

"We have the authority to write all property and casualty lines," Mr. Skelton of the Illinois exchange said. "Some of the underwriters will find they have particular interests, and in that way I suppose we will build up some specialties, but we're a long way from that scenario at present."

Mr. Teale of the Florida exchange says, "It's too early to predict our area of specialization."

Likewise, the New York ex-

change intends to continue to develop a broad base before it cultivates certain areas of expertise, Mr. Reutershan said.

The exchanges are willing to write new coverages, their supporters say. "The exchanges are constantly open to new ideas. If a broker comes to us with a new idea or concept, we can sit down and talk about it, and we can accept or deny it on the spot," said Barrington M. Tucker, underwriting manager for Northbrook Underwriters Syndicate Management Inc. on the Illinois exchange, which is owned by Allstate Insurance Group.

"We obviously want to stay away from accounts with asbestos and toxic waste," he noted.

Mr. Tucker also is underwriting manager for RCA Syndicate 1 Ltd. on the Illinois exchange, owned by Reinsurance Co. of America.

Most participants say that the exchanges are enjoying good reputations as financially secure insurance markets, thanks to each exchange's controls.

"In the early days we had a problem selling our financial security," said Mr. Reutershan of the New York exchange. "Now our security fund exceeds \$22 million and with capital and surplus of \$169 million, we are in quite a different position."

All three exchanges impose minimum capital requirements for syndicates and maintain security funds, which are funded by one-time deposits by syndicates and surcharges on premiums written.

"Security is the buzzword," Sentry's Mr. Hoth said. "Everyone is aware of it and it will become even more important."

The steps the exchanges have taken to assure the financial security of their syndicates is perceived as adequate, he added (see story, page 18).

"The market reaction to our syndicate has been very favorable and supportive," said Gerry King, senior vp of Facultative Managers Corp. in Stamford, Conn., and underwriter for the Fremont Syndicate at the New York Insurance Exchange, owned by Facultative Managers and its employees.

"We just started writing June 1 and haven't had trouble getting established, but perhaps we had an advantage because we had been dealing in the facultative market for the past six years and people know us."

"The exchange has been a good place for us to become established in the United States," said Manuel Pavia, assistant manager of Hispano American Insurance Syndicate Ltd. on the Insurance Exchange of the Americas. Hispano American is owned by a joint venture of insurer Ocaso S.A. of Madrid and Anderson, Greenwood & Co., an industrial company in Houston.

"We are establishing a good foundation for future opportunities in the United States. This joint venture provides the opportunity to develop a good reinsurance portfolio in the states."

One syndicate on the Florida exchange, however, has found insurers hesitant to tap that exchange for reinsurance.

"The market reaction to our syndicate on the exchange has been mixed," said W. James Drennan, vp of Robert Daum Management Co. in Miami, underwriting manager for Syndicate 1 on the Florida exchange. The majority of the Syndicate's shares is owned by RLI Insurance Co. in Peoria, Ill.

"There is still hesitancy on the part of the market to be certain of the security of the exchange," he said. "But the (good) reputation is establishing... gradually. It will probably take a year or two before everyone is confident that the exchange is a good place to underwrite." ■

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Directory of reinsurance intermediaries

A

Agnew Associates Inc.

127 John St., New York, N.Y. 10038;
212-558-6630

	1982	1981
Premium vol.	\$20,000,000	\$14,000,000
Gross rev.	\$1,040,000	\$808,000
Employees	20	15
Percent treaty	15%	5%
Percent facultative	85%	95%

Year founded: 1976.

Branch offices: Princeton, N.J.

Specialties: Heavy engineering, construction, utilities, energy, international facultative/treaty.

Principal officers: Patrick J.L. Agnew, president; Keith N. Smal-don, senior vp; Marcus Corbally, Mona Chrysanthov, vps.

Licensed in: New York.

S.L. Alexander Insurance Services

3435 Wilshire Blvd., Los Angeles, Calif. 90010; 213-385-7182

	1982	1981
Premium vol.	\$2,100,000	\$2,500,000
Gross rev.	\$140,000	\$180,000
Employees	11	11
Percent facultative	100%	100%

Year founded: 1975.

Branch offices: Prescott, Ariz.

Specialties: Casualty.

Principal officers: Sam Alexander, president; Bill Newton, executive vp.

Licensed in: New York.

Amberco Brokers Ltd.

P.O. Box 1230 International Centre, Hamilton 5, Bermuda; 809-295-9191

	1982	1981
Premium vol.	\$70,000,000	\$40,000,000
Gross rev.	NA	NA
Employees	19	10
Percent treaty	90%	90%
Percent facultative	10%	10%

How BI gathered directory data

The information in this directory of reinsurance intermediaries located in the United States and Bermuda is based on responses to a questionnaire mailed to the intermediaries by *Business Insurance*.

The mailing list was compiled by *BI* from its resources and from requests for the questionnaires from intermediaries who responded to two notices about the directory published by *BI* on Aug. 15 and Aug. 29.

Each intermediary was asked to supply financial information for 1982 and 1981 regarding premium volume, gross revenues, number of employees and percent of treaty and facultative business. Information regarding ownership, year founded, subsidiaries, branch offices, acquisitions, licensing, specialties and principal officers also was requested.

When the intermediary was not in business during the time, the missing financial information is noted as NF (newly founded). When the intermediary refused to provide financial information, it is noted as NA (not available).

Reinsurance intermediaries that would like to be added to the mailing list to receive the questionnaire next year should write: *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611, Attn.: Reinsurance Intermediaries Directory.

Parent company: Amberco Ltd.

Year founded: 1978.

Subsidiaries: Amberco Brokers Corp., Miami and New York.

Specialties: Rent-a-captive reinsurance, non-standard, casualty, property, accident and health.

Principal officers: Joseph D. Sargent, chairman; John K. McGarrity, president; Julian M. Griffiths, vp; David Schupp, Roy V. Bray, directors.

Licensed in: New York, Florida.

American Southwest Intermediaries Corp.

1800 Bering Drive, Suite 790, Houston, Texas 77057; 713-977-2580

	1982	1981
Premium vol.	\$7,000,000	NF
Gross rev.	\$560,000	NF
Employees	5	NF
Percent treaty	25%	NF
Percent facultative	75%	NF

Year founded: 1982.

Specialties: Facultative oil and gas risks, workers compensation, life and health, medical malpractice, financial guarantee.

Principal officers: R. Michael Hick, chairman; Bryan I. Lake, president.

Licensed in: New York.

Andrew Edwards & Co. Inc.

111 John St., New York, N.Y. 10038; 212-227-1300

	1982	1981
Premium vol.	NA	NA
Gross rev.	NA	NA
Employees	11	8
Percent treaty	95%	93%
Percent facultative	5%	7%

Year founded: 1977.

Subsidiaries: Andrew Edwards (Bermuda) Ltd., Hamilton, Bermuda.

Specialties: Implementation and reinsurance of offshore insurance companies; reinsurance of program business.

Principal officers: Andrew Barile, chairman; Edward Malozzi, president; Carol Hirsch, vp.

Licensed in: All states.

Ashford Reinsurance Intermediaries Corp.

160 Water St., 13th Floor, New York, N.Y. 10038; 212-558-6048

	1982	1981
Premium vol.	NF	NF
Gross rev.	NF	NF
Employees	NF	NF
Percent treaty	NF	NF
Percent facultative	NF	NF

Parent company: Ashford Holding Co.

Year founded: 1983.

Specialties: All lines of treaty and facultative.

Principal officers: Henry J. O'Shea, president; Donald B. Sharp, vp; Richard D. Rollins, assistant secretary.

Licensed in: New York.

Continued on next page



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B

B.R.I. International Agency Inc.

156 Williams St., New York, N.Y. 10038; 212-233-7171

	1982	1981
Premium vol.....	\$2,400,000	\$1,000,000
Gross rev.....	NA	NA
Employees.....	10	8
Percent treaty.....	20%	5%
Percent facultative	80%	90%

Parent company: B.R.I. Holding Corp.
Year founded: 1981.
Principal officers: Donald P.

Ferrarini, president; Bruno Rumignani, Howard Miller, vps; Fred Ghawi, vp-ocean marine; Arthur Ostrow, secretary/treasurer; Joseph Zweig, senior vp/general manager.

Licensed in: New York.

Bailey Townsend Inc.

111 John St., New York, N.Y. 10038; 212-233-9076

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	5	4
Percent treaty.....	60%	40%
Percent facultative	40%	60%

Year founded: 1979.

Specialties: Marine and aviation, international reinsurance.

Principal officers: J.R.C. Townsend, chairman; Robert W. Bailey, president; Angelo Carmanica, assistant vp.

Licensed in: New York.

Bates Turner

4500 College Blvd., Suite 200, Overland Park, Kan. 66211; 913-383-1339

	1982	1981
Premium vol.....	NA	NF
Gross rev.....	NA	NF
Employees.....	11	NF
Percent treaty.....	100%	NF

Parent company: Employer's Reinsurance Corp.

Year founded: 1982.

Principal officers: John Brodhead Jr., president; Prewit Turner Jr., executive vp/chief operating officer; Michael Fisher, Charles Merisca, James C. Blanton III, assistant vps; Gary Teaney, controller.

Licensed in: Applied for in New York.

E.W. Blanch Co.

3500 W. 80th St., Minneapolis, Minn. 55431; 612-835-3310

	1982	1981
Premium vol.....	\$1,317,940,417	\$1,127,929,160
Gross rev.....	NA	NA
Employees.....	253	242
Percent treaty.....	98.1%	98.5%
Percent facultative	1.9%	1.5%

Year founded: 1957.

Branch offices: Atlanta; Chicago; New York; San Francisco; Stamford, Conn.; Hamilton, Bermuda; Copenhagen, Denmark.

Subsidiaries: AgRe Management Inc. Minneapolis; MRM Inc., Minneapolis; G.V. Jensen, Copenhagen, Denmark.

Specialties: Crop hail, professional liability and life reinsurance.

Principal officers: E.W. Blanch Jr., chairman/chief executive officer; Frank S. Wilkinson Jr., vice chairman; Michael W. Cashman Sr., president; John B. Collins, Edward W. Frye Jr., John H.S. Jamieson, Paul S. Mavros, senior vps; Casandra M. Mihalchick, senior vp/corporate secretary/general counsel; Paul M. Egeland, John E. Gallegger, Jerome R. Hanson, Leo T. Heifetz, Arthur M. Horwitz, Andrew M. O'Brien, Richard E. Swager, senior vps.

Licensed in: New York.

Booth, Potter, Seal & Co. Inc.

Public Ledger Building, Philadelphia, Pa. 19106; 215-925-4600

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	45	48
Percent treaty.....	80%	75%
Percent facultative	20%	25%

Parent company: Combined International Corp.

Year founded: 1939.

Branch offices: Denver.

Principal officers: James J. Phair, chairman/chief executive officer; Howard Goetz, Thomas Stolp, Albert Davis, John Van Fossen, senior vps.

Licensed in: New York.

C

Guy Carpenter & Co. Inc.

116 William St., New York, N.Y. 10038; 212-791-8600

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	1,200	1,200
Percent treaty.....	NA	NA
Percent facultative	NA	NA

Parent company: Marsh & McLennan Cos. Inc.

Year founded: 1923.

Branch offices: San Francisco; Los Angeles; Chicago; Hartford, Conn.; Coral Gables, Fla.; Atlanta; Des Moines, Iowa.

Subsidiaries: Guy Carpenter & Co. Inc. of Minnesota, Minneapolis; Guy Carpenter & Co. Inc. of Minnesota, Dallas; Balis & Co. Inc., Philadelphia; Guy Carpenter & Co. (Canada) Ltd., Toronto; Guy Carpenter & Co. Italia S.p.A., Trieste, Italy; Guy Carpenter & Co. (Asia) Ltd., Hong Kong; Guy Carpenter & Co. A.p.S., Copenhagen, Denmark; L. Benaich & Co. Ltd., Stockholm.

Specialties: All classes of treaty, facultative, marine, aviation, international and special reinsurance.

Principal officers: Frank J. Tasco, president/chief executive officer; Richard H. Blum, Michael J. Cody, Robert S. Constable, Michael S. Cooper, executive vps.

Licensed in: New York.

Cravens & Co., Special Insurance Services

555 California St., San Francisco, Calif. 94104; 415-622-7530

	1982	1981
Premium vol.....	\$112,231,000	\$94,282,000
Gross rev.....	NA	NA
Employees.....	14	10
Percent treaty.....	100%	100%

Year founded: 1978.

Branch offices: Seattle.

Continued on page 32

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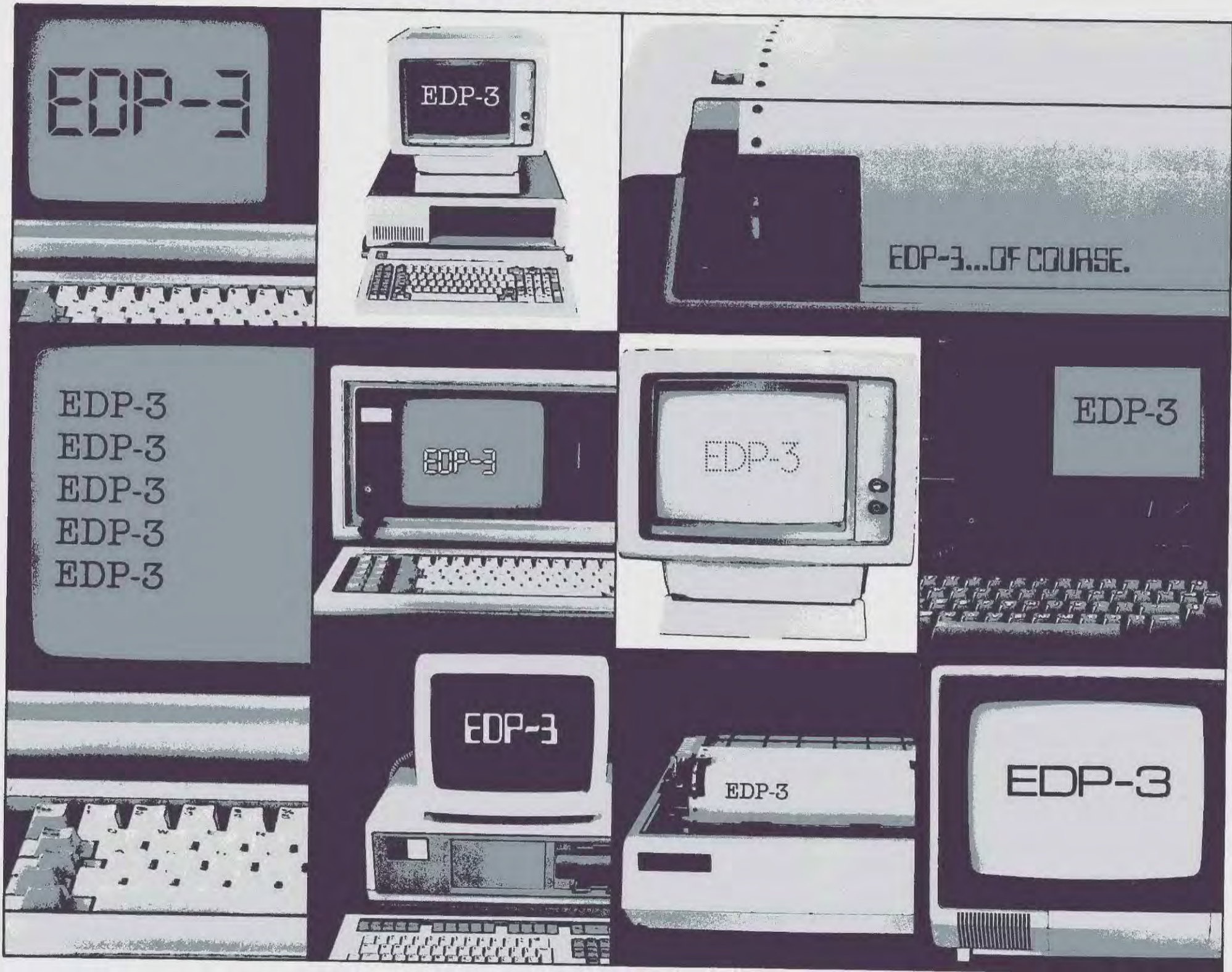
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Continued from page 30

Subsidiaries: Affiliated with Cravens Re Treaty Facilities Inc., Cravens Re Facultative Facilities Inc. and Cravens, Dargan Enterprises.

Principal officers: Malcolm Cravens, chairman; Hartley D. Cravens, vice chairman; E.L. Stutsman, president; Robert J. Reynolds, executive vp; Leon Eutton, senior vp; Jim M. Rusk, vp/assistant secretary; Jim McLean, vp.

Licensed in: New York.

D

Delaney Offices Inc.

99 John St., New York, N.Y. 10038; 212-267-9339

	1982	1981
Premium vol.....	\$125,000,000	\$66,000,000
Gross rev.....	\$1,725,182	\$815,964
Employees.....	39	14
Percent treaty.....	94%	90%
Percent facultative	10%	10%

Parent company: DMT Financial Group.

Year founded: 1954.

Principal officers: Timothy D. Delaney, chairman; William F. Delaney Jr., president; David P. Delaney Jr., director; Donald F. Muldoon, director; Gal W. Reilly, treasurer; Daniel F. Maher Jr., secretary.

Licensed in: New York.

E

E & S Intermediaries Inc.

111 John St., New York, N.Y. 10038; 212-732-9855

	1982	1981
Premium vol.....	\$9,400,000	\$3,300,000
Gross rev.....	\$670,000	\$355,000
Employees.....	8	4
Percent facultative	100%	100%

Year founded: 1980.

Specialties: Pharmaceuticals,

utilities, hospitals, errors and omissions.

Principal officers: Stephen L. Gandley, president; Robert Osborne, vp; Robert G. Schloerb, secretary.

Licensed in: New York.

H.A. Enan & Co. (Reinsurance) Ltd.

330 Primrose Road, Burlingame, Calif. 94010; 415-348-5161

	1982*	1981*
Premium vol.....	\$85,000,000	\$60,000,000
Gross rev.....	\$1,000,000	\$879,570
Employees.....	9	6
Percent treaty.....	100%	100%

*Fiscal year begins Sept. 1.

Year founded: 1979.

Branch offices: Hamilton, Bermuda.

Specialties: General treaty.

Principal officers: Hussein A. Enan, chairman/chief executive officer; Glenn H. Reid, executive

vp; Louis C. Nordeen, vp/treasurer; Charles E. Gerughty, controller.

F

Fairway Intermediaries Ltd.

73 Front St., Hamilton 5, Bermuda; 809-295-8473

	1982	1981
Premium vol.....	\$5,000,000	NF
Gross rev.....	\$300,000	NF
Employees.....	7	NF
Percent treaty.....	90%	NF
Percent facultative	10%	NF

Parent company: Dana Corp.

Year founded: 1982.

Specialties: Captive reinsurance.

Principal officers: Colin J. Davidson, executive vp; Roderick S. Gilbert, general manager.

Falcon Intermediaries Ltd.

Suite 1650, 1617 John F. Kennedy Blvd., Philadelphia, Pa. 19103; 215-563-4325

	1982	1981
Premium vol.....	\$6,000,000	NF
Gross rev.....	NA	NF
Employees.....	8	NF
Percent treaty.....	80%	NF
Percent facultative	20%	NF

Parent company: Roehrs & Co. Inc.

Year founded: 1982.

Specialties: Reinsurance for associations, captives, self-insureds and managing general agents.

Principal officers: Walter E. Roehrs, chairman; Paul C. Branscombe, president; Glenn R. Partridge, executive vp; Geoff C. Roehrs, vp/secretary/treasurer; Stacey Roehrs, vp-finance.

Licensed in: Pennsylvania.

Foa & Son Intermediaries Corp.

1 World Trade Center, Suite 2057, New York, N.Y. 10048; 212-432-1234, Ext. 467

	1982	1981
Premium vol.....	\$9,318,000	\$8,926,000
Gross rev.....	NA	NA
Employees.....	5	5
Percent treaty.....	NA	NA
Percent facultative	NA	NA

Year founded: 1861.

Subsidiaries: Franrea, Paris; Great Asian Development Corp., Seoul, South Korea; Carlos Martinez, Buenos Aires, Argentina.

Principal officers: Mario Foa, chairman; Conrad Foa, president; Dick Impastato, executive vp; Stanley Apicella, senior vp; Sandy Fantuzzi, manager.

Freisenbruch-Meyer Insurance Services Ltd.

P.O. Box 1125, 1 Parliament St., Hamilton 5, Bermuda; 809-295-9208

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	7	NA
Percent treaty.....	NA	NA
Percent facultative	NA	NA

Year founded: 1980. Started offering services in 1983.

Associated companies: Freisenbruch-Darrow Management Ltd., Hamilton, Bermuda; Atlas Management Ltd., Hamilton, Bermuda.

Principal officers: Michael D. Freisenbruch, president; Alasdair G. Barclay, secretary; Michael G. Warren, Terence G. Orchard.

Licensed in: Bermuda.

G

Arthur J. Gallagher & Co. (Bermuda) Ltd.

P.O. Box 279, Perry Building, Church Street, Hamilton, Bermuda; 809-292-4654

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	8	8
Percent treaty.....	60%	60%
Percent facultative	40%	40%

Parent company: Arthur J. Gallagher & Co.

Year founded: 1972.

Subsidiaries: Arthur J. Gallagher & Co. (Cayman) Ltd.

Specialties: Financially oriented reinsurance covers, political risk, commercial credit.

Principal officers: J.P. Gallagher, president; R.E. Gallagher, vp; J.F. Gelot, managing director/chief executive officer.

John Gilbert Intermediary Group

123 William St., New York, N.Y. 10038; 212-732-7410

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	NA	NA
Percent treaty.....	90%	90%
Percent facultative	10%	10%

Continued on page 34

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Metropolitan Reinsurance Co., 125 Maiden Lane, Suite 1200, N.Y., N.Y. 10038 (212) 785-8450, Telex 640862/100 S. Wacker Dr., Chicago, Ill. 60606 (312) 263-0131, Telex 270301.

Continued from page 32
Year founded: 1976.

Principal officers: John L. Gilbert, president; Ronald K. Schnurr, senior vp; W.A. Clarke Jr., treasurer.

Licensed in: New York.

Harry W. Gorst Co. Inc.

805 Fairmont Ave., Glendale, Calif. 91203; 213-507-091C

	1982	1981
Premium vol.....	\$1,200,000	NA
Gross rev.....	NA	NA
Employees.....	4	NA
Percent treaty.....	80%	NA
Percent facultative	20%	NA

Year founded: 1968.

Specialties: Property, catastrophe.

Principal officers: H.W. Gorst, president; R.C. Blackwell, chief financial officer; M. Heagerty, executive vp.

Licensed in: California, Florida, Arizona, Kansas, Missouri.

Grayston Minugh Intermediaries Ltd.

Knudsen Building, 14 Queen St., P.O. Box 1428, Hamilton 5, Bermuda; 809-292-1240

	1982	1981
Premium vol.....	\$6,898,204	\$2,323,729
Gross rev.....	\$323,500	\$155,500
Employees.....	5	4
Percent treaty.....	2%	5%
Percent facultative	98%	5%

Parent company: The Grayston Corp. Ltd.

Year founded: 1979.

Specialties: Transportation, residual value insurance, insurance company runoffs, errors and omissions, directors and officers liability

Principal officers: Stuart H. Grayston chairman; E.L. (Skip) Mirugh, president; Peter H. Grayston, vp/treasurer.

Licensed in: Bermuda.

Thomas A. Greene & Co. Inc.

1270 Ave. of the Americas, New York, N.Y. 10020; 212-664-0200

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	215	138
Percent treaty.....	NA	NA
Percent facultative	NA	NA

Parent company: Alexander & Alexander Services Inc.

Year founded: 1980.

Branch offices: San Francisco; Chicago.

Principal officers: Thomas A. Greene, chairman/president/chief executive officer; Peter F. Malloy, executive vp/chief operating officer; A. Roy Thomson, Robert H. Brandon, John L. Busi, Thomas B. Herzfeld, John W. Bing, Craig J. Ott, J.J. O'Connell, Michael D. O'Halleran, F.L. Kleiner, Edward W. Tuescher Jr., senior vps.

Licensed in: New York.

Greig Fester (North America) Inc.

116 John St., Suite 1410, New York, N.Y. 10038; 212-619-0140

	1982	1981
Premium vol.....	\$4,500,000	\$750,000
Gross rev.....	\$633,000	\$185,000
Employees.....	13	6
Percent treaty.....	98%	100%
Percent facultative	2%	0%

Parent company: Greig Fester Ltd.

Year founded: 1981.

Subsidiaries: Greig Fester (Australia) Pty. Ltd.; Greig Fester (South Africa) (Pty.) Ltd.

Principal officers: Charles B. Penruddocke, vice chairman/chief executive officer; Irving Bloom, president/chief operating officer; Leonard B. Wagner, secretary/treasurer.

Licensed in: New York.

Group Resources Inc.

P.O. Box 1318, Kailua, Hawaii 93764; 808-262-4556

	1982	1981
Premium vol.....	\$3,000,000	\$22,000,000
Gross rev.....	\$152,000	\$110,000
Employees.....	2	2
Percent treaty.....	100%	100%

Year founded: 1980.

Specialties: Group accident and health; individual life insurance.

Principal officers: Donald K. Anderson, president; Dean C. Anderson, vp.



H&H Reinsurance Brokers Ltd.

H&H House, Hurst Holme, Trott Road, P.O. Box 1861, Hamilton, Bermuda; 809-295-3342

	1982	1981
Premium vol.....	\$8,000,000	\$6,500,000
Gross rev.....	NA	NA
Employees.....	9	7
Percent treaty.....	95%	90%
Percent facultative	5%	10%

Year founded: 1977.

Branch offices: H&H Group Services of Bermuda Ltd., Douglas, Isle of Man.

Subsidiaries: H&H Management Services Ltd., Hamilton, Bermuda; T.S.T. Management Ltd., Hamilton, Bermuda; Reinsco Ltd., Douglas, Isle of Man.

Acquisitions or mergers: T.S.T. Management Ltd., Hamilton, Bermuda.

Specialties: Reinsurance for captive insurance companies and management of captive companies.

Principal officers: John S. Orridge, president; Simon C. Everett, vp; David P. Pickering, treasurer; W. Stuart Thompson, director; Michael T.D. Budge, secretary.

Licensed in: Bermuda.

Continued on page 36

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Continued from page 34

**Frank B. Hall
 (Reinsurance)
 Holdings Inc.**

261 Madison Ave., New York, N.Y.
 10016; 212-867-4380

	1982	1981
Premium vol.....	\$750,000,000	\$450,000,000
Gross rev.....	\$25,000,000	\$15,000,000
Employees.....	175	150
Percent treaty.....	65%	75%
Percent facultative	35%	25%

Parent company: Frank B. Hall & Co. Inc.

Year founded: 1946.

Branch offices: Frank B. Hall Re (IOA Re), Philadelphia; Frank B. Hall Re Southeast Inc., Coral Gables, Fla.; Interocean Agency

Inc., San Francisco; Frank B. Hall Re, Brussels, Belgium; Frank B. Hall Re, Milan, Italy.

Subsidiaries: Frank B. Hall Re De Mexico S.A., Mexico City; Frank B. Hall Re of Venezuela, Caracas and Maracaibo, Venezuela; Frank B. Hall Re, Lima, Peru; Frank B. Hall Re, Bogata, Colombia.

Specialties: Casualty, petroleum, marine, highly protected risks property, international risks.

Principal officers: Douglas L. King, president; D.W.H. Smith, executive vp; Don Fox, president-Dallas; Joe Zaffarese, president-New York; F.J. Cullen, president-Coral Gables; Gustavo Cisneros,

president-Latin America; Basil Rowse, president-Pacific and Far East; Farouk Seven, president-Near East, Mideast and Africa.

Harnett & Richardson Ltd.

75 Front St., P.O. Box 836,
 Hamilton, Bermuda; 809-292-7500

	1982	1981
Premium vol.....	\$500,000	NA
Gross rev.....	\$20,000	NA
Employees.....	6	NA
Percent treaty.....	90%	NA
Percent facultative	10%	NA

Principal officers: Nick Cochrane, insurance manager.

W.O. Hart & Co. Inc.

2777 Summer St., Stamford, Conn.
 06905; 203-357-1714

	1982	1981
Premium vol.....	\$23,600,000	\$17,700,000
Gross rev.....	\$624,326	\$373,220
Employees.....	8	7
Percent treaty.....	95%	95%
Percent facultative	5%	5%

Year founded: 1977.

Specialties: Treaty reinsurance and retrocessions of property, casualty, ocean marine and aviation.

Principal officers: Warren O. Hart, president/chairman; Donald J. Salierno, vp; Sharon L. Nielderschmidt, treasurer/controller; Sandra B. Hart, secretary; Thomas J. McQuaid, assistant vp.

Licensed in: New York.

**D.M. Hatwell
 Associates Inc.**

10 E. Main St., P.O. Box 519,
 Chester, N.J. 07930; 201-879-5636

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	9	9
Percent treaty.....	100%	97%
Percent facultative	0%	3%

Year founded: 1974.

Specialties: Retrocessions.
Principal officers: D.M. Hatwell, president.

Licensed in: New York.

G.L. Hodson & Son Inc.

Suite 250, 6000 Lake Forrest Drive
 N.W., Atlanta, Ga. 30328;
 404-256-9666

	1982	1981
Premium vol.....	NA	NF
Gross rev.....	NA	NF
Employees.....	17	NF
Percent treaty.....	100%	NF
Percent facultative	0	NF

Parent company: G.L. Hodson & Son Inc., New Hyde Park, N.Y.

Year founded: 1982.

Principal officers: Ronald J. Taylor, president; Craig R. Hultgren, executive vp; Patricia A. Donahue, vp.

Licensed in: New York.

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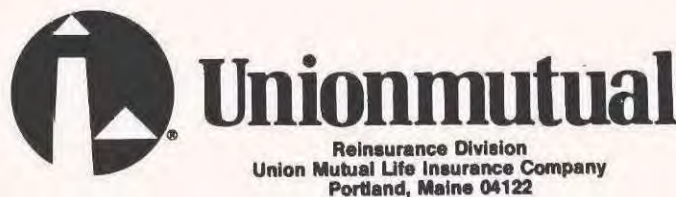
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- Analyze the competition.
- Prepare advertising.
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IOA Re

1760 Market St., Philadelphia, Pa.
 19103; 215-569-9595

	1982	1981
Premium vol.....	\$4,156,000	\$3,068,000
Gross rev.....	\$450,352	\$303,000
Employees.....	14	4
Percent treaty.....	20%	1%
Percent facultative	80%	99%

Parent company: Frank B. Hall & Co., Frank B. Hall Re of New York.

Year founded: 1950.

Specialties: Life, accident and health reinsurance.

Principal officers: John W. Parker Jr., senior vp; William R. Guckes Jr., assistant vp/treaty; Deborah N. Perna, assistant vp/facultative; Samuel W. Douglass III, assistant vp/medical.

Licensed in: All states.

**Independence
 Intermediaries Inc.**

1 Hollow Lane, Lake Success, N.Y.
 11042; 516-627-4390/212-347-6601

	1982	1981
Premium vol.....	\$23,730,595	\$19,312,484
Gross rev.....	\$1,957,985	\$1,616,752
Employees.....	29	27
Percent treaty.....	10%	5%
Percent facultative	90%	95%

Year founded: 1973.

Branch offices: Hartford, Conn.; Dallas.

Principal officers: Edmund J. Hanley, president; Anthony Maltese, vp/comptroller; Sam Hartman, Christopher Steggle, Robert O'Donnell, vps.

Licensed in: New York.

**Insurance Risks
 International Inc.**

2621 E. Camelback Road, Suite
 150A, Phoenix, Ariz. 85016;
 602-957-6494/800-321-1341

	1982	1981
Premium vol.....	\$7,000,000*	\$1,875,000*
Gross rev.....	\$477,610	\$154,700
Employees.....	15	22
Percent treaty.....	20%	5%
Percent facultative	80%	95%

*Figures represent business of predecessor company, Bradshaw Group in Phoenix, Ariz.

Year founded: 1983.

Branch offices: Beverly Hills, Calif.; Melbourne, Australia.

Subsidiaries: Facultative & Treaty Managers, Phoenix, Ariz.; Squadron Insurance Co. Ltd., Bermuda.

Continued on page 38

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Continued from page 36
Acquisitions or mergers: IRI formed in 1983 and purchased five existing agencies in Canada, the United States, Bermuda and Australia as well as a Bermuda insurance company.

Specialties: Individual and group life, accident and health stop-loss, excess of loss and quota share, HMOs, IPAs, PPOs. All forms of special risk and accident reinsurance, long-term disability, self-funded workers compensation and various forms of casualty insurance.

Principal officers: William H. MacFarland, president; Christopher J. Williams, vp/marketing; Edward Snyder, vp/chief underwriter; David D. Alecksen, vp, Beverly Hills.

Licensed in: Where required.

Intere Intermediaries Inc.
130 John St., New York, N.Y. 10038;
212-344-1100

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	151	135
Percent treaty.....	100%	100%

Year founded: 1919.

Branch offices: Atlanta; Chicago; Dallas; New York; San Francisco.

Subsidiaries: Intere (Bermuda) Ltd., Bermuda; Intere Far East, Taiwan; Port Cove Associates Inc., New York; Intere Copenhagen ApS, Copenhagen, Denmark.

Specialties: All property, casualty, marine and aviation reinsurance, domestic and international.

Principal officers: Ward B. Gordon, chairman/president/chief executive officer; William H. Eyre, John C. Follansbee, Roland G. Roth, executive vps; John N. Broadnax, Clifford English Jr., Charles F. Harrison, W. Brian Smith, Alan M. Willemsen, Wallace E. Winter, Michael G. Woll; senior vps; John R. Gale, senior vp/treasurer; Ronald C. Anderson, Daniel R. Collelo, Ruth A. Curry, Kenneth R. Fewell, Virginia M. Hand, Brian S. Keegan, James R. Leffler, Thomas F. McGrath, Philip M. Russo, Thomas J. Williams, vps; George A. Edwards, vp/controller; Ronald C. Fazio, vp/secretary.

Licensed in: New York.

International Reinsurance Services Inc.

200 W. Monroe St., Chicago, Ill. 60606; 312-782-9547

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	\$700,000	\$750,000
Employees.....	8	9
Percent treaty.....	6%	10%
Percent facultative.....	94%	90%

Parent company: Cameron General Corp.

Year founded: 1979.

Acquisitions or mergers: Cameron General Corp. was 50% acquired by Hafnia Insurance Group of Copenhagen, Denmark.

Specialties: Larger casualty facultative placements.

Principal officers: Fred Pearson, president; William Braet, vp.

Licensed in: Illinois and New York.

J

J & H Intermediaries Ltd.

Reid House, Church St., Hamilton 5, Bermuda; 809-292-1552

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	13	12
Percent treaty.....	NA	NA
Percent facultative.....	NA	NA

Parent company: J&H Ltd.
Year founded: 1978.

Branch offices: Johnson & Higgins offices network.

Specialties: Captive and financial reinsurance.

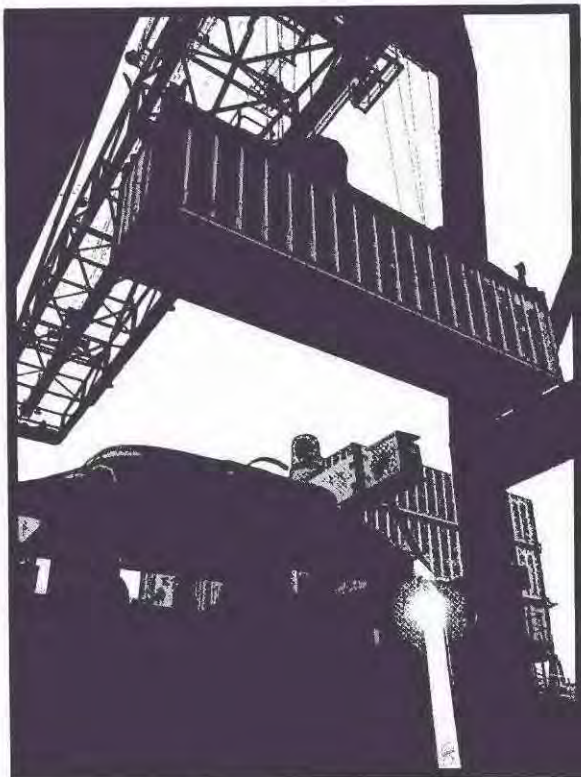
Principal officers: Patrick J.T. Stephenson, chairman; Brian R. Hall, president; Roger C. Gillett, vp/managing director; Catherine S. Lord, Alan F. Convey, assistant vps.

J.B. Johnson Inc.

1717 Woodstead Court, P.O. Box 7508, Woodland, Texas 77380; 713-292-4023

	1982	1981
Premium vol.....	\$2,500,000	\$1,700,000
Gross rev.....	\$160,000	\$135,000
Employees.....	4	4
Percent treaty.....	100%	100%

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talent and resources to devote to that middle sized account you might otherwise lose. We will custom tailor a complete program for you — this can include SIR's or large deductibles. We will arrange filings for you where applicable and can take charge of your claims administration. In short, if you would like to enjoy the refreshing experience of dealing with knowledgeable specialists who are totally responsive to your needs, call Midland. Even if you're a long way from the Fortune 500, you're close to our heart.



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Telephone: (212) 248-1130



Continued on facing page

Continued from facing page

Year founded: 1979.
Specialties: Property, casualty, accident and health.
Principal officers: Joel B. Johnson II, president; Molly K. Johnson, secretary/treasurer.
Licensed in: New York.

K

J.L. Kelley Inc.

784 Franklin Ave., Franklin Lakes, N.J. 07417; 201-891-7920

	1982	1981
Premium vol.....	\$91,000,000	\$85,000,000
Gross rev.....	\$2,250,000	\$2,000,000
Employees.....	28	25
Percent treaty.....	80%	85%
Percent facultative	20%	15%

Parent company: Kelley Holdings Inc.

Year founded: 1975.
Branch offices: New York; Chicago; J.L. Kelley West Inc., Los Angeles.

Specialties: Member of New York Insurance Exchange and Illinois Insurance Exchange.

Principal officers: J.L. Kelley, president/chairman; Carl Armitage, president-J.L. Kelley West; David Gilligan, Gary Kriftner, senior vps; Raymond Holcomb, C.S. McCarthy, Bernard Bowden, John O'Reilly, vps.

Licensed in: New York.

L

L.L.G. Services (Bermuda) Ltd.

Dallas Building, Victoria St., P.O. Box 1569, Hamilton 5, Bermuda; 809-295-2517

	1982	1981
Premium vol.....	\$6,500,000*	NF
Gross rev.....	\$250,000	NF
Employees.....	5	NF
Percent treaty.....	60%	NF
Percent facultative	40%	NF

*1983 estimate.

Parent company: Lowndes Lambert Overseas Holdings.

Year founded: 1983.
Specialties: Residual value, loss portfolio reinsurance.

Principal officers: Kevin Chapman, president; Alan Brown, secretary; Leon Nearon, treasurer; Susan Burns, assistant vp.

Licensed in: Bermuda.

Lodderhose & McGinn Inc.

150 S. Wacker Drive, Suite 360, Chicago, Ill. 60606; 312-332-0995

	1982	1981
Premium volume.....	\$14,000,000*	NF
Gross rev.....	\$1,000,000	NF
Employees.....	4	NF
Percent treaty.....	10%	NF
Percent facultative	90%	NF

*June 1983 to June 1984 projection.

Year founded: 1983.

Specialties: Time element coverages; property including boiler and machinery; heavy manufacturing including builders risks; engineered risks including utilities, transportation risks, venture efficacy and related financial guarantees; oil reserve coverage.

Principal officers: William H. McGinn, chairman; Daniel J. Lodderhose, president; Rita M. Faller, administrative manager.

Licensed in: New York.

M

MacDuff Exchange Inc.

Insurance Exchange of the Americas, 245 S.E. First St., Miami, Fla. 33131; 305-374-4111

	1982	1981
Premium vol.....	NF	NF
Gross rev.....	NF	NF
Employees.....	1	NF
Percent treaty.....	NF	NF
Percent facultative	NF	NF

Parent company: MacDuff Underwriters Inc.

Year founded: 1983.
Principal officers: Michael O. Bainbridge, vp.

Montgomery & Collins International Ltd.

Craig Appin House, Wesley St., Hamilton 5, Bermuda; 805-295-0169

	1982	1981
Premium vol.....	\$15,000,000	NF
Gross rev.....	\$500,000	NF
Employees.....	8	NF
Percent treaty.....	50%	NF
Percent facultative	50%	NF

Parent company: INA International Insurance Co.

Year founded: 1982.
Continued on next page

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Continued from previous page

Specialties: Captive reinsurance.

Principal officers: B.J. Cutts, vp; J.A. Houghton, senior broker.
Licensed in: Bermuda.

Munich American Intermediaries Corp.

560 Lexington Ave., New York, N.Y. 10022; 212-310-1600

	1982	1981
Premium vol.....	NF	NF
Gross rev.....	NF	NF
Employees.....	NF	NF
Percent treaty.....	NF	NF
Percent facultative	NF	NF

Parent company: Munich American Consulting Corp.

Year founded: 1983.

Specialties: High technology.

Principal officers: James Inzerillo, chairman/chief executive officer; John N. Lombardo, president; James W. Macdonald, Reinhard Obermueller, assistant vps.

Licensed in: New York.

N

NBA Excess & Surplus Lines, Bermuda Ltd.

P.O. Box 1262, Hamilton, Bermuda; 809-295-3454

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	6	6
Percent treaty.....	50%	50%
Percent facultative	50%	50%

Year founded: 1979.

Parent company: Marsh & McLennan Inc.

Specialties: Captive and association reinsurance.

Principal officers: Patrick R. Figorito, vp.

NSEW International Inc.

111 John St., New York, N.Y. 10038; 212-732-0342

	1982	1981
Premium vol.....	NF	NF
Gross rev.....	NF	NF
Employees.....	NF	NF
Percent treaty.....	NF	NF
Percent facultative	NF	NF

Year founded: 1983.

Specialties: Facultative and treaty reinsurance, both domestic and international.

Principal officers: Paul J. Apostolos, president; Roger P. Testa, vp; Damian Testa, secretary/treasurer.

Licensed in: New York.

O

Old Dominion Intermediaries Inc.

1503 Santa Rosa Road, Suite 110, Richmond, Va. 23288; 804-289-3850

	1982	1981
Premium vol.....	NF	NF
Gross rev.....	NF	NF
Employees.....	NF	NF
Percent treaty.....	NF	NF
Percent facultative	NF	NF

Parent company: Markel Service Inc.

Year founded: 1983.

Principal officers: Arthur J. Pagnini, president; Alan I. Kirshner, chairman; Anthony F. Markel, vp; Steven A. Markel, vp/treasurer; Lewis C. Markel Jr., secretary.

P

Pearson & Georgi International Inc.

1 World Trade Center, Suite 4965, New York, N.Y. 10048; 212-775-0860

	1982	1981
Premium volume.....	NA	NA
Gross rev.....	NA	NA
Employees.....	13	9
Percent treaty.....	75%	75%
Percent facultative	25%	25%

Parent company: Cameron General Corp.

Year founded: 1979.

Branch offices: P.G.A. Ltd., Athens, Greece; P.G.A. (Far East) S.D.N. B.H.D., Kuala Lumpur, Malaysia.

Principal officers: Fred H. Pearson, chairman; Ernest G. Georgi, president; Rodolfo A. Agatep, vp/treasurer.

Licensed in: New York.

Pearson Webb Springbett (Bermuda) Ltd.

American International Building, Box 1463, Hamilton 5, Bermuda; 809-29-21443

	1982	1981
Premium vol.....	\$70,000,000	\$50,000,000
Gross rev.....	\$2,893,247	\$2,287,442
Employees.....	8	6
Percent treaty.....	15%	15%
Percent facultative	85%	85%

Parent company: Pearson Webb Springbett (International) Ltd.

Year founded: 1975.

Principal officers: Albert W. Hunt, vp.

Pearson Webb Springbett (USA) Inc.

90 John St., New York, N.Y. 10038; 212-791-9350

	1982	1981
Premium volume.....	\$18,000,000	\$12,000,000
Gross rev.....	\$772,310	\$524,732
Employees.....	16	12
Percent treaty.....	35%	35%
Percent facultative	65%	65%

Parent company: Pearson Webb Springbett (International) Ltd.

Year founded: 1974.

Principal officers: Terence E. Armstrong, vp.

Licensed in: New York.

Professional Reinsurance Office Inc.

Suite 105, 8140 Walnut Hill Lane, Dallas, Texas 75231; 214-651-2040

	1982	1981
Premium volume.....	\$32,202,523	\$21,566,186
Gross rev.....	\$3,581,024	\$2,420,650
Employees.....	34	19
Percent treaty.....	22%	2%
Percent facultative	78%	98%

Parent company: Joint venture with E.H. Crump Cos. Inc. and Alan G. Hardin.

Year founded: 1978.

Subsidiaries: Pro Re Inc. of Dallas; Pro Re Inc. of New York; Pro Re Inc. of Atlanta and Pro Re Treaty of America Inc., New York.

Specialties: Facultative underwriting management; casualty facultative; hospital malpractice; utilities; specialized programs.

Principal officers: Alan G. Hardin, president/chairman; William Courtier, Sidney A. Stewart, vps; James M. Power, vp/treasurer; W.B. Mallory III, secretary.

R

RBI Brokerage Inc.

500 Bloomfield Ave., Verona, N.J. 07052; 201-239-7500

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	3	3
Percent treaty.....	70%	70%
Percent facultative	30%	30%

Year founded: 1978.

Specialties: Stop-loss for HMOs and some insured plans, surplus relief treaties for life companies.

Principal officers: Paul Wolf, president.

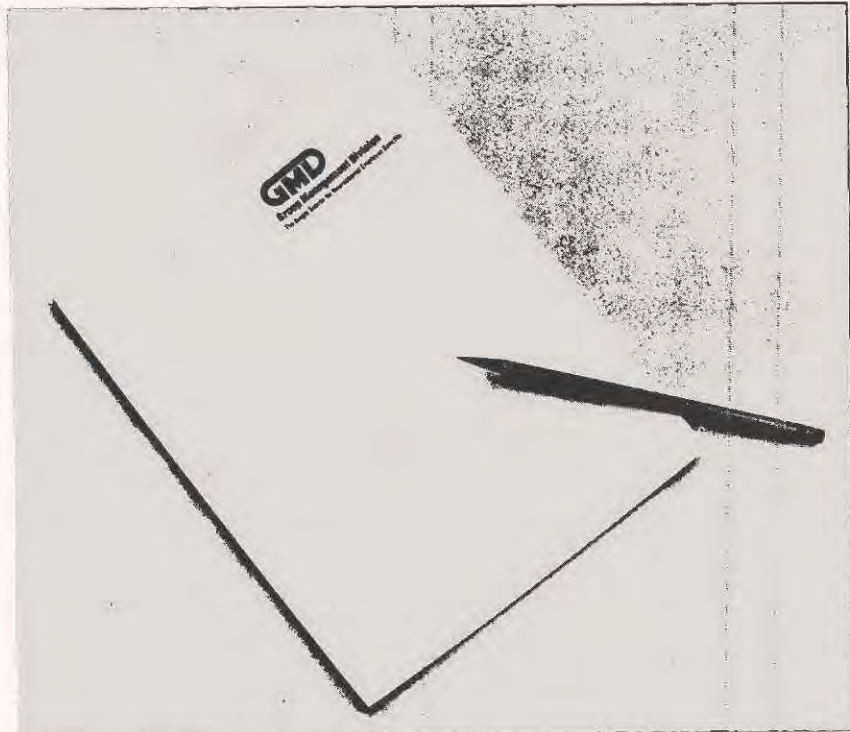
Licensed in: New York, New Jersey.

RFC Intermediaries Inc.

2029 Century Park East, Suite 1610, Los Angeles, Calif. 90067; 213-277-3753

	1982	1981
Premium vol.....	\$257,698,000	\$201,849,000
Gross rev.....	\$12,891,000	\$10,322,000
Employees.....	230	216
Percent treaty.....	59%	51%
Percent facultative	41%	49%

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Continued from page 40

Parent company: Reinsurance Facilities Corp., an affiliate of St. Paul Cos. Inc.

Year founded: 1972.

Branch offices: Los Angeles; San Francisco; Dallas; Atlanta; Chicago; Columbus, Ohio; New York; Hartford, Conn.; Philadelphia; Boston.

Subsidiaries: RFC Management Corp. in Los Angeles.

Acquisitions or mergers: RFC Intermediaries was sold by Continental Corp. to the St. Paul Cos. Inc. in September 1983.

Specialties: Professional facultative and treaty brokering for property, casualty and accident and health.

Principal officers: Barry M. Sullock, president/chief financial officer; W.J. Buettner, David Cargile, Stephen Edwards, Arnold Hale, Fred Hitchens, Edward Lukco, Pavittar S. Safir, senior vps; James Allman, Anita Collins, John Dunleavy, Jeffrey Gurtler, Robert Hegarty, George Jacobbe, Melvin Luce, Ralph Luna, Nicholas Mesogianes, Warner Murphy, Linda Puccio, Ronald Smith, vps.

Licensed in: New York.

Regency Reinsurance Brokers Ltd.

Queen St., P.O. Box 1224, Hamilton, Bermuda; 809-295-5921

	1982	1981
Premium vol.....	\$10,000,000	NA
Gross rev.....	NA	NA
Employees.....	6	NA
Percent treaty.....	95%	NA
Percent facultative.....	5%	NA

Parent company: E.H. Crump Cos. Inc.

Year founded: 1980.

Acquisitions or mergers: Entered into joint venture with P.W. Kininmonth in 1983.

Specialties: Financial treaty, captive and treaty reinsurance.

Principal officers: P.W. Kininmonth, chairman; Donald A. Thomas, president; Phillip R.S. Hancock, Steven J. Wrisslesworth, vps.

Reinsurance Agency Inc.

11 E. Wacker Drive, Chicago, Ill. 60601; 312-329-1484

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	35	22
Percent treaty.....	85%	90%
Percent facultative.....	15%	10%

Year founded: 1945.

Specialties: Treaty and facultative.

Principal officers: Charles A. Pollock, chairman; Paul R. Davies, president; Marilyn E. Moll, J. Michael Garrity, Raymond R. Wick, John Charles, June Schierhorn, vps.

Reinsurance Professionals Inc.

P.O. Box 28155, Atlanta, Ga. 30358; 404-952-0080

	1982	1981
Premium vol.....	\$3,000,000*	NA
Gross rev.....	\$215,000	NA
Employees.....	10	NA
Percent treaty.....	10%	NA
Percent facultative.....	90%	NA

*Figures represent business of predecessor company, Sten Re Cole of Atlanta.

Parent company: The Insurance House Inc.

Year founded: 1983.

Acquisitions or mergers: Reinsurance Professionals Inc. purchased Sten-Re Cole, Atlanta operation, in 1983.

Principal officers: Mitchell Gwinn, president; Joseph B. Love Sr., Robert Starnes, vps; Roy H. Little, secretary/treasurer.

Republic Hogg Robinson IIS (Bermuda) Ltd.

P.O. Box 734, Hamilton 5, Bermuda; 809-292-6319

	1982	1981
Premium vol.....	\$7,400,000	NF
Gross rev.....	\$249,153	NF
Employees.....	4	NF
Percent treaty.....	15%	NF
Percent facultative.....	85%	NF

Parent company: Republic Steel Corp. and Hogg Robinson Group.

Year founded: 1981.

Specialties: Captive and financial reinsurance.

Principal officers: F. Kerry Friel, general manager.

Licensed in: Bermuda.

S

Sargent Wobber & Co. Inc.

68 William St., New York, N.Y. 10005; 212-765-1210

	1982	1981
Premium vol.....	\$10,000,000	\$10,000,000
Gross rev.....	\$234,328	\$169,491
Employees.....	11	10
Percent treaty.....	50%	50%
Percent facultative.....	50%	50%

Year founded: 1940.

Principal officers: Robert L. Sanford, president; Edward J. Rock, Michael C. Cunningham, vps; Richard C. Sanford, secretary; David E. Adams, treasurer.

Licensed in: New York.

Seibels, Bruce & Co.

1501 Lady St., Columbia, S.C. 29201; 803-748-2000

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	11	11
Percent treaty.....	100%	100%

Year founded: 1978.

Specialties: Surplus lines, credit life, accident and health.

Principal officers: Robah G. Heggie Jr., W.W. Shealy, vps; H. Bronson Smith, Jean Polhill, Mabel Bird, assistant vps; Tuck Davis, accounting supervisor.

Licensed in: New York, Wisconsin.

Sellon Associates Inc.

New King St., P.O. Box 800, Purchase, N.Y. 10577; 914-428-3600

	1982	1981
Premium vol.....	\$120,000,000	\$110,000,000
Gross rev.....	NA	NA
Employees.....	26	24
Percent treaty.....	95%	95%
Percent facultative.....	5%	5%

Year founded: 1970.

Specialties: Financial guarantee insurance, special casualty, catastrophe.

Continued on facing page



Continued from facing page

Principal officers: Peter J. Selson, president; Geoffrey C. Spencer, executive vp; Robert E. Kenyon III, Guy Ward Hill, senior vps; Peter J. Allatt, Peter C. Brown Jr., vps; Barbara J. English, assistant vp; William A. Ameling, treasurer; Kathleen M. Walsh, secretary.

Licensed in: New York.

Somerset Broking Ltd.

Washington Mall, P.O. Box 2009, Hamilton 5, Bermuda; 809-295-1646

	1982	1981
Premium vol.....	\$15,000,000	\$12,000,000
Gross rev.....	\$471,604	\$395,390
Employees.....	6	5
Percent treaty.....	90%	90%
Percent facultative	10%	10%

Parent company: The Somerset Group.

Year founded: 1979.

Principal officers: John Harris, president; Peter Strong, executive vp.

Sten-Re, Cole & Associates Inc.

499 Thornall St., Edison, N.J. 08818; 201-549-6300

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	35	62
Percent treaty.....	70%	70%
Percent facultative	30%	30%

Parent company: Reed Stenhouse Inc.

Year founded: 1979.

Branch offices: Sten-Re, Cole & Associates, New York.

Specialties: Domestic and international treaty and facultative reinsurance.

Principal officers: Richard E. Cole, president; Thomas M. Simone, Demarest S. Newman, Bart L. Frazzitta, vps; Anthony P. Carro, John M. Mannix, assistant vps.

G.J. Sullivan Co.

800 W. Sixth St., Los Angeles, Calif. 90017; 213-626-1000

	1982	1981
Premium vol.....	\$3,500,000	\$3,000,000
Gross rev.....	\$350,000	\$300,000
Employees.....	2	NA
Percent treaty.....	100%	NA
Percent facultative	0%	NA

Parent company: Gerald J. Sullivan & Associates Inc.

Year founded: 1980.

Principal officers: Gerald J. Sullivan, chairman; John W. Hirschmann, Dennis Perler, Howard Garnett.

Licensed in: New York.

John F. Sullivan Co.

1415 Fifth Ave., 14th Floor, Seattle, Wash. 98171; 206-223-1200

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	222	184
Percent treaty.....	NA	NA
Percent facultative	NA	NA

Parent company: Fred S. James & Co. Inc.

Year founded: 1962.

Branch offices: Toronto; New York; Philadelphia; Los Angeles; Vancouver, B.C.

Subsidiaries: Sullivan International, New York.

Principal officers: W.E. Taylor, chairman/president; K.J. Sherman, executive vp; Vince Cuddy, president-John F. Sullivan Co. of New York; R.C. Holmes, president-John F. Sullivan Co. of Canada.

Licensed in: New York.

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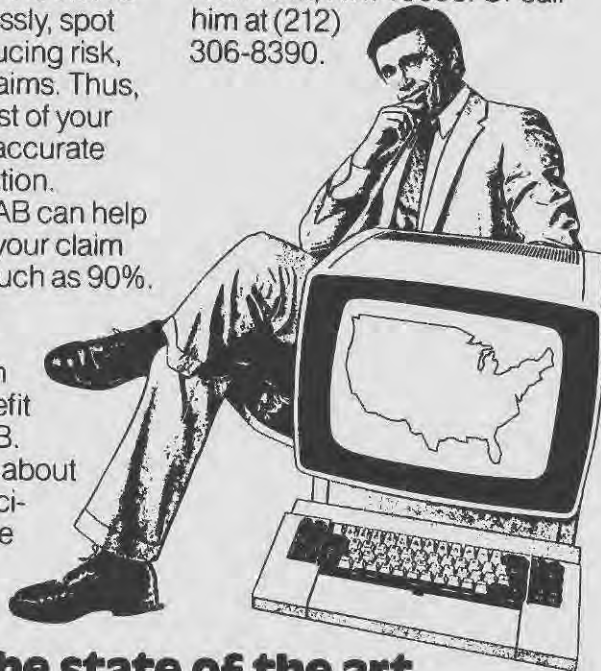
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T

Tarpon Management Co. Inc.

20121 Ventura Blvd., Suite 220, Woodland Hills, Calif. 91364; 213-716-0627

	1982	1981
Premium vol.....	NF	NF
Gross rev.....	NF	NF
Employees.....	NF	NF
Percent treaty.....	NF	NF
Percent facultative	NF	NF

Year founded: 1983.

Branch offices: Los Angeles.

Specialties: Life, accident and health.

Principal officers: Edward M. Hurley, president; Bryan Compton, director of operations.

Towers, Perrin, Forster & Crosby Inc.

Reinsurance Division, Centre Square West, 1500 Market St., Philadelphia, Pa. 19102; 215-569-6000

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	188	194
Percent treaty.....	87%	89%
Percent facultative	13%	11%

Year founded: 1934.

Branch offices: Hartford, Conn.; Los Angeles; New York; San Francisco.

Specialties: Domestic property, casualty, life and accident and health, pro rata and excess; international treaties all lines, pro rata and excess; marine treaties, domestic and international; facultative, property and casualty, pro rata and excess.

Principal officers: Bernard D. Berry, vice chairman/chief executive-reinsurance; Thomas H. Roach, vp/senior administrative officer-reinsurance; Mariano Leo, vp/senior financial officer; Robert F. Jones, vp-facultative operations; Christopher R. Day, vp-international treaty; C. David Miller, David R. Doane, Joseph W. Hullett, Walter E. Veghte Jr., Peter M. Armour, Karl E. Ringer, Patrick J. McFadden, Philip W. Mitchell, Edwin W. Reynolds, vps-domestic treaty; Philippus Miller Jr., Robert H. Nashman, assistant vps-international; Peter M. Graetzer, assistant vp-marine; Robert T. Perrone, assistant vp-facultative; W. Stewart Keisling, William A. Ray, Robert P. Schmidt, James L. Smith Jr., Arthur P. Schuessler, assistant vps-domestic treaty; David W. Weiss, treasurer; David J. Fearon, chief accountant.

Licensed in: Pennsylvania, New York.

W

Richard Whiley Inc.

110 William St., New York, N.Y. 10038; 212-732-1360

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	12	9
Percent treaty.....	90%	90%
Percent facultative	10%	10%

Continued on next page

ZG

Zimmerman, Green Incorporated

Reinsurance Intermediary

Home Office:
 Headquarters Plaza II
 P.O. Box 2436R
 Morristown, New Jersey 07960
 201-267-8033
 Cable Address: Zimmerman MWN
 Telex: 136639

West Coast Office:
 Ontario Airport Center
 337 North Vineyard, Suite 448
 Ontario, California 91764
 714-984-2294 (95)
 Cable Address: Zimmerman ONT
 Telex: 706412

A Member Company of The Blackwall Green Group, Ltd.

Continued from previous page
Parent company: Crum & Forster.
Year founded: 1979.
Principal officers: Donald Law, president; Drew Beauchamp, John Ginley, vps; Robert Schooley, vp/treasurer; Ronald Paul, Paul Reynolds, assistant vps.
Licensed in: New York.

David C. White Agency Inc.
 298 Sunrise Highway, Rockville, Centre, N.Y. 11571; 212-347-2999

	1982	1981
Premium vol.....	\$1,346,486	NA
Gross rev.....	\$23,564	NA
Employees.....	54	NA
Percent treaty.....	90%	NA
Percent facultative	10%	NA

Year founded: 1946.
Branch offices: David C. White Agency of New Jersey Inc., Paramus, N.J.
Subsidiaries: Lawrence Excess Ltd., Rockville Centre, N.Y.; Lawrence Excess Ltd. of New Jersey, Paramus, N.J.

Specialties: Foreign treaty.
Principal officers: Walter S. Groden, president; Richard L. Wolf, executive vp; David Isenberg, vp/marketing.
Licensed in: New York.

Willcox Inc.
 130 John St., 23rd Floor, New York, N.Y. 10038; 212-952-0650

	1982	1981
Premium vol.....	NA	NA
Gross rev.....	NA	NA
Employees.....	200	185
Percent treaty.....	NA	NA
Percent facultative	NA	NA

Parent company: Johnson & Higgins.
Year founded: 1894.
Branch offices: Norcross, Ga.; Houston; Los Angeles; San Francisco.
Specialties: Marine, property, casualty.
Principal officers: Peter M. Black, chairman; John H. Cassidy, president; Donald A. Enslin, vp; John J. Bischoff, Arthur W. Brooks, Michael J. Brownsell, William E. Burkett, James G. Cerreta, William R. Coleman, Frank J. Disenza, Thomas E. Hancock, Neil W. Hiller, Arthur D. Klepper, George T. McCann, John F. Langen, Robert C. Lonsdale, C. William Stahl Jr., brokerage vps.
Licensed in: New York.

Wilton, Sutter & Co.
 3333 Wilshire Blvd., Suite 1008, Los Angeles, Calif. 90010; 213-387-0089

	1982	1981
Premium vol.....	\$12,100,000	NF
Gross rev.....	\$1,159,440	NF
Employees.....	22	NF
Percent treaty.....	0%	NF
Percent facultative	100%	NF

Parent company: A joint venture of Petru, Sullivan & Associates and Cameron & Colby.
Year founded: 1981.
Branch offices: Minneapolis; San Francisco.
Specialties: Facultative property and casualty.
Principal officers: Harry Petru Jr., president; Jeffrey Fraser, Dennis Corby, Marc Welliver, vps; Eugene Money, controller/administration.

Hirsch Wolf & Co. Inc.
 90 John St., New York, N.Y. 10038; 212-619-4010

	1982	1981
Premium vol.....	\$2,000,000	NA
Gross rev.....	\$100,000	NA
Employees.....	5	NA
Percent treaty.....	15%	NA
Percent facultative	85%	NA

Year founded: 1958.
Branch offices: Brooklyn, N.Y.; Union, N.J.
Specialties: Product liability, satellite physical damage, railroads, directors and officers liability, errors and omissions, surety bonds, member broker of New York Insurance Exchange.
Principal officers: Hirsch Wolf, president; James Cullinan, vp; Suri Schorr, Bill Torsiello, assistant vp.
Licensed in: New York.

Z

Zimmerman, Green Inc.
 1 Speedwell Ave., P.O. Box 2436R, Morristown, N.J. 07960; 201-267-8033

	1982	1981
Premium vol.....	\$25,000,000	\$12,000,000
Gross rev.....	\$1,150,000	\$350,000
Employees.....	8	2
Percent treaty.....	90%	90%
Percent facultative	10%	10%

Parent company: Blackwall, Green Ltd.
Year founded: 1980.
Branch offices: Ontario, Calif.
Specialties: Life, accident and health, special risk reinsurance, professional sports disability coverage.
Principal officers: John R.D. Green, chairman; George G. Zimmerman, president/treasurer; Edward A. Dipple, secretary; Eugene J. Schiller, vp; Gail V. Boterus, Charles J. Sharkey, assistant vps.
Licensed in: New York.



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British tax laws to affect captive reinsurers

By STACY SHAPIRO

LONDON—New British tax laws could inspire offshore captive insurers owned by British parents to write more third-party reinsurance.

Next year, the Inland Revenue Service will require British offshore insurance companies to be taxed as if they were onshore. However, companies will be exempt from the new tax laws if:

- They belong to association captives or pools and own less than 10% of the group.
- They can prove they are legitimately conducting commercial insurance business.
- Show that more than 50% of their business is non-related.
- Pay taxes to the domicile that exceed 25% of profits.
- Remit 50% of their profits back to the United Kingdom.

The Inland Revenue, which has been discussing these regulations with British companies for the last two years, will issue its final draft of the rules within the month.

Writing non-related business—especially reinsurance for other offshore captives—may be the best way for offshore captives to avoid the new taxes, says Paul Bawcutt, managing director of Risk Research Group Ltd., a London consulting firm.

In fact, he says, the tax proposals are among the reasons British companies are showing interest in the Bermuda Risk Exchange, a plan through which captives will be able to swap their risks without paying brokerage fees (BI, July 25).

"The exchange is a good way of attracting decent unrelated business and solving the tax problem," said Mr. Bawcutt.

Besides the tax laws that could affect offshore reinsurance, the British government and Lloyd's of London have actively tightened re-

insurance regulation.

Both the Department of Trade—which regulates most of the British commercial insurance industry—and Lloyd's of London—which self-regulates its brokers and underwriters—have clamped down on reinsurance arrangements.

The new rules came in the aftermath of a series of scandals that rocked the London market last year, all of which dealt with reinsurance transactions (BI, Jan. 10).

The Council of Lloyd's has pro-

posed a bylaw that would force underwriting agency employees and their relatives and associates to disclose any personal interests they have in companies that have conducted business with Lloyd's syndicates after January 1981. "Personal interests" include any shareholdings, directorships or other dealings with syndicate reinsurers.

Likewise, the Department of Trade earlier this year enacted reinsurance regulations that have been in the works for two years

(BI, June 10).

The regulations apply to ceding companies accounts filed after Dec. 2, 1982. The department requires British insurers to provide information on any reinsurance company that reinsures 2% of the company's book of business for treaty reinsurers or 5% of a particular risk for facultative reinsurers.

The insurers must supply the name and address of the reinsurer and note any connection between it and the reinsurer. Ceding com-

panies must also report the amount of premium payable to the reinsurer and outstanding claims.

The department also issued rules for reinsurers. Reinsurance accounts filed on or after Jan. 31, 1983, must provide information on ceding companies that contribute more than 5% of the reinsurer's gross premiums. If the reinsurer writes direct insurance as well as reinsurance, then it must provide data on ceding companies that contribute 2% of gross premiums. ■

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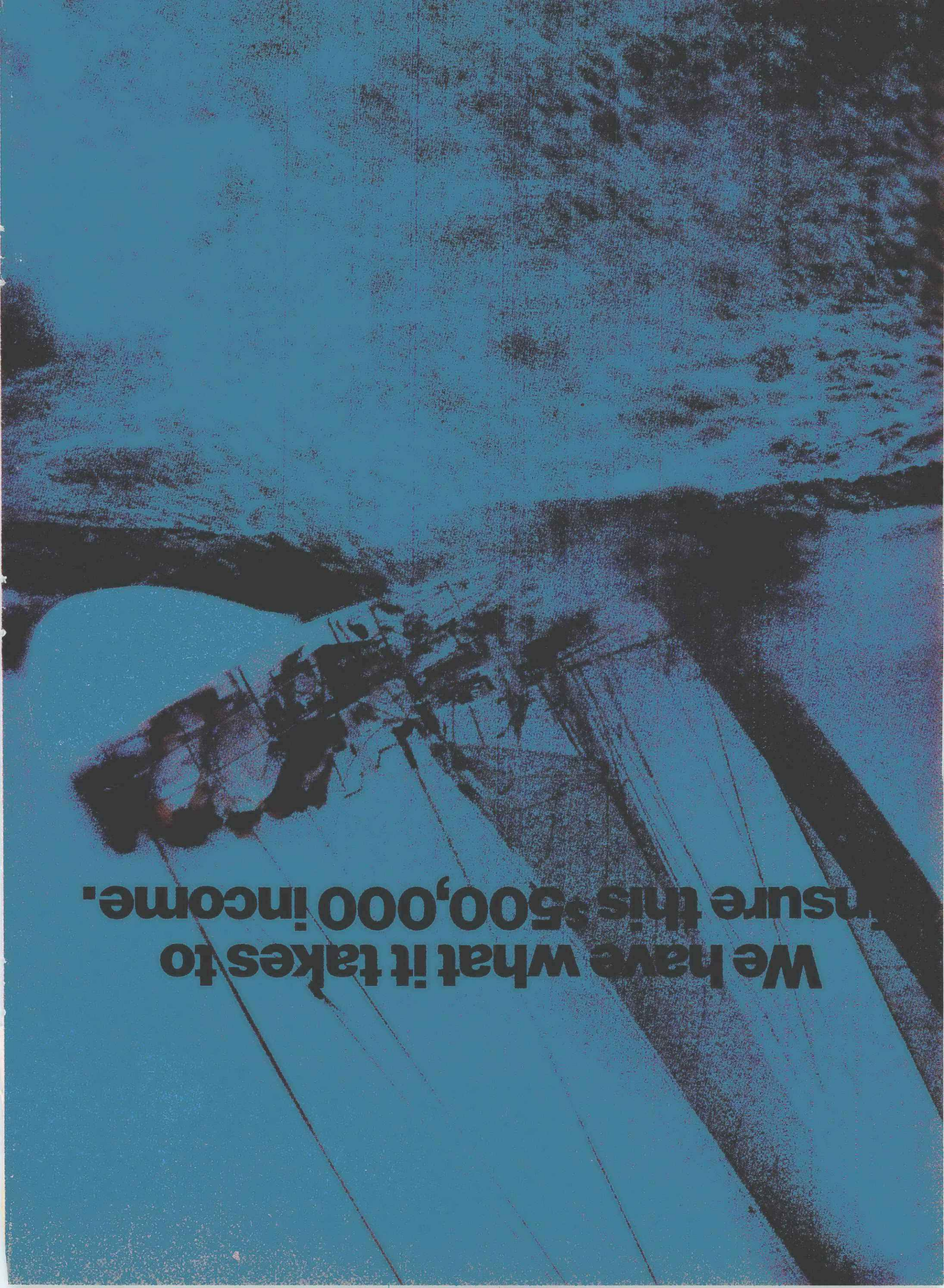
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Negligence can qualify as an 'accident' under general liability coverage

THE TERM "accident" in a comprehensive general liability insurance policy does not necessarily exclude human fault called negligence, the Supreme Court of Alabama ruled.

Bonitz Insulation Co. contracted with a city for the construction of the roofing and insulation on a gymnasium. Bonitz subcontracted the roofing to Vulcan Roofing Co.

From the time the job was started until 1977, Bonitz was covered under a comprehensive general liability insurance policy issued by United States Fidelity & Guaranty Co. From 1977 on the insurer was Employers Mutual Liability Insurance Co. of Wisconsin.

The job was completed in 1972. The roof began to leak in the fall. Vulcan was called in for repairs, which were attempted over the next several years until the entire roof was replaced in 1978. The city then sued Bonitz for breach of contract. Bonitz forwarded the suit to both insurers. Only Employers assumed defense. Bonitz then brought this suit seeking to determine whether USF&G also had a duty to defend. The trial court ordered both insurers to defend.

The appellate court agreed that USF&G had a duty to defend but not Employers. According to the court when the property damage began because of the roof leaks there was an occurrence under USF&G's policy. But since the roof had been leaking nearly four years before Employers issued its policy, the court said there was no "accident" triggering Employers' duty to defend. *United States Fidelity & Guaranty Co. vs. Bonitz Insulation Co.*, Supreme Court of Alabama, Dec. 30, 1982 (BI/03/0.-\$5).

Psychiatric problems

Any psychiatric problems suffered by a police officer resulting from an administrative inquiry concerning his private life were not compensable under the compensation law, according to a New Mexico appellate court.

In February 1981, James McDaniel, a police officer, was brought in to a police station for an administrative inquiry. The inquiry arose from the complaint of a woman who had "spurned" Mr. McDaniel's attentions. Several incidents had occurred, including Mr. McDaniel brandishing a gun at the woman, breaking into her parent's home and issuing threats on her life.

Because of these circumstances, the deputy police chief requested the inquiry. Later, Mr. McDaniel sought benefits on the basis of his alleged "nervous breakdown" that occurred during the inquiry. Compensation was denied.

According to the appellate court, there was no accidental injury here arising

legal briefs

from Mr. McDaniel's employment. "Arising out of" employment, the court emphasized, excludes an injury that cannot fairly be traced to the employment as a contributing proximate cause.

The court concluded that Mr. McDaniel's psychiatric problems did not arise "out of" his employment as a police officer. *McDaniel vs. City of Albuquerque*, New Mexico Court of Appeals, Oct. 26, 1982 (BI/01/Au.-\$5).

Divorced beneficiary

Once a state court in a divorce proceeding ordered that a wife be reinstated as the beneficiary of a life insurance policy, the principle of "equity considers as done that which ought to be done" took over, according to a federal appellate court. The wife was held to be the beneficiary.

Ronald Briece was covered under a group term life insurance policy issued by Connecticut General Life Insurance Co. His wife, Bonnie, was the designated beneficiary.

Subsequently, Mrs. Briece sued for divorce. While the divorce was pending, Mr. Briece removed his wife as beneficiary and instead designated his parents. Mrs. Briece asked the divorce court to enjoin her husband from removing her as beneficiary. Mr. Briece was ordered to reinstate her as beneficiary.

Mr. Briece died before the divorce became final and without complying with the court order. Both his parents and Mrs. Briece sought the policy's proceeds. The trial court concluded the parents were the beneficiaries entitled to the proceeds.

The appellate court disagreed. The court said that under Illinois law a life insurance policy was marital property subject to disposition by the divorce court in a divorce. Thus, when the court ordered Mrs. Briece to be reinstated, she was assumed to be the policy's beneficiary.

The court said the absence of a final divorce decree was not important because a valid court order was entered and was entitled to enforcement. *Briece vs. Briece*, 8th U.S. Circuit Court of Appeals, Nov. 2, 1982 (BI/03/Au.-\$5).

Unexplained injury

A completely unexplained fall that occurs on the employer's premises during working hours while the employee is working is compensable, according to an Oregon appellate court.

Peter Russ, age 82, was employed at a food-processing plant. On Feb. 5, 1980, after working a full shift, he was on his way to "punch out," when he fell and broke his right hip. After his surgery, he was released to return to work in September 1980.

There was no idiopathic, or peculiar to the individual, reason for Mr. Russ' fall. No debris or other substances were in the

area that would have caused his fall. He filed for and was awarded compensation. The employer appealed.

On the appeal, the employer argued that Mr. Russ failed to meet his burden of proof that the injury was compensable. The court agreed that an idiopathic fall would not be compensable, but, the court said a completely unexplained fall, in this circumstance, was compensable. *Matter of Compensation of Russ*, Oregon Court of Appeals, Nov. 10, 1982 (BI/04/Au.-\$5).

No beneficiary

A federal court ruled that under the terms of a group life insurance policy applicable when no beneficiary was named by the insured, the insured's parents were entitled to the proceeds notwithstanding the insured's failure to sign a beneficiary card designating them as beneficiaries.

Robert Bailey, a Monsanto Co. employee, was covered under a group life insurance policy issued by Metropolitan Life Insurance Co. The employer's file contained a copy of his beneficiary card, designating his parents as beneficiaries. The card was not signed. Mr. Bailey was not married and had no children.

The policy provided for distribution of proceeds if there was no designated beneficiary. Under the provision, the parents would be entitled to the proceeds. Mr. Bailey was killed in an automobile accident. Monsanto collected the proceeds and sent them to Mr. Bailey's parents. The administrator of Mr. Bailey's estate, however, brought this action seeking to recover the proceeds.

The administrator claimed that Mr. Bailey was not on good terms with his parents and did not intend them to be beneficiaries. But, the court said the plan's beneficiary terms were "extremely clear" and that the deceased's parents were to receive the proceeds. *Frentheway vs. Monsanto Co.*, U.S. District Court in Wyoming, Nov. 12, 1982 (BI/05/Au.-\$5).

Compensating insanity

A Michigan appellate court said that claimants who have failed to establish a loss of "industrial" use of two limbs should not be able to circumvent this failure by claiming incurable insanity which was not manifested in physical disabilities and accompanied by psychological processes which were clearly not insanity.

Pauline Modreski worked for General Motors Corp. from 1955 to 1966. In 1961, while she was working, part of an automobile door fell on her hand and injured her. She drew benefits intermittently thereafter. In 1966, she was placed on total disability and compensation was paid through Feb. 27, 1972.

In 1972, she petitioned for benefits due to total and permanent disability and was awarded benefits based on incurable insanity. Ms. Modreski was capable of meeting her daily needs, arranging for

her future, dealing with her physical maladies and communicating with her neighbors, friends and relatives. The Compensation Appeal Board reversed her award.

The appellate court agreed Ms. Modreski could not recover permanent and total disability benefits based on incurable insanity. "To hold otherwise," the court said, "could bring about the anomalous result that a claimant who was suffering physical disabilities which did not fit within the categories listed... could not qualify for permanent disability if his maladies had an organic basis, but might qualify if his maladies were found to have a psychological basis." *Modreski vs. General Motors Corp. Etc.*, the Michigan Court of Appeals, released for publication, Dec. 3, 1982 (BI/01/N.-\$5).

Medical attention

The phrase "other necessary medical attention" in the workers compensation law was limited to services and did not include structural renovations and modifications of an injured employee's home, according to the Supreme Court of Virginia.

While employed for a coal company, Glen Bolling was injured in a mining accident that rendered him a paraplegic confined to a wheelchair. He was awarded temporary total disability payments and medical benefits for as long as necessary.

Later Mr. Bolling filed an application for modifications to his home and construction of a suitable ramp system. Part of the modification sought was to install guardrails and enlarge the bathroom to allow access for his wheelchair.

The remodeling was to cost between \$15,000 and \$25,000. The commission ordered the employer to either provide the facilities needed or be responsible for reasonable costs.

On appeal, the employer argued that structural improvements did not fall within the statutory allowance of either "other necessary medical attention" or "reasonable and necessary vocational rehabilitation training services." According to the state high court, the word "attention," as commonly understood, did not embrace structural alterations.

"Furthermore, we note that the statute declares that 'medical attention' is to be provided," the court said. The construction of a ramp and modification of a bathroom, the Supreme Court observed, were not medical care supervision or service or vocational services as contemplated by the statute, the court said. *Low Spint Coal Co. Inc. vs. Bolling*, Supreme Court of Virginia, Dec. 3, 1982 (BI/03/N.-\$5).

The Perspective section, which is a forum for readers' opinions, is compiled and edited by Assistant Copy Editor Claudette Dampier. She can be reached at 312-649-5282.

These abstracts were prepared by Cases Unlimited Inc. A copy of an entire decision may be obtained by sending a check for \$5 made out to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. List the number for each opinion.

States tightening reinsurance regulations

By STEPHEN TARNOFF

CHICAGO—In the wake of reinsurance scandals and questionable solvency of some reinsurers, state legislatures and agencies are taking a harder look at reinsurers and how they do business.

Tougher financial requirements for reinsurers, stricter requirements on doing business with unauthorized reinsurers and protection for witnesses in fraud investigations are among the subjects of legislation and regulation.

In addition, the effectiveness of previous efforts to better control the reinsurance business is still being assessed, such as the year-old Regulation 98 in New York and a special reinsurance bureau set up in California.

Across the country, insurance regulators were shocked by the reinsurance transactions that led to the demise of Kenilworth Insurance Co. in Illinois and the refusal of reinsurers involved in POSA in Panama to pay losses (*BI*, Aug. 30, 1982 and Dec. 6, 1982).

And, regulators are concerned reinsurers may not be able to pay on contracts they have written.

Illinois recently passed a law establishing higher capital and surplus requirements for reinsurers. Effective Jan. 1, mutual insurers with less than \$5 million in surplus or stock insurers with less than \$5 million in capital and surplus will be prohibited from assuming reinsurance, except in limited circumstances.

But, the focus of recent regula-

tory changes and pending regulations is on how to control unauthorized reinsurers. Most states are tightening their regulations on when a ceding company can take credit for reinsurance on its financial statement by recording it as an asset or a reduction in liability.

The regulations define standards for authorized reinsurers and establish standards for buying reinsurance from unauthorized reinsurers, which are those who have not satisfied a particular state's licensing requirements.

"The nucleus of any regulation is probably in the credit area," says Frank Nutter, president of the Reinsurance Assn. of America in Washington, which represents U.S.-based reinsurers. "It is the principal regulatory tool" of states

seeking to regulate the reinsurance industry, he said.

Among the states that have passed legislation or promulgated regulations governing credit for reinsurance with unauthorized reinsurers are Texas, Florida, Indiana and North Dakota.

Many of the states' new regulations on credit for unauthorized reinsurance track the provisions of a new model law being developed by Reinsurance and Anti-Fraud Task Force of the National Assn. of Insurance Commissioners (*BI*, Oct. 3).

That model law provides credit for reinsurance purchased from unauthorized reinsurers that maintain trust accounts in the United States and submit their contracts to certain conditions.

The RAA intends to promote the

NAIC model law, Mr. Nutter said. In addition, the RAA is working or expects to be working with Virginia, Maryland, New Hampshire, Utah, Delaware, Ohio and Rhode Island on possible changes in their reinsurance laws.

Other states are specifically zeroing in on the conditions under which letters of credit issued by unauthorized reinsurers will satisfy credit requirements.

On Sept. 14, California outlined what it requires before a letter of credit can satisfy its requirements for taking credit for reinsurance purchased from non-admitted reinsurers. The issuer of the letter of credit must be a member bank of the Federal Reserve System; the beneficiary must be the ceding insurer that is seeking credit for the reinsurance; and the letter must be "clean and irrevocable."

New York promulgated a similar "circular" Sept. 15, also setting parameters for acceptable letters of credit, said Stewart A. Keir, chief of the New York Insurance Department's Insurance Exchange and Excess Lines Bureau.

Even if a reinsurer becomes insolvent, the ceding company will be guaranteed payment under the letter of credit with the new regulation, Mr. Keir said.

Some states also have passed legislation geared to assist them in their attempts to root out insurance and reinsurance fraud.

Texas passed a law that provides immunity from liability to those providing information or investigating reinsurance fraud. Effective Aug. 29, the bill grants immunity to a person acting without malice who gives the State Board of Insurance information at its request or if the law requires that the person provide the information, an Insurance Department spokesman said.

New York passed a similar bill. Prior efforts to control reinsurance transactions are still being assessed, too.

In New York, much of the complaining by intermediaries over Regulation 98, which went into effect Oct. 1, 1982, has dissipated. The regulation requires intermediaries to investigate the finances of reinsurers with which they place business, increasing their paperwork.

Mr. Keir said there has been a lack of reinsurance problems lately but the answer was not necessarily due to Regulation 98. A heightened awareness of reinsurance problems is a contributing factor.

In California, a special commission that was created last year to investigate reinsurance transactions "is moving along very slowly, slower than we anticipated," said Alexander Gershaneck, chief of the state's Reinsurance Bureau.

Insufficient staff, a problem for state agencies throughout budget-strapped California, is to blame, he said. But, the current staff of eight will be expanded to 11 or 12 by the end of the year, he said.

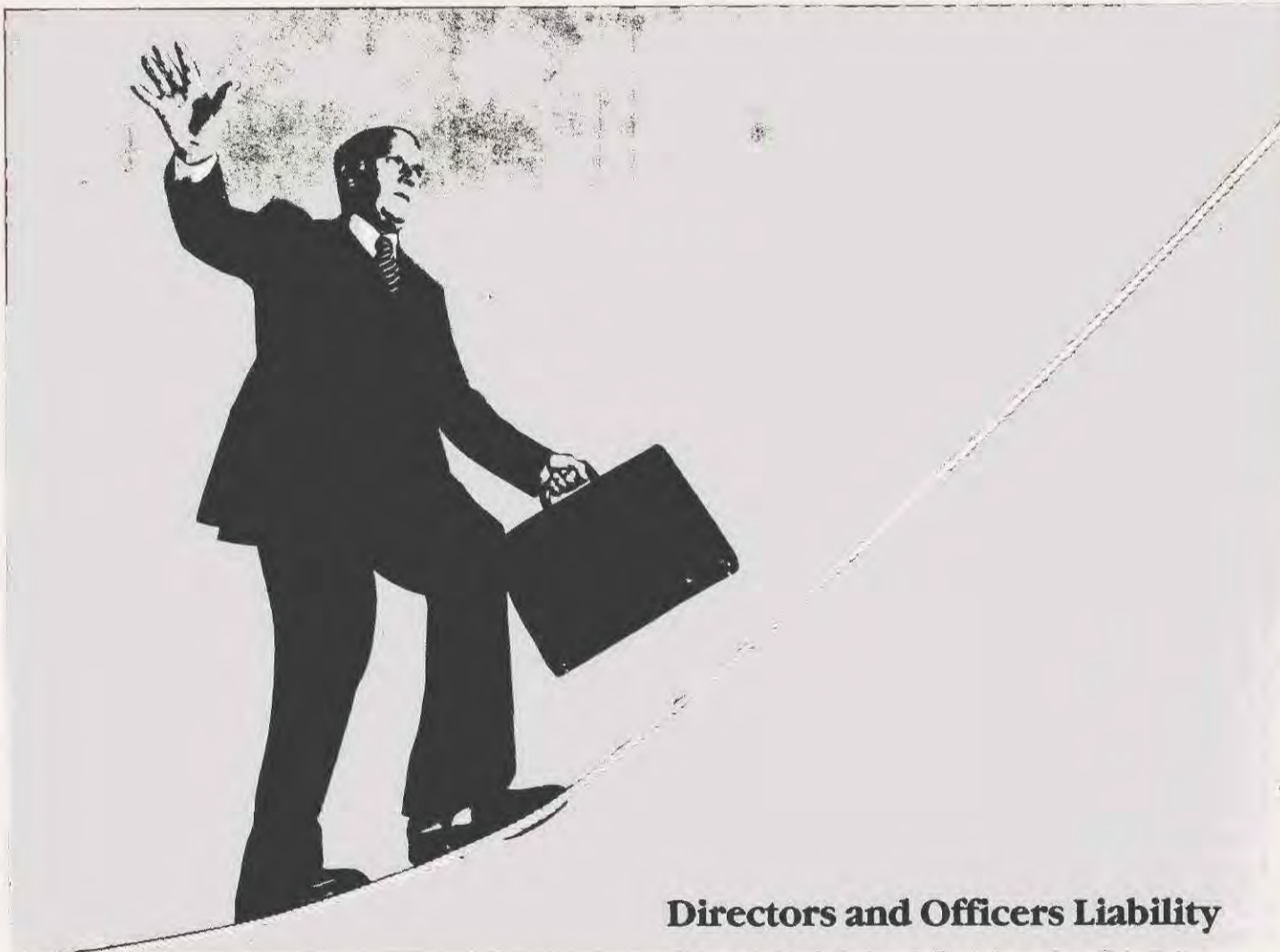
Despite a small staff, the bureau has completed several projects and begun others.

For instance, the bureau coordinated California's bulletin regarding letters of credit.

It also has formed a special bureau to analyze reinsurance contracts to determine if they are acceptable to provide the ceding company with credit for the reinsurance purchased. And, it has sent out the complete new guidelines on reinsurance issued by the American Institute of Certified Public Accountants (see story, page 18).

The bureau also is beginning to cross-check reinsurance ceded and amounts reinsurers report as assumed, which will verify that reinsurance ceding companies reported what was indeed purchased. ■

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Consolidated all-risk programs take months to form: Broker

MONTREAL—Corporations that intend to unite all their exposures into a consolidated all-risk insurance program should start planning now for mid-1984 renewals a brokerage expert says.

"Six months' lead time is conservative and nine months a little better if you are trying to design a state-of-the-art consolidated insurance program," Charles Becker, vp of Johnson & Higgins of Pennsylvania Inc., told the 1983 Canadian Risk Management Conference.

"You need 3½ months just for a feasibility study and the study could easily reveal that the program is not for you at this stage of your risk management development," he said.

Mr. Becker is an expert in consolidated asset protection risk management programs, a structured ex-

cess insurance plan that allows large corporations to unite all property/casualty risks within a single large aggregate self-insured retention under an all-risk excess insurance policy.

The technique, already adopted by large corporations like Westinghouse Co., also can be used by smaller businesses that self-insure a portion of their risks to consolidate the administration of claims and simplify excess insurance purchases, according to Mr. Becker.

"The conventional insurance-buying approach in which a corporation buys separate policies for various risks can result in a variety of problems that stem from separate policies, differing terms, conditions, limits, retentions, underwriters and anniversary dates," he explains.

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By consolidating all insurable risks into a single program with a single aggregate retention, a risk manager simplifies administration, improves cash management and turns excess insurance into a budget protection plan rather than vague catastrophic loss protection, he claims.

Although the design and administration varies from company to company, Mr. Becker recommends an interested corporation use its risk management consultant or broker to research the company's maximum acceptable loss and its usual estimated loss requirements.

Since a corporation's most frequent losses are usually considered by insurers in making their premium calculation, even a small corporation can self-insure those claims by budgeting to pay those frequent claims directly. This will become the corporation's self-insured retention.

The maximum acceptable loss level becomes the attachment point for an all-risk excess insurance layer, he adds.

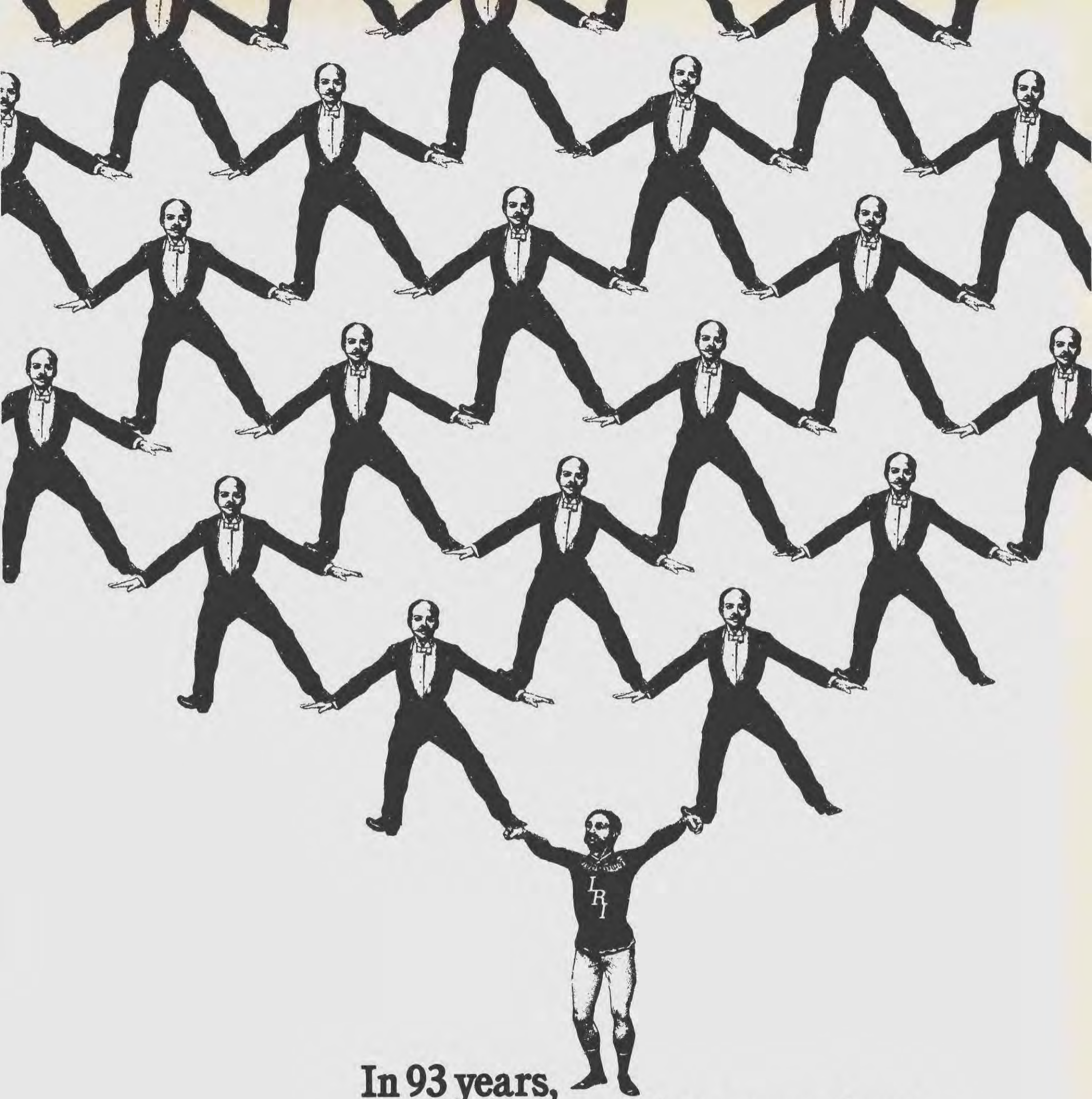
Calculating these levels, however, requires that a corporation have a long, detailed loss history. Just researching this information can take up to two months of the 3½ months a company should budget for a feasibility study, he says. Designing and marketing the program to underwriters could take at least another 2½ months.

"The design stage becomes a company's greatest area of opportunity," Mr. Becker says. "At this stage, you can decide who will be performing the various service functions involved, including claims administration, loss prevention and financial management."

The all-risk insurance layer is then marketed to U.S. and London insurers, both having expressed interest in the concept. The cost of the coverage should be reduced by the high self-funded layer and the large amount of coverage given to one underwriter. If very high limits are required, the excess program could be underwritten by subscription with several insurers following the terms and pricing of a lead underwriter.

"The excess coverage can be packed in a variety of ways. Some clients have split the property and casualty portions of the excess and marketed them separately for varying limits beginning at the maximum acceptable loss level and others have broken out a portion of their property insurance and kept it with their highly protected risk underwriters in order to maintain the same level of loss prevention service," Mr. Becker notes.

If additional capacity is needed to fund potentially catastrophic losses from particular risks, such as product liability, it can be purchased from the conventional excess insurance markets over the all-risk excess layer.



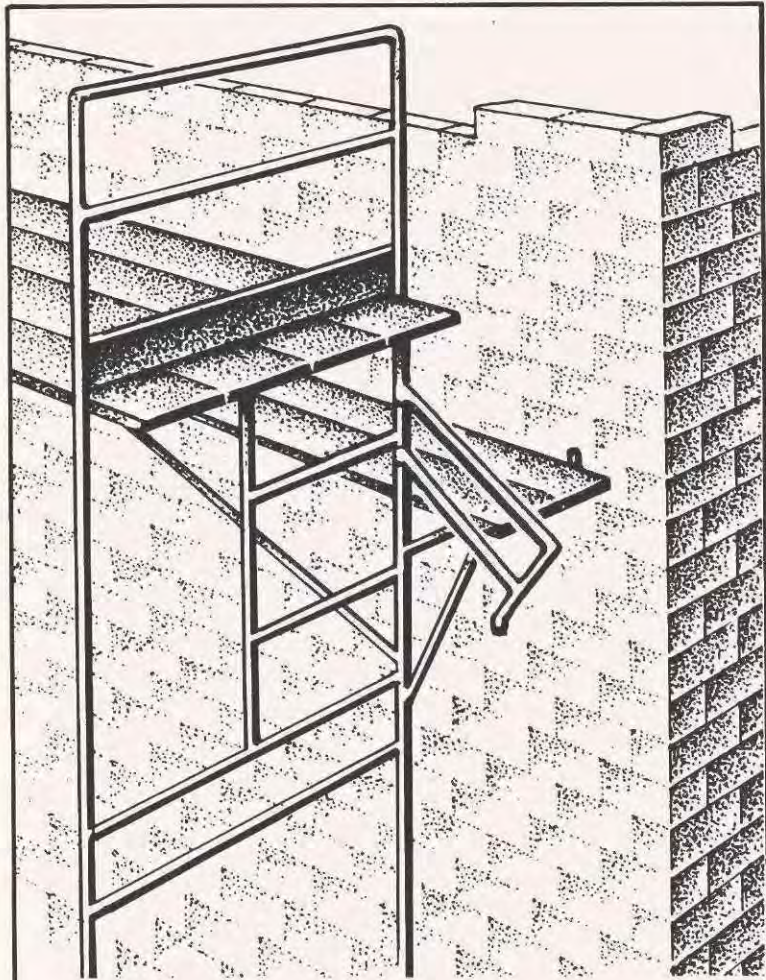
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Banking concern acquires Insurance Corp. of Ireland

markets

Allied Irish Banks, a large Irish banking concern, now owns controlling interest in Insurance Corp. of Ireland, but there's controversy over how the deal came about.

ICI Managing Director Brian O'Neill says New York-based Continental Corp. played a major role in the deal, but Continental is downplaying its involvement.

According to Mr. O'Neill, Continental informed ICI in July that it would sell its 7.4% stake in the Irish insurer. ICI then contacted Allied Irish Banks, which owned 25% of ICI, to see if it wanted to purchase Continental's shares.

The bank said it was interested in the offer, but pointed out that the deal would raise its interest in ICI to about 33%, which is the cut-off set by the Irish government before a company must declare a takeover bid.

After some discussion ICI agreed to be acquired, "but only because Continental wanted to sell its shares," Mr. O'Neill says. "There is not other reason, really."

A Continental spokeswoman in New York, though, tells a different story. She said Continental sold its share directly to the bank as "an investment decision."

"We did not make an offer to them; they made an offer to us," she said.

Since Continental has no operational ties with ICI, the company decided to sell its shares in the Irish insurer, she explained.

Whatever the case, as of late last month, Allied Irish Banks owned more than 90% of ICI's shares and will acquire the rest by early this month. Altogether, the total value of the sale will be about 52 million pounds (about \$78.5 million), "the largest takeover price in the history of the (Irish) state," according to Mr. O'Neill.

N.Y. PPO forming

POMCO Inc., an employee benefits management and consulting firm with offices in Syracuse and White Plains, N.Y., is forming a preferred provider organization to offer health care services in West-

chester County and Putnam County, N.Y.

More than 35 physicians have already joined the Westchester-Putnam Preferred Provider Organization, according to John J. Johnson, vp of POMCO Inc.

"POMCO will now begin contacting area employers to discuss the PPO concept and to offer services of its members," Mr. Johnson said.

AIG investment

American International Group Inc. has announced an agreement to purchase all of the shares of The Progressive Corp., owned by American Financial Corp., for \$33.50 per share, a transaction valued at \$28.3 million.

American Financial, a financial services holding company based in Cincinnati, owns 12% of the outstanding stock of Progressive, an insurance holding company based in Cleveland, whose subsidiaries include Progressive Casualty Insurance Co. (Ohio), Progressive American Life Insurance Co. (Ohio) and Progressive American Insurance Co. (Florida).

AIG already owns 8.3% of Progressive and the purchase, which is subject to regulatory approval, would bring AIG's stake to 20.3%.

AIG says it considers the shares an investment and has no present plans to seek representation on Progressive's board.

Brokerage formed

William W. Gallagher Insurance Agency Inc., a commercial brokerage firm in Boston, has been formed by William W. Gallagher III, a former executive of Corroon & Black Corp. and Marsh & McLennan Inc.

The new company's offices are located at One Devonshire Place, Boston, Mass. 02109; 617-367-2300.

Acquisitions

Johnson & Higgins has acquired Kass, Germain & Co., a Cleveland-based company that provides actuarial consulting services for retirement, group insurance and other employee benefit plans.

Harmon Insurance Agency of Escondido, Calif., has merged with the Escondido office of John Burnham & Co., a San Diego-based agency.

U.S. Insurance Group, a Crum & Forster subsidiary, has acquired three offices of Seaboard Underwriters Agency Inc., an excess/surplus lines managing general agency headquartered in Burlington, N.C. The acquisitions include Seaboard's Chicago, Burlington, N.C., and Boynton Beach, Fla., offices, which will all continue to use the Seaboard name.

New offices

Arkwright-Boston Manufacturers Mutual Insurance Co. has moved its Western regional headquarters to 411 Borel Ave., Suite 400, San Mateo, Calif. 94402. The telephone number remains 415-572-8833.

Employers Reinsurance Corp. has moved its Boston branch office to 99 High St., Boston, Mass. 02110; 617-423-3380.

North Star Management Corp. has moved its New York offices to 160 Water St., New York, N.Y. 10038; 212-770-0150. Meanwhile, North Star Syndicate Inc. and Polaris Syndicate Corp. have moved to new offices at 59 John St., New York, N.Y. 10038. Their telephone remains 212-732-9494.

CoverX Corp., an excess/surplus lines underwriting manager, has moved its offices to 29621 Northwestern Highway, Southfield, Mich. 48034; 313-358-4010. The firm's mailing address remains P.O. Box 5096, Southfield, Mich. 48086.

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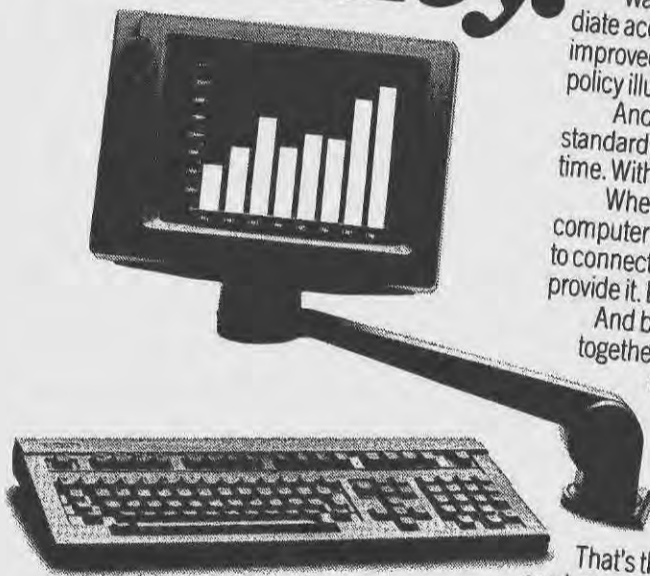
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NAW program broadens coverage for member firms

By JERRY GEISEL

WASHINGTON—The first insurance program set up under the federal Risk Retention Act is cutting insurance costs and providing better coverage for the nation's wholesalers.

So far, more than 400 wholesalers have purchased coverages from a property/casualty insurance program sponsored by the 45,000-member National Assn. of Wholesaler-Distributors and insured through INA Corp., a CIGNA Corp. subsidiary.

Premium flow in the 6-month-old program totals \$3.4 million, including \$900,000 in premiums last month. "Interest in the program is increasing," said NAW President Dirk Van Dongen.

NAW officials believe that if the program grows at the current rate, annual premium flow could top \$10 million by the end of 1984 and \$40 million by 1987, as the group initially projected (BI, Nov. 15, 1982).

If those predictions prove accurate, the NAW program would be one of the largest association property/casualty insurance programs in operation.

The NAW program is possible because of a law Congress passed in 1981 to make it easier for employers to buy liability insurance. That law, known as the Risk Retention Act, has two key sections.

The first section allows employers to set up product liability captives, or risk retention groups, by meeting the insurance requirements of just one domestic state.

After an insurance charter has been obtained from a state, the group can operate in all states.

Under the second section of the

law, unrelated companies and associations can collectively purchase comprehensive general liability coverage, including product liability, on a group basis. That provision pre-empts state laws that generally prohibit group insurance purchases.

It is this second part of the law that the NAW is tapping. Originally, NAW also planned to set up a risk retention group, NAW Risk/Share Ltd., that would have reinsured the product liability and general liability coverage bought from INA by the wholesalers' purchasing group.

But the soft commercial insurance market and the lingering effects of the economic recession have forced the NAW to shelve its plans to set up a risk retention group temporarily.

Many wholesalers still haven't recovered from the recession, which could make it difficult to raise the capital needed to start the captive, pointed out Robert Larsen, a long-time insurance consultant to the NAW and president of Insurance Administration Center in Park Ridge, Ill.

Still, the NAW eventually plans to set up a risk retention group as a reinsurance facility. "The question is timing," said Mr. Van Dongen.

Under the INA package program, wholesalers can buy up to \$11 million in primary and umbrella liability insurance, including coverage for auto and property risks. A workers compensation program is offered separately.

The package and workers compensation policies are issued by Pacific Employers Insurance Co., an INA subsidiary.

The average premium for the package program is about \$8,000, while wholesalers are paying an average of \$4,000 for workers compensation coverage. Premiums paid so far have ranged from \$1,000 to \$240,000.

Some wholesalers have been able to cut their insurance costs by 25%. But NAW officials emphasize that the strength of the program is the broad coverage offered. "It is a superior policy form," boasts Mr. Larsen.

For example, the package policy includes more than 15 standard policy features that wholesalers previously had to obtain by specific endorsements to liability policies.

Among other things, the package policy includes coverage for liquor

liability, advertising liability and liability coverage for independent contractors and spouses of partners.

Mr. Larsen said wholesalers who obtain lower quotes from their insurers compared to the package policy may not be getting such a good deal.

For example, one drug wholesaler found out that his comprehensive general liability policy excluded product liability protection for fertility drugs he sold. "For a drug wholesaler, I can't think of a more important area that should be covered," Mr. Larsen said.

Mr. Van Dongen and Mr. Larsen say another advantage of the NAW-INA program is the long-term market stability it offers wholesalers. INA has agreed to write the program for a minimum of five years.

The NAW is believed to be the only trade association that has taken advantage of the Risk Retention Act to set up a purchasing group. Another trade association, the 11,000-member Home Owners Warranty Corp., says it has set up a risk retention group, but is battling in court with Delaware Insurance Commissioner David Elliott on its right to operate the captive (BI, May 30).

Mr. Larsen says a soft market may be the best time to set up a group insurance program, such as NAW's. "Insurers will offer more beneficial terms in a soft market," he said.

The NAW was one of the most active backers of the Risk Retention Act when it was considered by Congress. Wholesalers had complained that insurers irrationally priced their product liability insurance, with companies sometimes paying 10 times more than other firms of the same size with the same loss experience.

However, because the average wholesaler paid less than \$10,000 for insurance coverage, individual firms lacked the clout to win price reductions they thought they deserved.

By banding together to buy insurance as a group, as allowed under the Risk Retention Group, the wholesalers knew that collectively they could obtain better rates and policy terms than as many small individual companies.

The Risk Retention Act "is a marketplace solution" to wholesalers' insurance problems, Mr. Van Dongen said.

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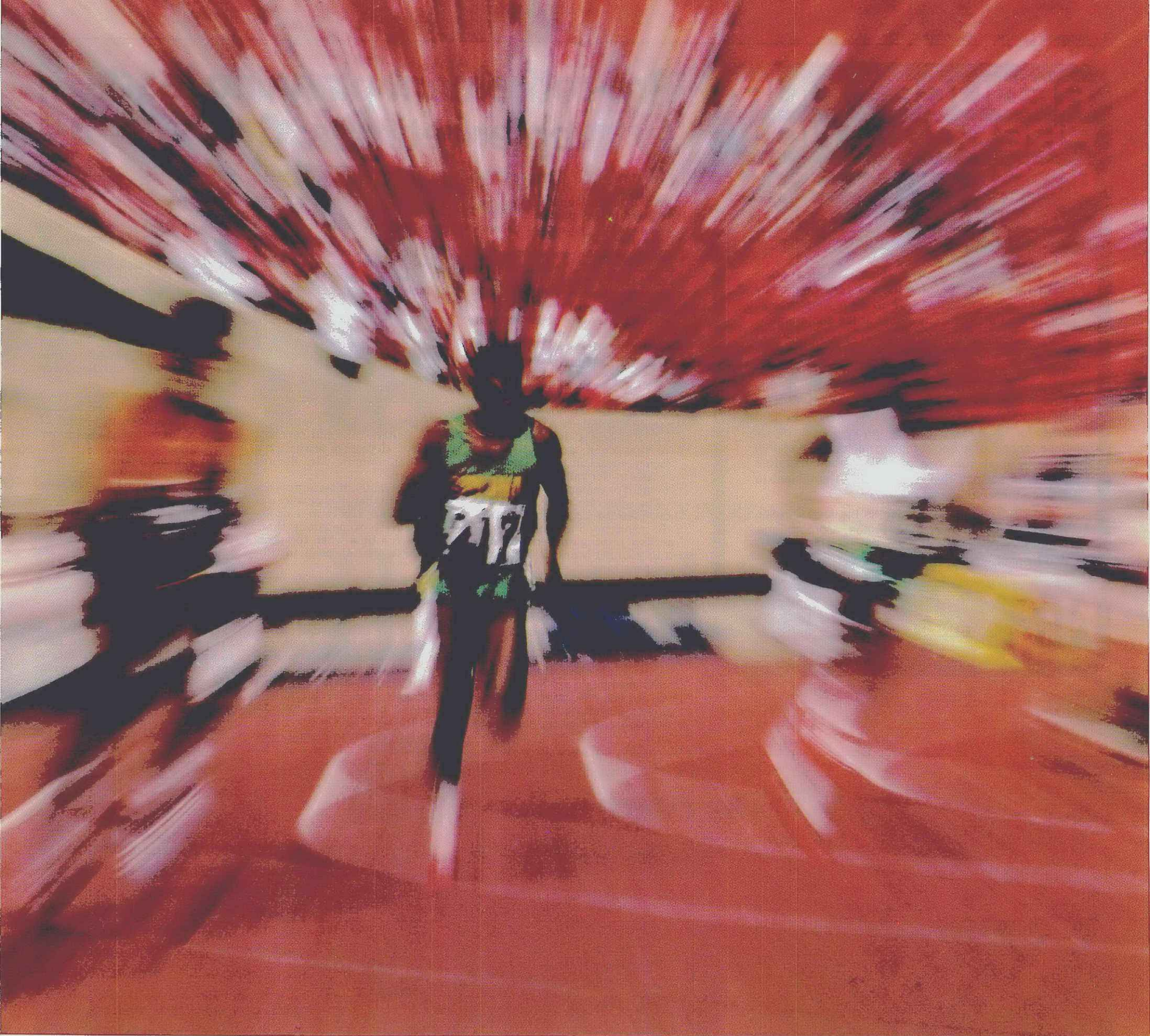
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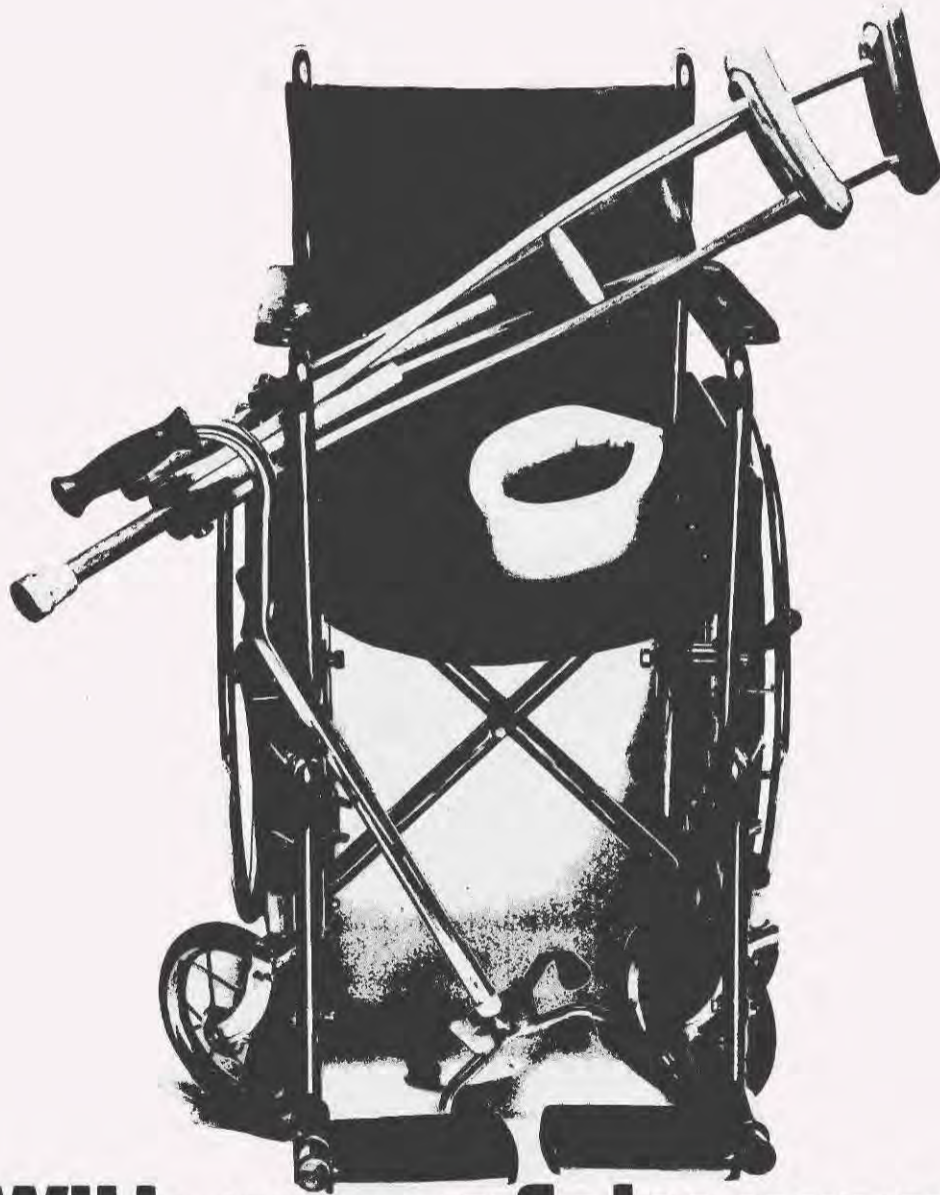
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Planning can aid retirees

Continued from page 64

work and our families have all done it for us.

"But the opportunity to catch up on all the unread National Geographics of a lifetime does not make for a happy retirement," he said. "We are a goal-oriented species. If a pre-retirement program does not help employees make this adjustment, time will lie heavy on their hands."

Another area to be stressed is health. "People who can actively get around in retirement are engaged with life and, therefore, happy," Mr. Jud said.

Choice of geographical location for retirement is another consideration. Mr. Jud pointed out that pre-retirement counseling can help retirees make thoughtful decisions on their retirement locations.

"People relationships is a very important area," Mr. Jud said. "The

primary relationship is with the spouse. After 40 years of professing that you never have enough time together, there is suddenly a profusion of time together."

Mr. Jud also said that friendships become more important in older age, yet it is the time of life when friends die. "With this new importance on friendships, and all relationships, we become shy again."

All these changes "are the variables that make the difference between happiness and unhappiness in retirement, they are what retirement education is all about."

Retirement education should first communicate this message: A happy old age is something you actively cultivate and work toward, it's not a ripe apple that falls into your lap, said Mr. Jud. This not only gives employees the satisfaction of directing their lives, but frees the company from the expectations retirees will have that the company cannot reasonably meet.

To communicate this message, there are some dos and don'ts for effective pre-retirement programs.

Continued on page 68

Using incentives can be tricky

ST. LOUIS—Early retirement incentives, otherwise known as "the golden handshake," must be used carefully, consultants say.

If the handshake is not perceived as a fair shake, unexpected costs, like discrimination suits, could follow.

"With our ever-aging workforce, companies are looking toward early retirement incentives as a means of reducing the number of workers or replacing an older worker with a younger, perhaps more competent, employee," said William B. Zachry, president of Zac-Mon Associates in Norwalk, Conn.

But Mr. Zachry warned attendees at the 11th annual seminar of the Midwest Pension Conference of the risks associated with this tactic.

"Early retirement incentives should apply to all members of the company, and should be used selectively and as required by corporate needs," he advised. Such incentives might be offering an employee one month's severance pay for every year of service up to 24 months of pay, he said.

However, the legal implications of such a plan should be investigated. "Is age a factor in early retirement? Check it out," he said. "Is it discriminatory? Does it penalize an employee for exercising his or her right to work until age 70?"

"The Equal Employment Opportunity Commission announced that it was receiving complaints from employees for just that reason, and these are complaints from employees who were free to choose to retire early or continue working," he said. "Just the fact that the EEOC noted these complaints is reason enough to be cautious."

"There is also the danger that the employees you don't want to lose will opt for early retirement," added Robert A. Jud, president of Robert A. Jud & Associates in New York. "Do you want to escort valued employees out the door?"

"We like older people," one session participant said of her company. "I don't think we need any incentives to get people to retire."



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Help workers plan retirement

Continued from page 66

"Don't go through some finger-wagging exercise, telling them to store up their walnuts for the winter," Mr. Jud said. The program should be structured, but sensitive, he said.

"First, your basic data might be delivered in lecturettes, films, books and reading material," he said. "You would also have some goal-setting exercises, and then direction in helping them plan for the future.

"Finally, and importantly," he said, "are the ongoing resources. Get people started on a road they will finish themselves. We (at Robert A. Jud & Associates) tell them how to find and pick experts, we give them bibliographies, we give them more things to read.

"All of this takes place in a corporate environment," he said. "They get the feeling that the company cares."

An important part of these exercises is the spouse. "Spouses keep us honest," Mr. Jud said. "People used to playing on the corporate team may be reluctant to ask questions or make sure their needs are met."

Larry Hoffman, a participant from National Boulevard Bank in Chicago, which has a pre-retirement program, suggested that meetings be kept small and among employees of the same work classification, to encourage conversation.

For companies that have workers scattered over several locations, meetings may not be feasible. "In this case, there are books, cassettes and computer programs on retirement planning," Mr. Jud said.

"There are facilities in the community at large. Did you know 70% of all retirement planning programs are done in junior colleges? Some of them may be corporate-sponsored, but they're done at junior colleges."

But whether in-house workshops or outside services are tapped, retirement planning means communication—and communication brings dollar signs to the eyes of executive management.

"How do you sell a retirement planning program to upper management?" was the big question from attendees.

"Retirement planning is a sensible, productive and low-cost benefit," Mr. Jud said.

"The problem in eliciting management approval is that the programs that deal with current employees will *always* win the dollars and attention over programs that deal with retiring workers."

He added, "You'll also face a problem if your top management is young. It's known that those companies that are most apt to move on this issue are those companies that have their chief executive officer, president or chief financial officer within five years of retirement."

An important truth to stress to management is that rather than using pre-retirement programs as a method for dealing with one employee sector, it should be viewed as a benefit for all employees.

"Retirement education is no longer an issue immediately preceding retirement," Mr. Jud said. "About 85% of Americans don't proceed with nest-egg building until they are in their early 50s. Retirement education should be for all workers from mid-life on.

"In this way, it can be done in stages. People in their early 50s could benefit from workshops on mid-career assessment, investment planning skills, and on the emotional and psychological needs of this age group.

"A clinic to examine how their financial planning is going so far would be in order," he said "Have them fine tune the financial plan, and deal with career issues like this: 0.1% of this age group has one more career move ahead of them.

"Because of this, almost everyone discovers that the things they had as goals either have been done or not done, and now it seems like there's nothing left. These are unhappy corporate soldiers, leaning on the oars. They need fresh reasons to get out of bed in the morning.

"Then," Mr. Jud said, "for the early-60s group, retirement begins to faze them. You need to help people navigate this passage of their lives. Help them realize where financial sources of income are.

"After such an education program, there is *always* a reduction in anxiety in what this stage of life is about. It helps employees learn that, after having survived successfully on this planet for more than 50 years, age really does bring wisdom," Mr. Jud said.

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Anticipate benefit changes today, EBRI director advises

By SALLIE J. DRURY

ST. LOUIS—The key to dealing with benefits in the 1980s is to anticipate and plan, says one benefits expert.

"We need to anticipate changes and, if they come about, plan how we are going to respond," said Dallas L. Salisbury, executive director of the Employee Benefit Research Institute, a Washington-based benefits think tank.

Mr. Salisbury, speaking at the 11th annual educational seminar of the Midwest Pension Conference last month in St. Louis, explained some of the factors that will force these changes:

- The general aging of the U.S. population is pushing up costs of health care, Medicare and Social

Security.

- A significant slowing in the growth of the labor force, which has been caused by zero population growth, means a dearth of technically trained workers and increased competition among employers to fill technical slots.

- A breakup of traditional households and the need to adjust benefits accordingly.

- Continued increase in life expectancies, which will mean workers will either have to stay on the job longer or need early-retirement incentives.

- Various factors in the American economy. For example, American industry has shifted from a manufacturing base to an emphasis on services.

- The drive for equity of pay and benefits for all sectors.

- Governmental factors. The impact of health care and benefits programs on governmental revenues is guaranteed to be a key factor in future employee benefits planning.

"How many of you would like the government to put a cap on the amount you could spend on employee benefits?" Mr. Salisbury asked.

"You need to be aware of the government's concern so you can be prepared for every eventuality," he advised.

'Initiate a new plan... to cope with the changes you anticipate,' Mr. Salisbury advises.

"A number of bills also will be pushed that have to do with non-discrimination in benefits," Mr. Salisbury added.

The new prospective payment system for Medicare also will shift a huge amount of cost to the private-paying sector, Mr. Salisbury said.

"It's only a matter of time before both private and government payers will be on a prospective payment system," he predicted.

"All these factors will cause the creation of new benefit plans, an expansion of existing plans and rising costs," he said. "When we foresee a change in one of these factors, it will not be a question of will it affect employee benefits, but only of when."

The successful way to respond to these changes is to take the initiative, he advised.

"Initiate a new plan, maybe a flexible plan, to cope with the changes you anticipate.

"Participate in education," he continued. "Educate your employees to perceive benefits not as an entitlement but as part of their compensation, and health care as a personal cost."

Of all the changes benefit managers anticipate, governmental regulations are the changes they most dread, Mr. Salisbury said.

"But if one thing is exceptionally true in Washington, it is that we are entering a period of trade-offs," he said.

"Any industry that takes the initiative in deciding what the fair trade-offs will be, rather than having someone else tell you what the trade-offs will be, is the industry that will come closest to getting a deal it can live with.

"And remember," he advised, "you can't always wait for the best. Sometimes you just have to go with good."



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Coalitions help businesses be heard

By SALLIE J. DRURY

ST. LOUIS—The best long-range solution to controlling health care costs is increased competition among hospitals and physicians, not government regulations, an industry observer says. And, one way to exert pressure on providers is through business coalitions.

"You need to apply purchasing techniques and you need to communicate with health care providers," said Phillip A. Hutchison, president of the St. Louis Business Health Coalition.

When employers get together in a coalition they can apply those techniques with much greater force and communicate with providers in a much stronger voice, he said.

Mr. Hutchison, also corporate director of personnel for Emerson Electric Co. in St. Louis, shared his ideas at the 11th annual educational seminar of the Midwest Pension Conference here last month.

Three elements are necessary for a competitive health care environment, Mr. Hutchison said.

First, the employer and employee must think of health care in terms of units of care that are purchased. One unit of care might be treatment for a particular diagnosis, or one hospital day.

Second, the employer and employee must know the price of the unit of care being purchased.

Third, employees must have in-

centive to use the most cost-effective provider.

"It's really like purchasing anything else," Mr. Hutchison said. "We need to think of health care in those terms if we are to become effective consumers."

"We in St. Louis were faced not only with the problem of high health care costs, but we also were No. 1 in the country for average number of hospital days per patient," Mr. Hutchison said.

"A group of employers decided to form a coalition to address these problems."

But these planners had to have management support.

"In February 1982, we contacted the health care medical costs committee of the Civic Progress Group, a group of managers from leading companies in the St. Louis area. We asked for their support and funding," he said.

"Then, we set out our method of confronting health care costs to submit to the (Civic Progress) group," he said. "To get top management support, you must make it clear why a coalition is needed. These are the reasons we gave."

- Health care costs are a very complex problem requiring long-range solutions.

- There is no quick fix for this problem. The efforts to control health care costs must be sustained over many years.

- Maximum economic leverage must be brought to bear on the system if any change is to occur.

- Some needed programs may meet resistance from providers, such as a utilization review or a preferred provider organization. ("But," he added, "there are, out there, some responsible providers who are concerned and will cooperate.")

- A full-time professional is needed to communicate with providers.

- Major corporations have a civic duty not to be cost shifters;

that is, not to place the burden of higher health care benefits for retired employees on the shoulders of working employees.

"As you can tell from our guidelines," Mr. Hutchison said, "we emphasize communication."

Civic Progress approved funding the coalition.

"We received backing and funding from the Civic Progress committee and in September 1982, our coalition was formed," Mr. Hutchison said.

"We now have 33 member companies representing 125,000 employees and \$250 million in health insurance premiums," he said.

In its first year, the St. Louis Business Health Coalition has made some important strides.

It implemented a provider-sector utilization review program, a program designed to assure that a patient receives appropriate, high-quality medical care in a cost-effective manner. The care assessments are done by doctors and nurses.

After 10 months of planning, the utilization review program was kicked off last Feb. 14. Today, 24 companies participate in the review program, representing 90,000 employees and their dependents. Also, 32 of the 37 St. Louis-area hospitals participate.

The coalition also received a \$40,000 grant from CIGNA Corp. to implement a St. Louis medical cost data system.

"This system will provide participating companies with cost and utilization data that is needed to identify the cost-effective providers of health care in St. Louis," Mr. Hutchison said. The target date for the first data base reports is the end of 1984, he said.

Although the St. Louis Coalition has enjoyed a successful first year, Mr. Hutchison urges other employers to first seek existing alternatives before starting a coalition.

"If there is a coalition in the area, you should join it to share your thoughts and ideas," he said. ■



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Nine candidates seeking seats on Lloyd's Council

By STACY SHAPIRO

LONDON—Nine working members at Lloyd's of London are vying to fill five vacancies on the 20-member Council of Lloyd's in the market's Nov. 2 election.

Among the council seats up for grabs is the one currently occupied by Lloyd's Chairman Peter Green. Sir Peter announced last month that he will resign as both Lloyd's chairman and as a council member in January (BI, Sept. 12).

The candidates vying for a place on the committee, which is Lloyd's top governing body, are:

- Murray Lawrence, director of C.T. Bowring Underwriting Agencies Ltd. and a former Lloyd's councilman and deputy chairman. Mr. Lawrence is one of the favorites to succeed Sir Peter as Lloyd's chairman, sources in the market say.

- Ivor Binney, group deputy chairman of C.T. Bowring & Co. Ltd.

- Frederick Maynard, director of Lloyd's broker Evans-Lombe, Ashton & Co. Ltd.

- Henry Dobinson, underwriter for syndicates managed by Robert Bradford (Underwriting) Ltd.

- Patrick Bird, managing director of Lloyd's underwriting agency R.J. Kiln & Co. Ltd.

- Norman Evenett, underwriter for syndicates managed by N.T. Evenett & Partners.

- David Barrie, senior marine broker for Lloyd's broker John Townsend & Co. Ltd.

- Denis M. Clayton, chairman of Lloyd's broker Denis M. Clayton & Co. Ltd.

- Michael Cockell, chairman of M.H. Cockell & Co. Ltd. and chairman of the Lloyd's Non-Marine Underwriters' Assn.

Besides Sir Peter, the Lloyd's Council members who are not seeking re-election are:

- Charles Gilmour, underwriter for syndicates managed by Willis N. Faber & Dumas (Agencies) Ltd.

- Henry Chester, underwriter for syndicates managed by H.G. Chester & Co. Ltd.

- Edward Nelson, chairman of K.F. Alder (Underwriting Agencies) Ltd.

- Alec Higgins, underwriter for syndicates managed by Higgins & Doble Ltd.

Working members who are elected to the council—and who will also sit on the smaller Lloyd's Committee that oversees the day-to-day operations of the market—usually serve four-year terms. However, the person elected to Sir Peter's seat on the council will only serve the remaining two years of Sir Peter's current term of office.

The candidate with the fifth-largest number of votes will fill Sir Peter's seat.

After the new council is elected, its members will then select a new chairman to replace Sir Peter.

Olympics coverage

The sale of abandonment insurance coverage for vendors at the 1984 Summer Olympics in Los Angeles is not nearly as strong as one Lloyd's of London broker had expected.

Geoffrey Fox, a director of Lloyd's broker Adam Bros. Contingency Ltd., predicted last year that his brokerage could place more than \$300 million in abandonment insurance to cover business losses if the Olympics are canceled (BI, Feb. 22, 1981).

But, so far, Adam Bros. has only placed about \$60 million of coverage with Lloyd's underwriters and other London insurers for Olympic

london line

concessionaires.

Mr. Fox says he originally planned for ABC-TV to place its \$200 million abandonment policy with Lloyd's and London insurers. Instead, Fireman's Fund Insurance Cos. and a dozen other underwriters are underwriting the ABC policy (BI, Jan. 3). Johnson & Higgins is the primary broker for the ABC coverage.

Mr. Fox says, though, the underwriters participating in his coverage would have refused to insure ABC, since the network insisted that boycotts be one of the perils

covered by the policy.

"We do not cover boycott on our policy," Mr. Fox explained. "The Olympics may be a flop because some countries, like Russia and the Eastern bloc, may leave and then the games will not be as competitive or as important."

Mr. Fox alluded to the 1980 Summer Olympics in Moscow. Lloyd's and U.S. underwriters were forced to pay NBC-TV a \$76.5 million claim after the U.S. team staged a boycott to protest the Soviet invasion of Afghanistan (BI, May 31).

Continued on next page

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- Regulation & Legal Requirements - Peter Straub, Acting Asst. of Admin., Office of Reporting & Plan Standards
- Explaining Salary Reduction Plans - Robert Penzkofer, Dir. of Benefits, The Quaker Oats Company
- Wellness Programs - William E. Hembree, Dir., Health Research Institute; Denise Maleska, Dir. of Human Resources, Agricultural Division, CIBA-Geigy Corp.; Dr. Joseph C. King, Dir. Employee Health Services, Continental Illinois National Bank & Trust Company of Chicago
- What Makes A Winning Communications Program - Herb Zeltner, Herbert Zeltner Inc., Marketing & Communications
- Innovative Ideas - Andrew Corn, Ad Master; Polly Carpenter, Carpenter Graphic Design, Inc.
- Employee Attitude Survey's - Rhonda Karp, Ed. D., Assoc. Dean, College of Allied Health Sciences, Thomas Jefferson University; James Weitzel, VP, Johnson & Higgins

Breakout sessions afford you the opportunity to zero in on a specific problem you may be facing. Select one session that best meets your needs:

- A Joint Session On: Essential Elements In Your Program/How To Work With Suppliers - J. Frank Swygert, Jr., President, Benefits Media, Inc.; LaRue Foster, Manager, Employee Benefits Communication, Corporate Communications Dept., Boise Cascade Corporation
- Changing Benefits Strategy - Joseph Duva, Director, Employee Benefits & Compensation, SCM Corporation; Dennis McKay, VP, Johnson & Higgins

And, our special luncheon speaker, Edward Davey, Executive Director & General Counsel, Association of Private Pension & Welfare Plans, will discuss what employers can do now and in the future to prevent the enactment of unfavorable benefits legislation.

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BI-1083

Insurers compete for Olympics coverage

Continued from previous page

The coverage that Adam Bros. is marketing to Olympic concessionaires will pay claims if the games are abandoned or held somewhere other than Southern California for perils like earthquake or war.

The policy covers concessionaires' costs, including the fee they pay to the Los Angeles Olympic Organizing Committee to sell goods at the games or to use the Olympic logo on products.

Although Mr. Fox says his brokerage has handled about \$60 million in premium volume, he would not identify the companies that have purchased the coverage.

Insurers in London are also underwriting cancellation coverage for the 1986 World Cup Soccer Tournament in Mexico, Mr. Fox said.

New hull clauses

London marine underwriters are now writing hull coverage on new policy forms, according to the Lloyd's Underwriters' Assn. and the Institute of London Underwriters.

For the next two months, policyholders will have their choice of using the new wording or the old policy form, which has been used

by Lloyd's of London underwriters for more than 200 years (BI, Sept. 19). But, beginning Dec. 1, all London hull coverage will be written on the new form.

The new policy form is written in modern language, which makes it easier to read. Also, policyholders may add or subtract clauses in the new form to tailor coverage to their needs.

The old hull policy form offered few coverage options.

Sir Peter's reply

Lloyd's of London Chairman Peter Green has rebutted criticism of his business practices in a letter to Lloyd's syndicate members managed by Janson, Green Ltd., the underwriting agency Sir Peter heads.

"You will over recent months have read in the press, and seen on television, a great deal about alleged reinsurance malpractice and the need for full disclosure," Sir Peter wrote to the syndicate members in his capacity as chairman of Janson, Green.

"Some of it has been directed against myself and our companies, much of it is ill-informed, based on rumor, and—in some instances—libelous."

For the past year, Sir Peter has been criticized for serving as a director and small shareholder of an offshore reinsurance company, Imperial Insurance Co. Ltd., formerly based in the Bahamas and now headquartered in the Cayman Islands.

Imperial had been used to reinsure some of Janson, Green's syndicates while Sir Peter was a director and shareholder, and critics likened this situation to the scandal that erupted at Alexander Howden P.L.C. last year.

Howden's parent, Alexander & Alexander Services Inc., alleges that five former Howden directors secretly funneled \$56 million in underwriting funds into bogus off-

shore reinsurance companies that the directors secretly controlled.

Sir Peter sold his interests in Imperial after he was elected Lloyd's chairman in 1981 (BI, Dec. 6, 1982).

Sir Peter maintains that the business conducted between his syndicates and Imperial was proper, since his interests in the reinsurer was public and the business was transacted for the benefit of the Lloyd's syndicates and their policyholders.

Sir Peter outlined the reinsurance transactions with Imperial and other offshore reinsurers in the letter to the members.

John Rew, a member of the Assn. of London's Members, said he admires Sir Peter for disclosing these arrangements.

Under Lloyd's new disclosure rules, Sir Peter would not have had to disclose the arrangements and is setting a good example, said Mr. Rew.

Pakistani reinsurance

The government of Pakistan is banning foreign companies from underwriting reinsurance on Pakistani risks.

From now on, all reinsurance for these risks will be underwritten by the state-owned Pakistan Insurance Corp. or the Pakistan Banking Council, which oversees all the country's nationalized banks.

The move is to prevent currency from leaving the country in the form of reinsurance premiums and also to boost the government's revenue, the government said.

Private foreign underwriters now collect about half of the country's \$75 million in reinsurance premium.

In 1974, the government also nationalized the country's life insurance business.

Pakistani officials are said to be examining whether the government should also nationalize Pakistan's primary property/casualty insurance business.

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Better benefit messages are goal of *BI* conference

CHICAGO—Benefits are playing a bigger role in employees' total compensation packages, but do they really know that?

Communicating employee benefits plans is one of the most important, and trickiest, jobs of employee benefits managers. To help benefits managers, *Business Insurance* has assembled a group of communications and benefits experts for its annual conference, The Dollars & Sense of Communicating Employee Benefits, to be held Nov. 1-2 in Chicago.

The conference is held annually in conjunction with the *Business Insurance* Employee Benefits Communications competition, which honors companies that implement innovative and successful employee benefits communications programs.

The conference concentrates on benefits communications issues confronting benefits managers today. Sixteen experts will examine those various issues.

On Tuesday, the first day of the conference, experts will explain how to keep employees healthy through wellness programs, the skills necessary to persuade an audience and new ideas in communications techniques.

Also on Tuesday, speakers will detail reporting and disclosure requirements under the Employee Retirement Income Security Act and explain how to communicate the provisions of a salary reduction plan to encourage employee participation.

Conference registrants also will be able to choose between two concurrent sessions.

One, directed to new benefit managers, will describe the basic elements of a benefits communication program and how to work with suppliers. The other, for more seasoned professionals, will discuss the logistics and strategy of altering a benefits program and communicating the changes.

On the evening of Nov. 1, all conference participants are invited to a cocktail reception and dinner to honor the winners of the 11th annual *Business Insurance* Employee Benefits Communication competition. The awards will be presented to the winning companies by *Business Insurance* Publisher Alfred Malecki.

The second day of the conference will kick off with a critique of the winning audiovisual entries in the communications competition.

The rest of the morning will be devoted to a presentation of innovative ideas for print and audiovisual communications campaigns and how employers can work to prevent enactment of unfavorable laws governing benefits.

The conference will wrap up Wednesday afternoon with a session on surveying employee attitudes to help employers determine workers' benefits needs and how to save money by targeting benefits to those needs.

Early registration for the conference will be held from 6 p.m. to 7 p.m. Monday, Oct. 31. Registration will resume at 8:15 a.m. Nov. 1. Kathryn McIntyre, editor of *Business Insurance*, will open the conference Tuesday at 9 a.m.

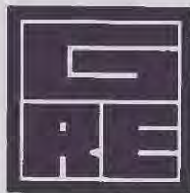
The registration cost for the conference is \$495, with a 10% discount for additional participants from the same company. The fee includes all sessions, educational materials compiled in a workbook, breakfast, coffee breaks, two lunches, the cocktail reception and the awards dinner.

Special rates of \$80 for a single

room and \$95 for a double room are available at the conference site, The Knickerbocker Hotel. Reservations at these special rates must be made by Oct. 15 by calling the Knickerbocker at 312-751-8100. Registrants must mention that they are registering for the *BI* conference to qualify for special rates.

Special discount airfares also are available through Travel Headquarters Ltd. in Chicago at 800-621-1676; in Illinois, call 312-641-3088.

To register for the conference or to obtain additional information, contact the *Business Insurance* Communication Services Department, 220 E. 42nd St., New York, N.Y. 10017; or call Ann Vazquez at 212-210-0137 or Beth Levine at 212-210-0229.



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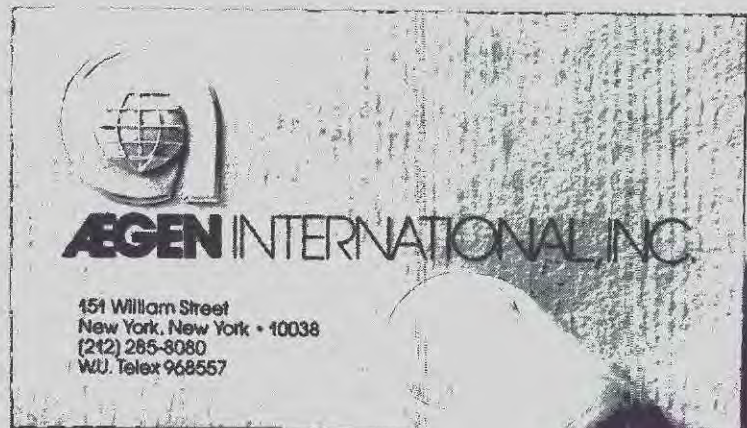
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Marine insurers too dependent on reinsurance: Underwriter

By JOHN MILLER

FLORENCE, Italy—A leading marine underwriter says his brethren are becoming too dependent on reinsurance.

"Reinsurance for marine underwriters tends to be as tricky as the famous Pandora's box whenever it is excessive or distorted," says Enrico Orlando, an Italian marine underwriter and current president of the International Union of Marine Insurance, a global organization representing marine underwriters.

Many marine insurers are still seeking the lure of cash-flow benefits in the form of high premium volume, backed with reinsurance, in the hope of recouping their technical losses by means of high returns on their investments, Mr. Orlando told the IUMI annual meeting held in Florence last month.

However, he reminded the 500 delegates and associated underwriters from more than 40 countries attending the conference that investment returns are subject to sudden downturns.

"It's a cynical use of reinsurance

—especially very heavy programs—just to rely on it for deferring to any payments that may fall due," he suggested.

"Consciously or not, we've blended our rating terms with a generous consideration for investment income. I don't think we are deliberately masochistic. But we really ought to admit that poor underwriting is the primary cause of our problems."

Holding the IUMI meeting in Florence was fitting, delegates to the conference remarked. Medieval shippers plied their trade from Florence in the 14th century, and it's reputed to have been the base for insurance deals in the 16th century, which were the precursors for some of Lloyd's cargo forms.

So it's not surprising that some of the delegates likened current marine underwriting problems to Dante's "Inferno."

John Oliver, chairman of the Ocean Hull Committee at Lloyd's of London, agreed that it was important for shipowners to be charged low rates to bolster the shipping industry market, but he says he is becoming concerned about the possibility that world marine premiums could decline.

"I'm very anxious that we should get our rates and conditions right on the business we're still doing, and that applies especially to new business," Mr. Oliver urged.

"Insurance rates for first-time business are still far too low, and you must always remember that it takes far longer to put (new business rates) right than is the case with existing business.

"But we all admit that shipowners are facing difficulties at the present and we want to be sympathetic to their problems," Mr. Oliver explained.

Problems facing the transport side of marine insurance were ad-

ressed by IUMI Cargo Committee Chairman Louis de la Laboutiere of Paris in his report to delegates.

Piracy is still a big problem in several areas of the world, especially off Singapore, where local authorities have increased their policing activities, he noted.

Piracy is still prevalent in the South China Sea near Indonesia and off the West African coast near Nigeria, Mr. de la Laboutiere said. Too many countries are failing to take steps to stop pirates, he said.

"The majority of our delegations who have answered a questionnaire on this topic state very clearly that no specific measures of law enforcement action have been taken as far as their countries are concerned," he noted.

But he said he was pleased with a development reported from the United States, where the U.S. Navy earlier this year reportedly formed a special commando unit to help merchant ships that are subjected to pirate attacks.

He also praised the Dutch seafarers' union for urging the Dutch government to take similar action in seas off the coast of Nigeria.

The U.S. delegates to the IUMI conference told Mr. de la Laboutiere in their report that in 1982 there were at least 10 fires of a suspicious nature on board merchant ships that they insured. Also, they noted several cases where valuable cargo was missing upon delivery.

One U.S. insurer, the report added, had experienced a rash of substantial theft or shortage claims on textile shipments to Nigeria, where pirates had looted some container carriers.

Theft losses in large shipping centers, like New York, Miami and the Canal Zone, are also increasing, conference reports noted. Venezuela and Chile were also singled out as trouble spots.

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British credit insurer hurt by underwriting losses

By STACY SHAPIRO

LONDON—The turbulent world economy along with competition from private insurers is taking its toll on a British government agency that insures the credit risks of exporters.

The British government is seeking to revamp the Export Credits Guarantee Department, following the release of the agency's annual report last month that showed it suffered an underwriting loss of \$223.5 million in 1982.

However, there's no indication that the ECGD will pull out of the credit risk insurance market, as one U.S. group did.

The Foreign Credit Insurance Assn., composed of 41 member insurers, has stopped insuring U.S. companies for the bad debts of their foreign customers because the business was not profitable. The Export-Import Bank of the United States has since assumed the FCIA's business (BI, July 11).

Financial troubles in many countries, and political unrest in others, forced total claims paid by the Export Credits Guarantee Department to \$876 million.

The claims bill was partly due to defaults in payments by the governments of Poland, Chile, Guyana, Romania, Uganda, Zaire and Turkey.

In addition, some sources in the London insurance market say the ECGD paid a large amount of claims to British businesses who were not paid by Argentina during and after last year's war over the Falkland Islands. However, an ECGD spokesman refused to confirm if the agency had paid a substantial number of Argentine claims.

Premium and investment income earned by the agency did not come close to covering last year's claims, although the ECGD had increased rates 30% over the last two years.

The ECGD reported it had earned \$526.5 million in premium and generated \$133.5 million in investment income.

Although the agency booked a large underwriting loss last year, the ECGD may be able to reclaim some of these funds. The agency has the power to pursue bad debts after it pays claims, and a spokesman said it is trying to recover from foreign nations about \$646.5 million it has paid out over the past several years.

Although much of the ECGD's deficit can be attributed to the unstable economic health of many nations around the world, observers in London also say the agency has been hurt by heavy competition it faces from private political and credit risk insurers.

Although the ECGD currently insures roughly \$60 billion in assets for British exporters, the agency estimates it is losing about 5% to 10% of its business each year to Lloyd's of London and other London underwriters that have entered the political and credit risk market.

Indeed, Britain's private political risk insurance market is booming, according to Anthony Palmer, a director of Berry Palmer & Lyle Ltd., a London brokerage specializing in political and credit risks.

Private insurers now underwrite about \$35 billion of assets, compared with \$7.5 billion three years ago. Premium volume generated by these private underwriters now approaches \$125 million annually.

"We are not saying that private insurers will supplant the ECGD, but they will work side-by-side in the future," Mr. Palmer said.

The private credit insurance market has several advantages

over the ECGD, notes Andrew H.A. Neill, deputy managing director for Commercial & Political Risk Consultants Ltd., London's largest political risk consulting firm.

First, the ECGD, which is more than 60 years old, has not changed its procedures to compete with the relatively young private insurers, Mr. Neill says.

For instance, the statute authorizing the ECGD allows it to underwrite risks for British companies only, while private credit risk insurers can solicit business from foreign companies, including those in the United States.

Also, the private underwriters can cede much of their risk to reinsurers, while the ECGD, by law, must retain 100% of what it writes.

The ECGD basically offers policyholders an all-risk credit insur-

ance coverage that covers all exports to any country. The private market, on the other hand, can custom-fit an insurance package to meet a policyholder's needs and possibly save the policyholder money.

The ECGD uses a rigid premium-rating system that judges a risk on its size and not the country in which the investment is made or the size of the company seeking the insurance.

"For example, if an exporter wants a short-term policy to cover his goods or contract for 100 days, he will get one rate, whether it involves a copper dealer in India or in the United States," Mr. Neill said.

The ECGD's rating system makes companies pay proportionately higher premiums when dealing in developed nations, where

claims are usually small, and lower premiums in underdeveloped countries, where claims are much larger. Thus, companies with good loss records are more likely to buy insurance in the private market, Mr. Neill explains.

Also, he adds, the small exporter pays proportionately lower premiums than he should.

The British government, though, is recognizing the ECGD's problems, and has set up a three-man committee to try to find some solutions.

The committee members include Sir Peter Matthews, chairman of Vickers P.L.C., the British industrial giant; Kenneth Bevins, retired director of Royal Insurance Co. P.L.C.; and Peter Leslie, director and senior general manager of Barclay's Bank International Ltd.

The committee will present its report to Parliament early next year and will not comment on the agency's troubles until its work is completed.

However, Mr. Neill has some suggestions on how to remodel the ECGD. He says it should:

- Make special provisions for small exporters. For example, banks could issue letters of credit to small exporters to insure against non-payment by foreign nations. Then, the banks could reinsure these risks with the ECGD. This, Mr. Neill says, would cut administration costs.

- Be able to reinsure portions of its risks, like private insurers, even though it would then have to pay reinsurance premiums.

- Offer custom-made insurance packages like the private insurers. ■

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Bethlehem Steel cuts salaried workers' benefits

Bethlehem Steel Corp., the nation's second-largest steelmaker, will cut benefits for about 16,000 salaried employees in a move designed to save \$20 million annually.

The reductions, scheduled to go into effect Nov. 1, will cover vision care and health insurance coverage, employee savings, vacations and overtime pay plans.

The company's vision care plan, which paid up to \$25 of the cost of one vision exam every two years for each employee, will be entirely eliminated. The plan also paid up to \$15 once every two years for a pair of single-vision lenses, \$20 for bifocal lenses and \$25 for trifocal lenses and up to \$21 for the cost of frames.

The plan is underwritten by Prudential Insurance Co. of America in Newark, N.J.

benefit beat

And Bethlehem reduced insurance coverage for laid-off workers with more than 20 years of service to a maximum of 12 months from 24 months.

In addition, the company will also will reduce by 20% the amount it contributes to workers' savings plans.

For workers with more than 15 years of service, the company will contribute an amount equal to 4% of salary, compared with the current 5% contribution.

For workers with 10 to 15 years of service, the contribution will fall to 3.5% of salary from 4.375%. For workers with five to 10 years of service, the contribution will fall to 3% of salary from 3.75%, while all other workers will receive contributions equal to 2.5% of salary, down from the current 3.125%.

Vacation time also is being reduced. The maximum annual vacation period will be reduced to four weeks a year from five weeks. Currently, workers with 20 or more years of service receive five weeks' vacation annually, while those with six to 14 years of service receive four weeks. After Nov. 1, employees will have to serve 15 years before they receive four weeks' vacation.

Overtime benefits also will be reduced. Employees will have to work 40 hours in a week before receiving overtime pay. Currently, overtime is paid for the portion of any day in which a worker puts in more than eight hours.

The benefits cuts will affect all managers, clerical workers, technicians and other salaried employees in Bethlehem's steel plants and general offices.

Similar reductions were implemented in June 1982 by U.S. Steel Corp. of Pittsburgh, the nation's largest steelmaker.

These cuts, which affected about 25,000 salaried employees, saved U.S. Steel an estimated \$150 million in 1982 and should generate savings of about \$450 million in this and future years, a company spokesman said.

Prescription drugs

Salaried and union employees of the Ford Motor Co. in Detroit can now enroll in a prescription drug mail-order option.

Nearly 160,000 active employees and 120,000 retirees can participate in the program, a Ford spokesman says.

An employee who gets a pre-

scription from a physician can send it along with an order blank to Health Care Services, the mail-order pharmacy for the Ford program.

The employee must pay a \$2 co-payment, plus 20 cents for postage, for each prescription filled. The usual co-payment in the Ford prescription drug program is \$3, but a lower co-payment is charged as an incentive to use the mail-order option.

The medications are mailed in three-month supplies. If a physician's prescription does not specify a three-month interval, HCS cannot fill the prescription.

For employees that need drugs on a non-continual usage or emergency basis, Ford has a regular prescription drug benefit. This prescription benefit is a drug card program that allows employees who make a co-payment to get prescriptions filled at local pharmacies that participate in the Ford program.

Ford picks up the costs of the entire prescription drug program. Neither the cost of the mail-order drug option nor the cost of the prescription drug benefit program was available, according to the Ford spokesman.

Along with Health Care Services, John Hancock Insurance Co. administers the Ford prescription drug program. Pharmaceutical Group Services Inc. of Lewisburg, Pa., marketed the program.

Pension legislation

President Reagan told Congress late last month that it supported changing the pension law to make it easier for women to vest in a

pension plan.

The proposals outlined in a letter from the president to Congress include reducing to 21 from 25 the minimum age at which an employer must allow a person to participate in a defined benefit pension plan.

The proposal also would ease the pension treatment of workers who take maternity leaves and would allow a wife to attach her husband's pension benefits in cases involving alimony and child-support payments.

In addition, the proposal would increase the maximum cash settlement a defined benefit plan can pay to a departing worker to \$3,500 from \$1,750.

The proposals, especially the one lowering the pension participation age, would particularly benefit women who often start work at a young age but later quit the workforce to raise a family.

The Reagan proposals are similar to legislation, S. 19, proposed by Sen. Robert Dole, R-Kan. In his letter to Congress, Mr. Reagan said the administration will work with Sen. Dole on the legislation.

Washington observers say the pension proposals are part of the administration's drive to improve its standing with women's groups.

Benefit beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Claudette Dampier, Assistant Copy Editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5282.

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NOV. 1-2. Communicating Employee Benefits conference in Chicago, sponsored by *Business Insurance*; \$495; 10% discount for additional participants from the same company. Ann Vazquez, *Business Insurance*, 220 E. 42nd St., New York, N.Y. 10017; 212-210-0137.

NOV. 10. Flexible Benefits seminar in Chicago, sponsored by Kwasha Lipton; free. Also **Nov. 15** in Hasbrouck Heights, N.J. Michael Bullard, Kwasha Lipton, 2100 N. Central Road, Fort Lee, N.J. 07024; 201-592-1300.

NOV. 10. What is Carpal Tunnel Syndrome? seminar in Greensboro, N.C., sponsored by the International Safety Academy; \$145. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

NOV. 11-16. Design for the Future 29th annual educational conference in New Orleans, sponsored by the International Foundation of Employee Benefit Plans; \$450; \$390 before Nov. 10; \$130 extra for each pre-conference institute selected. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 13-16. Professional Insurance Agents of America annual convention in San Diego; \$75 to \$180. Nicholas J. Matthews, 400 N. Washington St., Alexandria, Va. 22314; 703-836-9340.

NOV. 14. Banks and Employee Stock Ownership Plans seminar in Los Angeles, sponsored by the Employee Stock Ownership Assn.; \$90 for members; \$125 for non-members. Also **Nov. 18** in Chicago. Employee Stock Ownership Assn., 1725 DeSales St. N.W., Suite 400, Washington, D.C. 20036; 202-293-2971.

NOV. 14-15. Accountant's Liability seminar in New York, sponsored by the Practising Law Institute; \$375. Practising Law Institute, Department FC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

NOV. 14-16. Advanced Safety Management seminar in Atlanta, sponsored by the International Loss Control Institute; \$350. ILCI, P.O. Box 345, Loganville, Ga. 30249; 800-544-6001 or 404-466-0008.

NOV. 14-18. Employee Benefit Plan conference in Santa Monica, Calif., sponsored by Charles D. Spencer & Associates Inc.; \$350. Seymour LaRock, Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

NOV. 14-16. Multiple-Owner Offshore Insurance seminar in Los Angeles, sponsored by Captive & Self-Insurance Services Inc.; \$425; 10% discount for members; \$50 discount for second regis-

trant. Judy, Captive & Self-Insurance Services Inc., 950 Elm Ave., Suite 210, San Bruno, Calif. 94066; 415-871-1670.

NOV. 14-16. Risk Loss Control Management seminar in Chicago, sponsored by the International Safety Academy; \$435. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

NOV. 14-17. Inspector Training seminar in Houston, sponsored by the International Safety Academy; \$490. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

NOV. 14-17. National Fire Protection Assn. fall meeting in Orlando, Fla.; \$60 for members; \$85 for non-members. NFPA, Fall Meeting Registrar, Batterymarch Park, Quincy, Mass. 02269; 617-328-9290.

NOV. 14-18. Assets Protection course in Philadelphia, sponsored by the American Society for Industrial Security; \$595 for members; \$650 for non-members. ASIS, Membership & Meetings Services, 1655 N. Fort Myer Drive, Suite 1200, Arlington, Va. 22209; 703-522-5800.

NOV. 14-18. Basic Safety Management seminar in Atlanta, sponsored by the International Safety Academy; \$570. Also **Dec. 5-9** in Houston. ISA, 1600 Arch St. P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

NOV. 14-18. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$425. John Garis, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

NOV. 14-18. Safety Trainer Training seminar in Atlanta, sponsored by the International Loss Control Institute; \$795. ILCI, P.O. Box 345, Loganville, Ga. 30249.

NOV. 16. Employee Stock Ownership Plan seminar in San Diego, sponsored by the Employee Stock Ownership Association; \$90 for members; \$125 for non-members. Also **Nov. 21** in Tampa. Employee Stock Ownership Assn., 1725 DeSales St. N.W., Suite 400, Washington, D.C. 20036; 202-293-2971.

NOV. 17-18. Self-Funding Your Employee Benefits course in New York, sponsored by the American Management Assns.; \$620 for members; \$715 for non-members. Also **Dec. 8-9** in Chicago. AMA, 135 W. 50th St., New York, N.Y. 10020; 518-891-0065.

NOV. 17-20. National Assn. of Professional Surplus Lines Offices Ltd. ninth annual confer-

ence in Chicago; \$300. J. Dale Bohm, 624 Holcomb Bridge Road, Suite 3, Roswell, Ga. 30076; 404-998-9075.

NOV. 18. Punitive Damages in Products Liability Litigation seminar in Minneapolis, sponsored by Minnesota Continuing Legal Education; \$90. Also **Nov. 23**, in a video presentation in Minneapolis. Minnesota Continuing Legal Education, 40 N. Milton St., St. Paul, Minn. 55104; 612-227-8266.

NOV. 18. Update '84: Workers Compensation and the Total Picture seminar in Santa Clara, Calif., sponsored by Self-Insurance Programs; \$90 for clients; \$110 for non-clients. Lucretia Doyle-Marcus, Self-Insurance Programs Inc., 3333 Bowers Ave. #100, Santa Clara, Calif. 95051; 408-980-0210.

NOV. 19-21. Fundamentals of Industrial Exhaust Ventilation course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$350. John Garis, Manager, Industrial Hygiene, NATLSCO, Long Grove, Ill. 60049; 312-540-2026.

NOV. 21-22. How to Audit and Check Insurance Policy Costs and Coverages conference in Atlanta, sponsored by American Management Assns.; \$620 for members; \$715 for non-members. Also **Dec. 8-9** in San Francisco; **Feb. 13-14** in Los Angeles; **March 5-6** in Cambridge, Mass.; **April 5-6** in New York; **April 26-27** in Dallas. AMA, 135 W. 50th St., New York, N.Y. 10020; 518-891-1500.

NOV. 21-23. Improving Cash Flow Through Risk Insurance Alternatives conference in San Francisco, sponsored by American Management Assns.; \$660 for members; \$760 for non-members. Also **Dec. 12-14** in New York; **March 19-21** in San Francisco; **April 25-27** in Atlanta. AMA, 135 W. 50th St., New York, N.Y. 10020; 518-891-1500.

NOV. 21-23. Principles and Practices of Insurance Buying conference in New York, sponsored by American Management Assns.; \$695 for members; \$800 for non-members. Also **Dec. 19-21** in Los Angeles; **Feb. 15-17** in New York; **March 28-28** in Chicago; **April 24** in Los Angeles. AMA, 135 W. 50th St., New York, N.Y. 10020; 518-891-1500.

NOV. 27-30. Benefits Processing institute in Hollywood, Fla., sponsored by the International Foundation of Employee Benefit Plans; \$390 for members; \$465 for non-members. IFEBP, 18700 W. Bluemound Road, Box 69, Brookfield, Wis. 53005; 414-786-6700.

NOV. 28-DEC. 2. Recognition of Occupational Health Hazards course at the University of Southern California, sponsored by the university; \$650. Office of Extension & In-Service Programs, Institute of Safety & Systems Management, University of Southern California, Los Angeles, Calif. 90089; 213-743-6523/6524.

NOV. 28-DEC. 1. Hemispheric Insurance 19th biennial conference in San Francisco, sponsored by the International Insurance Advisory Council; \$400 for delegates; \$700 for observers. Gordon Cloney, International Insurance Advisory Council, U.S. Chamber of Commerce, 1615 H St. N.W., Washington, D.C. 20062; 202-463-5480.

NOV. 30. Code S 401(k): The Final Regulations seminar in Washington, D.C., sponsored by the Employers Council on Flexible Compensation; \$250. Karin Gess or Margaret Shemo, Employers Council on Flexible Compensation, 1700 Pennsylvania Ave., Suite 600, Washington, D.C. 20006; 202-393-1728.

DEC. 1-2. Nuclear Litigation seminar in New York, sponsored by the Practising Law Institute; \$390. Practising Law Institute, Department IFC, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

DEC. 4-7. Corporate Benefits Management conference in Orlando, Fla., sponsored by the International Foundation of Employee Benefit Plans; \$470 for members; \$545 for non-members. IFEBP, Box 69, 18700 W. Bluemound Road, Brookfield, Wis. 53005; 414-786-6700.

DEC. 5-7. Techniques of Risk Management conference in San Francisco, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

DEC. 7-9. Computer Programs for Occupational Health Systems course at the University of Southern California, sponsored by the university; \$400. University of Southern California, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

DEC. 8-9. Corporate Involvement in Developing Country Health Sectors conference in Newport Beach, Calif., sponsored by the National Council for International Health; \$175 for members; \$250 for non-members. Graeme Frelick, National Council for International Health, 2100 Pennsylvania Ave. N.W., Suite 740, Washington, D.C. 20037; 202-466-4740.

DEC. 12-13. Ergonomics course at the University of Southern California, sponsored by the university; \$375. University of Southern California, Institute of Safety & Systems Management, Office of Extension & In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

DEC. 12-14. Basic Security Management conference in Houston, sponsored by the International Safety Academy; \$395. ISA, 1600 Arch St., P.O. Box 8527, Philadelphia, Pa. 19101; 215-241-3176.

DEC. 13. Joint Venture Captives briefing in Miami, sponsored by Risk Planning Group Inc.;

\$200. Micki Briskin, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

DEC. 14-15. Captive Insurer: Focus on Political Risk conference in Miami, sponsored by Risk Planning Group Inc.; \$600; discounts for subsequent registrants. Micki Briskin, Risk Planning Group, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

DEC. 14-16. Fundamentals of Insurance conference in Atlanta, sponsored by the Risk & Insurance Management Society; \$345 for members; \$445 for non-members. Editorial Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

DEC. 14-16. Recognition of Accident Potential in the Workplace Due to Human Factors course at the University of Southern California, sponsored by the university; \$400. Office of Extension and In-Service Programs, Institute of Safety and Systems Management, University of Southern California, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

DEC. 15-16. Newly Appointed Data Security Officer workshop in Toronto, sponsored by the Computer Security Institute; \$495 for members; \$525 for non-members; group discounts available. Computer Security Institute, Educational Resource Center, Department ERC, 43 Boston Post Road, Northborough, Mass. 01532; 617-845-5050.

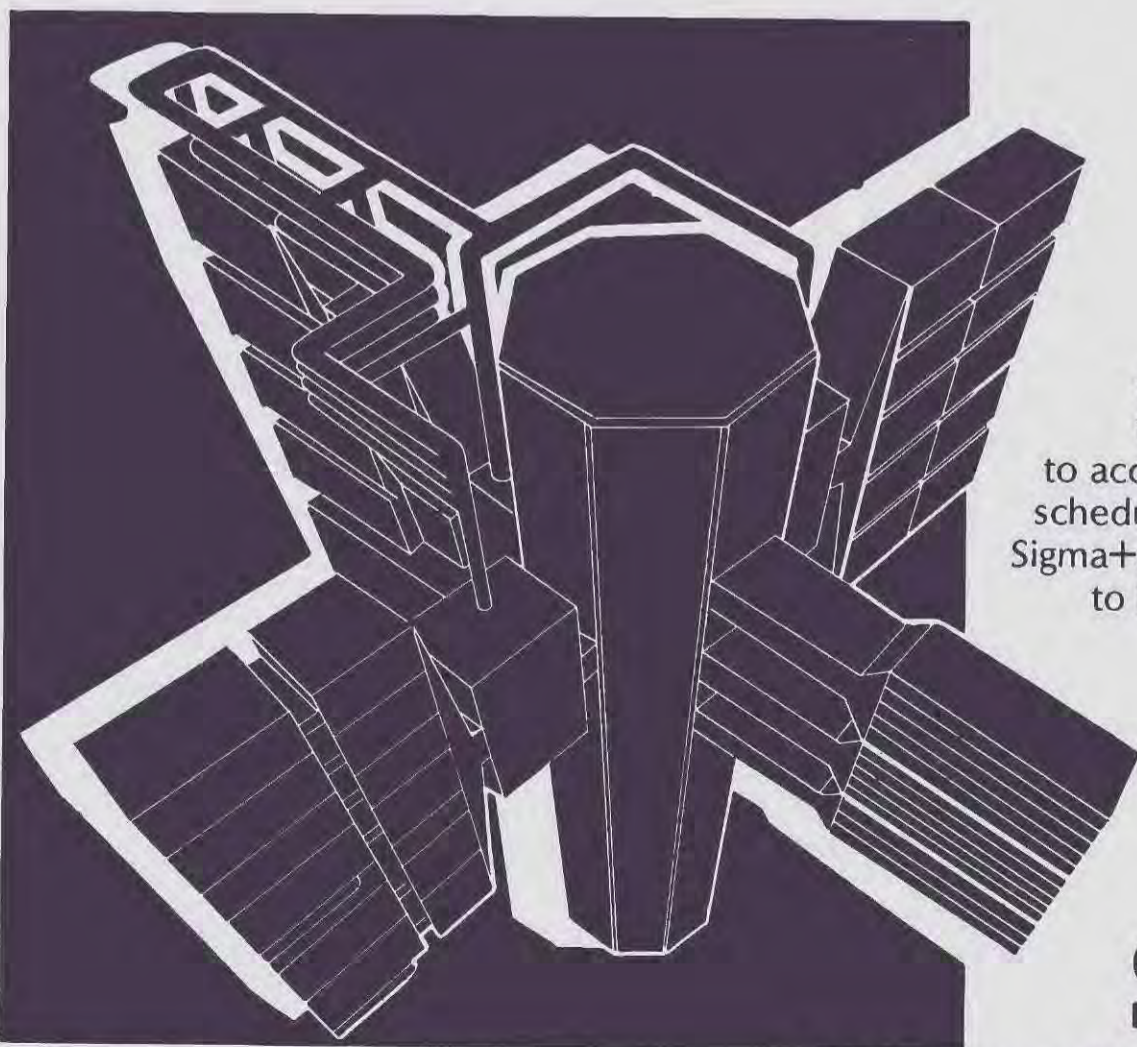
JAN. 9-13. Sampling and Evaluating Asbestos Dust course in Los Angeles, sponsored by the University of Southern California; \$650. University of Southern California, Institute of Safety and Systems Management, Office of Extension and In-Service Programs, Los Angeles, Calif. 90089; 213-743-6523/6524.

JAN. 23-FEB. 3. Helicopter Accident Investigation course in Los Angeles, sponsored by the University of Southern California; \$1370. Office of Extension and In-Service Programs, Institute of Safety and Systems Management, University of Southern California, Los Angeles, Calif. 90089-0021; 213-743-6523/6524.

FEB. 13-15. International Foundation of Employee Benefit Plans 1984 Trustees and Administrators institute in Orlando; \$420. Also **May 14-16** in Las Vegas; **July 23-25** in Monterey, Calif.; **Aug. 13-15** in McAfee, N.J. Public Relations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53005; 414-786-6700.

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Self-insurers criticize model pooling bill

Continued from page 2

But, some self-insurance groups object to the model bill, charging it is being designed to please insurers that would like less competition from self-insurance groups.

"The feeling shared by Florida employers is that this is an insurance-railroaded bill," Mr. Griffin said.

Gilbert Waters, president of Waters Insurance Management Corp. of Sarasota, Fla., was one of the first group self-insurance administrators to complain about the draft. He charged last month that the model draft was a "misleading distortion" of the report of an NAIC advisory committee on which he served (BI, Sept. 5).

Some of the things Mr. Waters brought up have been incorporated in the latest draft, said Charles Coakley, counsel for the American Insurance Assn. in New York and one of the drafters of the model law.

Mr. Griffin believes, as do other Florida self-insurance groups, that the model law has so many requirements for bonding that "if we

were to purchase all that, we would be classified as a Class A insurance company."

"They may not like it, but they're much more akin to insurance companies than not," says Arizona Insurance Director J. Michael Low, who heads the NAIC task force that is drafting the model bill.

But, Mr. Griffin believes the self-insurance groups are strictly risk management pools.

"The liability stays with the employer, by contract, and by law in Florida. We don't see this as a transfer of liability," he said.

But the "sharing" of risks in pools is the transferring of risks, Mr. Low said. "There is a transfer of risk because there is the pooling. The sharing is transferring risk, it's risk spreading, it's insurance."

Mr. Low told the NAIC's Workers Compensation Task Force last month that the draft was written by his department, not the insurance industry, and that it reflects the recommendations of a 143-page report completed earlier this year by a 24-member advisory committee to the task force.

"I feel that a little bit of this is shedding of crocodile tears," Mr. Low said. "Some don't want to see any model, especially one that tightens up insolvency (precautions)."

But opponents of the model say that self-insurers and state workers comp administrators weren't part of the formal drafting of the bill, which took place in San Francisco in August and in Tampa, Fla., last month.

Another drafting session is scheduled for 9:30 a.m. Oct. 21 in New York in the CIGNA Corp. board room at 10 Rockefeller Center.

Using an insurance company's office for the meeting may raise

some self-insurers' eyebrows, but Mr. Low said it was offered to the task force and the price was right: It's free.

"If someone else has a better room at the same price we'll consider it," he said.

Another group critical of the NAIC's pooling bill is the International Assn. of Industrial Accident Boards & Commissions. It is surprised that the NAIC did not solicit input from IAIABC members, who regulate self-insurance pools in 17 states.

"I would think that that organization (NAIC) would be flooding this organization (IAIABC) with invitations to participate (in the drafting)," said Ervin Vahratian, a

deputy with the Michigan Bureau of Workers' Disability Compensation in the Department of Labor and an IAIABC member.

"I don't believe they (NAIC) are going to the source for the greatest expertise in developing this," said Commissioner Robert Landess of the Iowa Industrial Commission.

The IAIABC on Sept. 28 adopted a resolution expressing its willingness to form a joint committee with the NAIC to work on the draft model bill before it is voted on by insurance regulators at the NAIC's December meeting.

The IAIABC also is offering for consideration its workers comp pooling "rules and regulations,"

Continued on facing page

High costs to foster flexible plans: Study

NEW YORK—Flexible benefit plans will become more widespread in helping to communicate corporate values as benefit costs continue to rise, concludes a survey of large-company chief executives.

The survey, "Employer Attitudes Toward Compensation Change and Corporate Values," was released last month by William M. Mercer Inc., the employee benefit and compensation consulting firm.

According to the study, 83% of the 305 company officials responding said rising benefit costs were the biggest obstacle to developing compensation and benefit plans to reinforce corporate values.

As a result, 58% of the executives said they think flexible benefit plans will become more important in underscoring company values.

This agrees with another survey finding that 60% believe the use of flexible benefits is likely to be started or increased in their companies during the next five years.

CEOs at larger companies indicated a greater willingness to utilize flexible benefit plans.

Seventy-one percent of the surveyed officials at sampled companies with more than 20,000 employees say their companies' uses of flexible benefits will increase, while only 54% of those at companies with fewer than 5,000 employees expect to make greater use of flexible benefits.

Compensation and benefit policies are seen by 63% of the officials surveyed to be expressly designed to establish or reinforce company values. Twenty percent of the officials said these policies did not serve this role, while 17% said they weren't sure.

Another development most CEOs see is an increased level of contributions by employees to benefit plans. Sixty-nine percent of the officials said they expected employees' benefit program contributions to increase.

However, 44% of those surveyed said they expected corporate contributions to benefit plans to rise.

Employee contributions are seen declining by 3% of the surveyed executives, compared with 23% who expect corporate benefit contributions to decrease.

The chief executives sharply disagreed over the future path of health care benefits. Twenty-six percent said they expected their companies to offer decreased health benefits within five years, but 31% said they expected health benefit levels to increase.

Eight percent of the executives said they expected dental benefits to decrease, another 8% expected prescription drug benefits to be scaled back and 5% said life insurance would be reduced.

On the other hand, 60% of the surveyed executives expect the use of 401(k) salary reduction plans to increase, 48% expect increased

company contributions to employee savings plans and 40% see a greater emphasis on profit-sharing plans.

And, 51% surveyed say they see Employee Stock Ownership Plans becoming more important.

Benefit plans are considered most important in attracting new talent, the executives said. Their next most-important purpose is increasing job satisfaction.

Less-important objectives that are served by benefit programs are motivating high performers, accurately rewarding performance and promoting development of new skills.

"In summary, corporate culture

is an issue which is receiving considerable attention and interest among chief executive officers of American corporations," the report noted.

"It is obvious that they see a need to establish and communicate an explicit set of values to employees. In part, they are striving to do this by structuring compensation and benefit plans specifically to reinforce their values."

Free copies of the survey, the seventh in an annual series, may be obtained by writing William M. Mercer Inc., Box 99, 1211 Ave. of the Americas, New York, N.Y. 10036.



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Continued from facing page adopted three years ago.

Mr. Low, however, is reluctant to take them up on the offer.

"I'm a little bit of an activist... a doer. There is a certain bit of inertia in these types of organizations... there's a need to go ahead and finalize this," he said.

The NAIC advisory committee study itself took a year, and there were representatives from the IAIABC and self-insurance groups on it, Mr. Low said. The drafting itself has been going on for several months, and all the meetings were open, said Mr. Low, who doesn't want to stop the process now to form a joint committee.

"We'll come up with a draft for the December (NAIC) meeting. Unless I'm missing something, this thing was well discussed and debated... we know what the issues are," he said. He noted that as an attorney he has a keen sense of finality, "and I think we're getting close to that point."

The final draft will be given to the IAIABC and "they can do with it what they want—change it or adopt it," Mr. Low said.

Other observers say that model bills often are changed to meet a state's particular needs, and they serve as starting points in the legislative process.

Iowa's Mr. Landess disagreed. "You know as well as I do that if you submit a model draft, the legislators love it," he said.

The second draft of the model bill was mailed Sept. 30 to anyone who requested it and was based on input from the San Francisco and Tampa work sessions, said Mr. Coakley.

He was tapped by Mr. Low to revise the draft after the Tampa meeting and even though he went to Atlanta last month to attend the IAIABC convention, he spent most of the time in his hotel room, re-writing the draft.

"We're learning a lot of things from these drafting sessions, like how groups—particularly municipal groups—operate," Mr. Coakley said.

Gregory Berg, vp of the Connecticut Interlocal Risk Management Agency, was at the Tampa NAIC session to point out some of the incongruities of private and municipal groups. CIRMA is a workers comp group of local Connecticut governments, with 71 members and \$12 million in premiums.

"For example, on the issue of premium tax, the model says that groups should pay the same premium tax as commercial carriers. That's a real problem when it comes to public groups. It doesn't make any sense for the state to tax local government," Mr. Berg said.

In the latest draft of the model law this footnote is included: "A state that exempts local governments from the state sales tax and gasoline tax may also choose to exempt a group made up of local government entities from the premium tax, if it is imposed on workers compensation premiums."

Other provisions in the model spell out requirements to qualify as a workers compensation self-insurance group. They include:

- An association must represent a continued combined net worth of all members of the group of not less than \$1 million. (If governmental groups are authorized, then the following should be added: "This does not apply to government employers.")

- An association must possess and maintain a surety bond, which is issued in a form acceptable to the commissioner by a corporate surety company authorized to transact business in the particular state. The commissioner may establish higher or lower requirements for the surety bond or securities based on differences in size, types of em-

ployment and other relevant factors.

- An association must possess and maintain excess insurance in an amount acceptable to the commissioner.

- An association must have an estimated annual net premium of at least \$250,000.

When a proposed workers compensation group files its application for a certificate of approval, according to the model, it also must file:

- A copy of the articles of incorporation, if any.

- A copy of the bylaws of the proposed group.

- A copy of all agreements and rules of the proposed group.

- A copy of the agreement between the group and each member securing the payment of workers compensation benefits.

- A pro forma, certified financial statement on a form acceptable to the commissioner showing the financial ability of the group to meet its obligations under the Workers Compensation Act.

- Proof of payment by each member of not less than 25% of the estimated annual net premium into a designated depository for the purpose of paying claims.

- A copy of the procedures adopted by the group to provide services with respect to underwriting matters, safety engineering, claims adjusting and reporting of loss data.

- A confirmation of excess insurance, a surety bond or securities and proof of a fidelity bond of a service company in an amount acceptable to the commissioner.

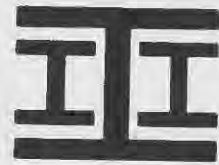
Copies of the draft may be obtained by contacting Charles Coakley, American Insurance Assn., 85 John St., New York, N.Y. 10038, or the Arizona Department of Insurance, 1601 W. Jefferson, Phoenix, Ariz. 85007.

"I think the NAIC can adopt a model this December," Mr. Low said, but he added that he might be receptive to tabling it for six months for further input.

Mr. Low said if anyone is concerned about the model, they should attend the drafting session in New York Oct. 21.

"I've only been called by one group since we've undertaken this and have received only three or four letters," he said. "And that's anomalous."

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MGM contractor's insurers rebut claims

Continued from page 2

A hearing on a motion to consolidate both the Union and MGM suits was scheduled last week.

Webb, which has been named in several hundred lawsuits filed by fire victims, has not reached a settlement with plaintiffs.

In their answers, Webb's insurers give several reasons why they should have no liability for fire claims and added reasons why, if

they are considered liable, it should be only for a portion of the losses.

Webb has \$150 million in liability coverage written by Granite State Insurance Co., which has both the primary and an excess layer, and 10 other excess insurers: Integrity Mutual Insurance Co., First State Insurance Co., Federal Insurance Co., National Union Fire Insurance Co., underwriters at Lloyd's of London, Allianz Insurance Co., Lexington Insurance Co., American Excess Insurance Co., Columbia Casualty Co. and International Surplus Lines Insurance Co.

These insurers say they should not be liable at all because Webb is not negligent and that even if Webb were negligent, Union has breached a number of obligations that prohibit it from recovering from Webb's insurers.

But, if they were still found liable, any liability would have to be limited to the percentage of Webb's negligence for the fire and to the amount of insurance Webb had to obtain under a construction agreement with MGM.

"Any liability we do have would be limited to that percentage of Webb's negligence that caused the fire," says Robert Zeavin, an attorney with the firm of Buchalter, Nemer, Fields, Chrystie & Younger of Los Angeles, which represents four of the defendant insurers. "Absent Webb negligence, we have no duty to provide coverage."

Also, the insurers argue, anything that they would owe would be excess of the retroactive liability policies issued by Union and others.

In its lawsuit against Webb's insurers, Union contends that under its retroactive policy it is liable only for MGM's "ultimate net loss" arising from the hotel fire and that this is defined as the amount payable after all other "valid and collectable insurances" have been exhausted.

The construction agreement between Webb and MGM for the hotel addition obligated Webb to obtain insurance protecting MGM. Since Webb's insurance policies name MGM as an additional insured, they obligate Webb's insurers to defend and indemnify MGM for costs and settlements arising from the fire, Union contends.

'Any liability we do have would be limited to that percentage of Webb's negligence that caused the fire,' says Robert Zeavin, attorney with Buchalter, Nemer, Fields, Chrystie & Younger, which represents four of the defendant insurers.

Union's suit also charges that MGM has failed to enforce its rights against Webb and its insurers and that Union, as a third-party beneficiary of the construction agreement, can stand in MGM's place as a subrogee.

In their answers, Webb's insurers say they insure it and MGM only for work done by Webb on the hotel's addition and not for any costs arising from the fire that are not directly related to the addition.

Moreover, the insurers contend that any liability they might have should be limited to the amount specified in the construction agreement and not the \$150 million limit of Webb's comprehensive general liability coverage.

The construction agreement required Webb to provide comprehensive general liability insurance to MGM of \$1 million for injury or death per person and \$2 million per occurrence and \$1 million for each third-party property claim.

However, the insurers do admit that the endorsements naming MGM as an "additional insured" mistakenly did not reflect their intentions that the insurers' liability be limited to the amount stated in the construction agreement.

"At no time did National Union intend or expect to add MGM as an additional insured under the policies of excess umbrella coverage provided to Webb," says the answer filed by National Union, one of Webb's excess insurers.

The insurers now are asking that the policies be reformed to reflect their, MGM's and Webb's intention. Webb's insurers also argue that Union voluntarily gave MGM the \$11.4 million advance and, therefore, cannot seek reimbursement from Webb's insurers.

"The plaintiff (Union) is not and cannot be a subrogee of MGM, but rather under the allegations of such

complaint was a volunteer in any payment they made to MGM," says the answer filed by Granite State.

The insurers further charge that Union did not intend to pay claims until it earned enough investment income on the \$25 million premium MGM paid for the first \$35 million of retroactive insurance to cover its costs.

"Plaintiff did not intend to comply with said representations and further plaintiff had no intention of paying for any significant sums in settlement of defendant MGM's liability arising from the fire until it had generated sufficient interest and investment income from the premium and commission monies so as to make any settlement payments without any economic loss to plaintiff," the answer says.

Insurers say Union breached its retroactive policy with MGM and statutory and common law duties of good faith and fair dealing.

This behavior, they say, further prohibits Union from claiming it is a third-party subrogee in the case.

Since Union also has recovered from its reinsurer "all sums" it has to pay to MGM, any recovery from Webb would be unjust enrichment, add some of Webb's insurers. A spokesman for Union, however, denied that it had recovered all claims from its reinsurer, General Reinsurance Co.

The reinsurance agreement between Union and General Re included a payout schedule that allowed Gen Re to earn investment income on the premiums before paying all losses. When Union made advance payments to MGM to cover litigation costs, the payout schedule was amended to accelerate payments to Union.

Because of the acceleration and Gen Re's loss of use of the money, the amount of payments from Gen Re to Union was reduced.

In addition to answering the Union suit, some of Webb's insurers have filed cross-claims against MGM to clarify coverage owed.

Granite State, Webb's primary insurer, also has filed a cross-claim against Allianz Insurance Co., a primary insurer for R.A.H. Construction Co., which was a subcontractor on the MGM addition. Allianz, a Webb excess insurer, also is a co-defendant of Granite State in the Union International suit.

R.A.H., under its contract with MGM, obtained insurance from Allianz protecting MGM and Webb for claims arising out of the subcontractor's performance.

Granite does not believe it should have to defend or indemnify MGM since Webb's work on the hotel addition was not involved in the fire. However, if the court says that Webb's work encompassed the area where the fire occurred, Allianz—and not Granite—has the duty to defend and indemnify MGM, Granite asserts.

Attorneys for Webb and MGM meanwhile filed motions seeking to have the Union suit dismissed.

"We felt the suit was more against Webb's carriers than Del Webb itself," explained Webb attorney Nowland C. Hong. "As we interpret the suit, Union is seeking indemnity from the carriers rather than Del Webb."

Mr. Hong, an attorney with the Los Angeles firm of Parker, Milliken, Clark & O'Hara, said the claim should be dismissed because Union does not qualify as a third-party beneficiary of the contract between MGM and Webb.

"We have case law from Nevada that refutes that," he says. "They have no basis for making a claim."

MGM has also filed a motion to dismiss, according to attorney Allan B. Goldman of the Los Angeles firm of Wyman, Bautzer, Rothman, Kuchel & Silbert, and may still file cross-claims against other defendants in the litigation. ■

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Chicago attorney named executive director of NCSI

ATLANTA—A Chicago attorney is stepping into the newly created position of executive director of the National Council of Self-Insurers.

"There will not be any change in the objectives and purposes in the National Council; just a new dimension... that will mean an increased Washington, D.C., presence for the council," said Douglas F. Stevenson, the new director and a partner in the Chicago law firm of Rooks, Pitts, Fullagar & Poust.

The 38-year-old association of employers that self-insure their workers compensation risks is growing and wants to take an active role in national issues that affect its members, said Daniel Minnick, president of the NCSI and an attorney with Jones & Laughlin Steel Corp. in Pittsburgh.

The executive director will act as spokesman for the group and also coordinate activities with state agencies and national organizations, like the International Assn. of Industrial Accident Boards & Commissions, Mr. Minnick said.

The announcement of the new executive director was made at an

NCSI breakfast meeting during IAIABC's annual conference late last month in Atlanta, Ga.

In addition to becoming a recognized voice on Capitol Hill, the NCSI also wants to offer more seminars for its members, particularly in the occupational disease field and on pending legislation, Mr. Minnick said.

Mr. Stevenson added: "I feel there is almost a conspiracy to fasten guilt on United States employers for whatever misfortunes befall employees, whether or not those events are work-related."

"We have to be careful that we don't make it more advantageous financially for a person not to work than for a person who is working and producing in our society. And we're very close to that point."

The NCSI also will move its offices to Chicago from its current Forest Hills, N.Y., address. The move is scheduled for the beginning of the year.

Mr. Stevenson has been affiliated with Rooks, Pitts, Fullagar & Poust for 33 years. The firm has 13 attorneys handling defense of workers compensation cases and occupational disease cases in Illinois and Indiana.

He also is counsel to the Associated Employers of Illinois and is chairman of the workers compensation committee of the International Assn. of Insurance Counsel. ■



Mr. Stevenson

Lloyd's makes syndicate accounts public

By STACY SHAPIRO

LONDON—Besides establishing a U.S. presence with the acquisition of claims adjuster Toplis & Harding Inc., Lloyd's of London is also opening its doors to public scrutiny.

In addition to the \$10 million acquisition, Lloyd's announced at a news conference last week that:

- All syndicate accounts, including records of reinsurance transactions, will be made available to the public, beginning next year. Up until now, most syndicates guarded their numbers, not even allowing Lloyd's members or the Lloyd's Council to see complete results.

- An accounting and auditing standards committee will be set up to check all syndicate accounts and establish accounting rules.

"Times have changed," said Lloyd's Chief Executive Ian Hay Davison. "We think we are moving

forward."

In August, the Council of Lloyd's approved recommendations by the Plaistow Working Party that would have forced syndicates to make only limited public disclosures.

Under the recommendation, syndicate members would have been allowed to see the syndicates' accounts, including reinsurance transactions. However, the public would only be told what insurance-related companies syndicate officials held interests in.

But the council later decided that this arrangement would be too complicated and has ordered syndicates to release complete financial information to the public.

Syndicate accounts will be made available by the Lloyd's Council "to anyone who asks and wants to 'pay a shilling' to Lloyd's to see them," Mr. Davison said.

"Two years ago this would have been unthinkable," Mr. Davison said. "but now, after all that has gone on, it isn't."

Last year, Lloyd's was rocked by allegations that top officials at several companies, including Alexander Howden Group P.L.C. and Minet Holdings P.L.C., personally benefited from reinsurance transactions they arranged for their Lloyd's syndicates.

Since then, there has been a drive for underwriting agencies to release financial data—including reinsurance details—to syndicate members at the very least, and possibly to the public.

Although Lloyd's will allow the public to review the results of its syndicates, it will not publish a comparison of those results, Mr. Davison said.

For the past three years, The Assn. of Members of Lloyd's has compiled tables that compare syndicate results, which has raised the ire of some underwriters.

"But," Mr. Davison said, "I think underwriters see now that the tables haven't called the world to a halt."

Syndicate accounts will be open to the public beginning next year, which means that under Lloyd's three-year accounting system, the syndicates results for 1981 will be the first to be released.

Although Lloyd's will not draft

comparisons of syndicate results, the Lloyd's Council wants to make sure the accounts are drafted similarly, so the public can make comparisons.

A new accounting and auditing procedures committee that will replace the Plaistow Party will devise standard accounting methods and be given the task of supervising the syndicate accounts.

The committee, to be headed by Brancon Gough, managing partner

of the accounting firm of Coopers & Lybrand in London and a member of the Lloyd's Council, will work closely with the British government's Accounting Standards Committee.

"My appearance will ensure that there is a fair amount of liaison between the two (committees)," added Mr. Davison, who is chairman of the Accounting Standards Committee as well as Lloyd's chief executive.

Lloyd's to pay \$10 million for claims adjusting firm

Continued from page 1

buy the loss adjuster's 100 shares from Employers Re. Mr. Connelly said that no U.S. regulatory approval is necessary before the transaction can take place.

Although Employer's Re was disappointed in Toplis & Harding's bottom line, Mr. Davison said that Lloyd's was not looking to enhance its profit when it agreed to buy the adjusting firm, stressing that the deal was made to provide additional service for U.S. policyholders.

"This is extremely important for the success of the (Lloyd's) market," said Mr. Davison. "Here is a way to get direct action to do so."

The Chicago company is also a "natural fit" for Lloyd's, he added.

Lloyd's links with the firm began with its founding in the early 1920s, according to Mr. Cockell, when Lloyd's underwriter Cuthbert Heath—who also founded Lloyd's broker C.E. Heath P.L.C.—sent claims adjuster Graham Harding to the United States to set up a claims-handling system. Mr. Harding remained in the United States and founded Toplis & Harding with a partner.

In 1926, Mr. Harding joined his operation with another loss adjusting firm, Wagner & Glidden, with the company being renamed Toplis & Harding, Wagner & Glidding. In 1961, though, the firm reverted to its original name, Toplis & Harding.

Lloyd's and Toplis & Harding have continued to transact business. In fact, more than 40% of the loss adjuster's business now comes from Lloyd's underwriters, including more than half of its non-marine business, Mr. Cockell said.

According to a questionnaire

completed by Toplis & Harding for Business Insurance earlier this year (BI, Jan. 31), the company employs 325 people, including 120 loss adjusters.

The company adjusted 21,500 claims for 650 clients in 1982. Fifty percent were ocean marine claims, 25% were property damage, 10% were inland marine, 5% were general liability, 5% were professional liability and 2% were health insurance claims. The remainder of the company's business was made up of workers compensation, automobile and bonding claims.

In addition, the company completed 14 claims auditing projects last year.

Besides its Chicago headquarters, Toplis & Harding maintains offices in Anchorage, Alaska; Atlanta; Baltimore; Boston; Detroit; Honolulu; Houston; Jacksonville, Fla.; Los Angeles; New Orleans; New York; Portland, Ore.; San Francisco; Seattle; and Tampa, Fla. It also has offices in three Canadian cities: Montreal, Toronto and Edmonton, Alberta.

Toplis & Harding will continue to offer services to other clients besides Lloyd's underwriters after the acquisition, Mr. Davison stressed, adding that the company's other clients are "extremely happy" with the deal.

Lloyd's has not yet announced if it will make management or structural changes within Toplis & Harding once the acquisition is official. "It is early yet," Mr. Davison said.

Mr. Davison also said he "doubted" that Lloyd's would make more acquisitions in the United States, "but watch this space," he added. ■

Baldwin insurers' assets seized

TALLAHASSEE, Fla.—A Leon County Circuit Court has ordered the state Insurance Department to take immediate possession of the Florida assets of six insurers owned by Baldwin-United Corp.

The order appoints the department as ancillary receiver and orders it to "take immediate possession of all the property, assets and estate, and all other property of any kind" in Florida belonging to the companies, according to Insurance Commissioner Bill Gunter.

The six companies are:

- The National Investors Life Insurance Co. of Arkansas.
- University Life Insurance Co. of Indiana.
- Commercial Loan Insurance

Corp. Inc. of Wisconsin.

- S&H Insurance Co. Inc. of California.
- College Life Insurance Co. of Indiana.
- Midwest National Life Insurance Co. of Tennessee Inc.

The companies are also enjoined by the court order from writing any new business, disposing of any property or transferring it out of state, or transacting any business without the consent of the department.

Mr. Gunter noted that the order does not apply to insurers that are subsidiaries of MGIC Investment Corp., Baldwin's property/casualty subsidiaries. ■

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Labor unlikely to accept benefit cutbacks

Continued from page 1

against the nation's third-largest school district late last week, refused the Chicago Board of Education's offer to increase salaries if the union would accept lower benefits.

"That's putting money in one pocket and taking it out of the other," said a union spokesman. The union made it clear that it wasn't going to budge on benefits, and the two sides "no longer are at issue on benefits," said the union spokesman.

Similarly, wage and benefits cuts are being sought from three unions at Continental Air Lines. Continental shut down its operations and filed for reorganization under Chapter 11 of the Federal Bankruptcy Code late last month. It resumed operations several days

later after drastically cutting its workforce and its routes.

Now Continental is now asking pilots, attendants and maintenance workers to accept concessions to keep the trimmed-down carrier in the air. However, the Air Line Pilots Assn. and the Union of Flight Attendants struck Continental, although some members are crossing picket lines and the airline is still operating. Negotiations were continuing late last week.

"An airline folding would be a good business reason for benefit concessions," said Hansen's Mr Walker, who is a consultant for the Air Line Pilots Assn.

"However, people perceive the Continental thing as a business ploy to force employees to settle for wage and benefit cuts," he said. For this reason, airline workers may

call the company's bluff and resist cutbacks, he said.

None of the unions representing Continental workers would comment.

Eastern Air Lines also is asking its employees to accept salary and benefit concessions to keep it in business. Although all details of the benefit concessions sought were not available, it is known that workers will be asked to accept higher health care deductibles. The unions are to decide by this week if they will accept the concessions to take effect in November.

Just the fact that an industry is in trouble may prompt the workers to fight harder to keep their benefits.

"We're an industry of ups and downs, and we're definitely in a downturn now," said Earl Barnes, Baltimore regional director of the Industrial Union of Marine & Shipbuilding Workers of America in Silver Spring, Md. "We have thousands of shipyard workers laid off now, and workers know they're going to be in and out of the yards as work occurs."

"They want benefits to remain as complete as possible so they're covered when they're laid off. Benefits are one of the most precious things to the workers. They're right up there with seniority and pay."

Chrysler Corp. and American Telephone & Telegraph Co. also failed to win benefit concessions from unions in their latest contracts.

Chrysler, based in Highland Park, Mich., had requested that cost-of-living wage increases be reduced by the increase in Chrysler's health care costs, but the union re-

fused and the proposal was withdrawn from the bargaining table this summer (BI, Sept. 12).

AT&T had asked members of three unions—the International Brotherhood of Electrical Workers, the Communication Workers of America and the Telecommunications International Union—to begin paying 20% of reasonable and customary charges for hospitalization and offered to give workers a spending account to cover the added costs.

However, the unions refused to give up their 100% hospitalization coverage.

In some cases, though, companies have won benefit concessions from workers, many times as a trade-off to receive more direct salary or to keep their jobs.

"What's high is the total cost of labor, and benefits is just one aspect of that cost," said Michael J. Berg, labor relations manager of Oscar Mayer & Co. Inc. in Madison, Wis. "Unions are aware there is a problem with the high cost of labor."

Now, whether they negotiate health benefits or wages or vacations or pension plans depends on the labor force.

"In (the packing and commercial foods) industry, our unions are trying to hang on by their toenails to keep what benefits were previously negotiated while having their wages decreased by 25%."

"In the current round of negotiations in the meat industry, they have accepted less comprehensive health benefits to keep their jobs," he said. "But there are lots of unions and lots of plans involved, and some have made concessions elsewhere."

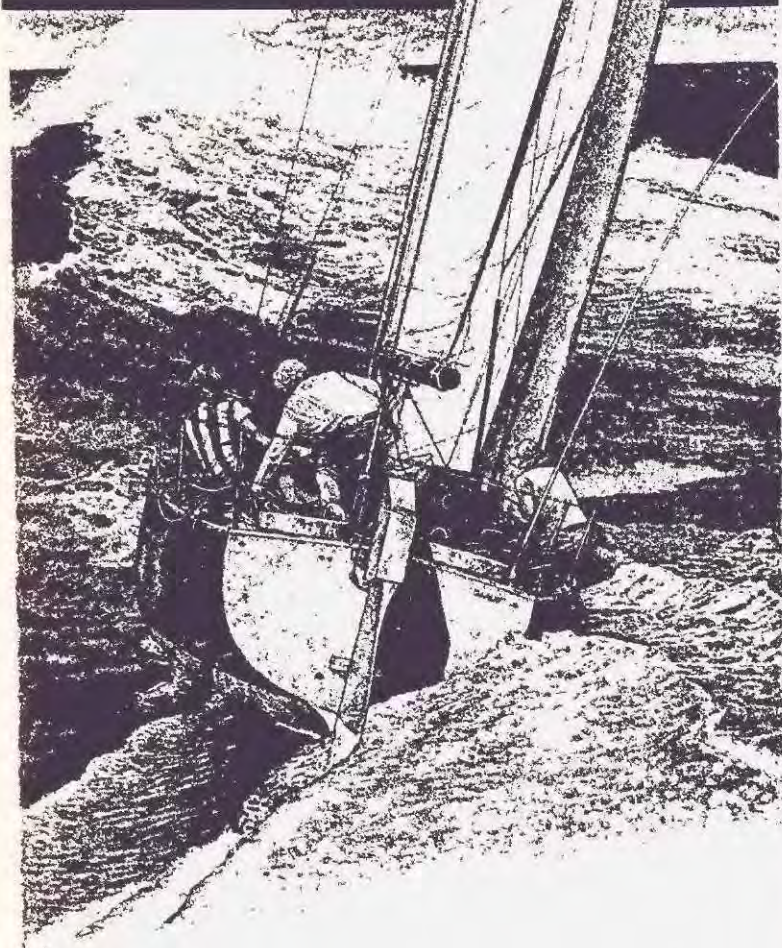
Ciba-Geigy Corp. in Ardsley, N.Y., also negotiated concessions with some of its unions.

"Our salaried workers now pay 10% of the cost of our health care premium," said Robert D. Urbont, labor relations manager at Ciba-Geigy. "We are asking our union employees to also share in the premium cost, but the amount they

Continued on facing page

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Pensions, early retirement could be an important issue

Health care benefits are the hottest issue in collective bargaining now, but pension and early retirement plans may be next on the front burner.

Labor and management experts say pensions benefits have not been touched for the most part during recent contract talks.

One of the major reasons is that higher interest rates have helped

the financial condition of the plans, said Irving Brotslaw, professor of labor education and assistant director for the School for Workers at the University of Wisconsin's Milwaukee campus.

Pension plan liabilities actually have been reduced on the basis of increased interest rate assumptions, noted E. Douglas Kuhns, assistant director of research for the International Assn. of Machinists & Aerospace Workers in Washington.

An interest rate assumption is an estimate of the rate of return of pension plan assets.

The United Auto Workers says it hasn't seen any major changes in pension plans, noted Patrick Killen, a senior UAW benefits consultant. UAW members at Chrysler Corp., however, recently ratified a contract that puts their pension benefits on a par with Ford Motor Co. and General Motors Corp. (BI, Sept. 12).

He expects to see pension benefits on the bargaining table next year, however, when Ford and GM contracts are up for renewal.

When Chrysler's contract expires in October 1985, it probably will be time to re-evaluate the company's early retirement program, said Walter B. Maher, director of employee benefits and health services for the automaker.

"Chrysler is already overburdened with an active (employee-to-retiree) ratio that burdens our labor costs," Mr. Maher said. "I think it makes sense to examine some of the early retirement provisions in our plans."

Chrysler has a "30-and-out" plan for some of its factory workers and a "25-and-out" plan for foundry workers. Under "30 and out" an employee can retire with a full pension at any age after 30 years of service. ■



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Continued from facing page
share is negotiable."

For most employers, however, about the only concession they can hope for from their unions is the acknowledgement that health care costs are out of control and that labor must help contain them.

"The trend is that unions will come to accept that cost containment is a reasonable course of action and that shopping for medical care in a reasonable and effective way is going to have to come to pass," said Robert S. Pollock, principal of the Boston office of consultant William M. Mercer Inc.

In some cases, they agree to benefit plan designs that incorporate second surgical opinions, pre-screening or outpatient care provisions or monetary incentives for the workers to control their use of health care.

And more unions are agreeing to participate in union-management committees to discuss the rising cost of health care.

"We are increasingly concerned with the high cost of benefits," said Linda Lampkin, director of research for the American Federation of State, County & Municipal Employees in Washington.

"Our response is: Don't just shift a higher deductible on to us; that won't lower health care costs in the long run," she said. "We are setting up joint labor and management committees to study the problem, and we come to negotiations with a laundry list of cost-control incentives, such as second surgical opinion or preferred providers or health maintenance organizations.

"It's a problem for both (management and labor)," Ms. Lampkin said, "and we want to be a part of

'It's our judgment that the types of health care plans that the auto industry and others have—first-dollar benefits with total freedom of choice—are inefficient,' Chrysler Corp.'s Mr. Maher says.

plan design."

Joint labor-management committees also are being formed at AT&T, the major automakers, the Aluminum Co. of America in Pittsburgh and Reynolds Metals Co. in Richmond, Va.

"Employers would love to introduce large deductibles and more co-payments. We view that as a cost transfer," said Patrick Killeen, senior benefits consultant with the United Auto Workers in Detroit. "But we are interested in cost containment, and we will try to get the most out of the health care dollar; so we have joint committees."

At Chrysler Corp., the joint committee has been effective in some areas, said Walter B. Maher, Chrysler's director of employee benefits and health services.

For instance, one Chrysler division faced as an excessive amount of claims for foot surgery. The committee helped set up a pre-screening program that cut costs by 30%, Mr. Maher said.

The committee also helped develop mandatory second opinion surgery programs and a generic drug program.

"We also are mutually involved in a data analysis of high-usage patterns of hospitals in the Michigan area," he said.

But Mr. Maher, like other employers, believes this "pecking" approach is slow, and he would like to see users more responsible for their health care costs.

"It's our judgment that the types of health care plans that the auto industry and others have—first-dollar benefits with total freedom of choice—are inefficient," Mr. Maher said.

So Chrysler is trying to induce employees to use the less expensive health maintenance organizations, which is an option in its health care package.

The HMOs in Detroit are broadly based so they are within reach of many employees and they can deliver benefits for 20% to 25% less than existing plans, Mr. Maher said.

Earlier this year, Chrysler gave savings bonds to employees who were members of the Health Alliance Plan HMO and recruited other employees into the plan, the UAW's Mr. Killeen said.

The UAW also is doing its part to encourage HMO use, he said. During a recent HMO enrollment period, a high union official sent a letter to members encouraging them to join the HMO.

"We also have HMOs come out in the plant, during break periods, to talk about themselves and make presentations," he said.

The UAW also has worked with Ford Motor Co. and General Motors Corp. on cost-containment ideas. For example, a mandatory second surgical opinion program and a mail-order prescription drug program have been introduced at Ford.

However, not all cost-containment efforts are accepted with open arms by the unions.

The St. Louis-based Aluminum Brick & Glass Workers International Union and the Pittsburgh-based United Steel Workers of America negotiated contracts at the same time with ALCOA and Reynolds Metals this spring.

Union workers at both companies had a health care plan that paid 100% of hospitalization and surgery and 80% of other costs. Employees paid a \$75 deductible for an individual and \$150 for a family.

ALCOA and Reynolds offered an alternative that increased deductibles to \$100 per person, with a \$700 annual out-of-pocket limit, and gave employees a bank of \$700 from which they could draw to pay their deductible or medical expenses not covered in the contract. Anything left at the end of the year would be paid to the worker.

The Aluminum Workers ac-

cepted the new plan, which goes into effect next June.

"We've actually gained," said Gilbert Wolf, research and education director for the union. "We've brought a brand new ball game into the system with this plan."

The Steelworkers, however, elected to stay with the old coverage.

"I don't think the new plan was the least bit humane or in the member's interest when you try to bribe them with a cash payoff to stay well," said Bruce Thrasher, district director for the United Steel Workers of America of District 35 in Atlanta. He was chairman of the negotiating committee for the Steelworkers at the joint talks.

"We said we were not going to tamper with the insurance program in the contract. It's one of the most emotional issues," he said.

But the steel union is interested in cost containment and agreed to create committees at plant levels to work on health care cost problems. ■

Damages totaled

NEW YORK—Insured property damaged caused by wind, hail and tornadoes that swept portions of Arizona Aug. 13-16 are estimated at \$15 million by the American Insurance Assn.

The storm was assigned Catastrophe No. 14 by the Insurance Services Office.

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Keene coverage passes to excess insurers

By STEPHEN TARNOFF

WASHINGTON—The responsibility for defending and indemnifying Keene Corp. for asbestos litigation is passing from the company's primary insurers to its excess underwriters.

In an agreement worked out between Keene primary insurer Liberty Mutual Insurance Co. and excess insurers last month, the excess insurers will begin paying for defense and indemnification costs in about 1,800 cases.

Keene's primary insurers, including Liberty Mutual, have paid more than \$29 million for defense and indemnification costs so far. They are now contending that their limits are exhausted.

In addition, several other developments in the ongoing asbestos litigation occurred in the past week, including:

- A denial of certiorari in the U.S. Supreme Court in an unsuccessful lawsuit brought by Keene to make the federal government liable for indemnifying it in thousands of asbestos lawsuits.

- A motion filed in Manville Corp.'s bankruptcy proceedings by asbestos co-defendant GAF Corp. that asks that Manville's reorganization petition be dismissed.

- An announcement by the Environmental Protection Agency that it intends to propose a phase out or ban of asbestos products.

- The resignation of Commercial Union Insurance Co. Senior Vp and Claims Counsel William Bailey, one of the most outspoken insurance industry executives on the asbestos problem.

The agreements that transfer the responsibility for indemnifying and defending Keene to excess insurers center on the implementation of Keene Corp. vs. INA, the

landmark decision handed down by the District of Columbia Court of Appeals in October 1981.

Keene and its insurers have been back in court a number of times trying to implement the decision, which said all insurers from the time of a victim's exposure to asbestos through manifestation are liable for claims.

The most recent hearing came after Liberty Mutual notified Keene in August that its coverage was about to be exhausted. The insurer also notified its local counsel that it should no longer defend or handle Keene cases.

Keene filed a motion in federal court in Washington, however, asking the court to compel Liberty Mutual to continue to defend and to hold the insurer in contempt for violating earlier orders by Judge June L. Green.

Liberty Mutual also filed a motion with the court for sanctions against Keene, contending Keene had misrepresented policy language to the court and had ignored and misconstrued Judge Greene's earlier orders.

On Sept. 16, the day of the hearing, Liberty Mutual and the excess insurers reached the understanding that Liberty would transfer most of the 1,800 cases to the excess insurers, but would retain responsibility for 50 to 100 that would be difficult to transfer.

The cases remaining with Liberty are ones that concern important legal issues or are so near to trial that Keene felt they should not be transferred.

Keene's excess insurers include Insurance Co. of North America, The Home Insurance Co., Continental Casualty Co., Aetna Casualty & Surety Co. and American Home Assurance Co.

Liberty Mutual provided pri-

mary coverage for Keene from about 1974 until 1981. Keene's other primary insurers include Aetna, INA and Hartford Accident & Indemnity Co. (BI, Oct. 26, 1981).

Following the agreement, Keene withdrew its motion against Liberty Mutual.

"Once that agreement was reached, it meant that Keene would be defended in all the cases Liberty Mutual had," said Keene attorney Eugene R. Anderson with the New York firm of Anderson Russell Kill & Olick. "It made our petition to Judge Greene moot."

According to Dennis Flannery, an INA attorney with the Washington firm of Wilmer, Cutler & Pickering, all of Keene's primary coverage has now been exhausted. The agreement between Liberty Mutual and the excess insurers marks the first time the excess insurers have had to indemnify Keene.

Although Keene has dropped its motion against Liberty Mutual, a suit is still pending to make sure the excess insurers follow the coverage order set down in Keene vs. INA.

"The interim arrangement should give Keene protection pending a final resolution of these matters," Mr. Flannery said.

Only \$10.5 million of the \$29 million primary insurers have paid on behalf of Keene was for indemnification of payments to claimants. The other \$18.5 million was spent on defense and other expenses.

For indemnity alone, INA has reportedly paid \$3.5 million, Hartford \$3 million, Aetna \$1.5 million and Liberty \$2.5 million.

Liberty has also paid \$2.5 million in defense costs and \$1.2 million for excess loss payments beyond its aggregate because of confusion over how much it should pay.

In another matter involving

Keene last week, the U.S. Supreme Court denied certiorari in a suit brought by Keene against the federal government. A U.S. District Court in New York had dismissed the case, and that dismissal has been upheld by the U.S. 2nd Circuit Court of Appeals, also in New York.

The suit contains a number of breach of warranty, strict liability and negligence claims against the government and seeks indemnity from the government. The suit charges that the government was aware of the dangers posed by asbestos to workers in government shipyards, but failed to warn the workers of the dangers or take corrective action to minimize exposure to asbestos.

Keene attorney Mr. Anderson said that Keene has three additional lawsuits pending against the government and that the company's "best shot" is a suit filed with the U.S. Court of Claims in Washington.

Also last week, GAF Corp., another company facing suits from workers claiming asbestos injuries, filed a motion in U.S. Bankruptcy Court in New York to dismiss Manville Corp.'s bankruptcy petition. GAF argues that Manville cannot deal with future claims under the federal bankruptcy code, an attorney for GAF said.

Anthony Marchetta of the Newark, N.J., firm of Hanoach, Weisman, Stern, Besser, Berkowitz & Kinney, explained that GAF believes that those who sue Manville in the future do not have a present right to payment.

"The law and the (bankruptcy) code say it (Manville) can't deal with the claims," he said.

Manville filed for reorganization Aug. 26, 1982, citing thousands of

asbestos claims it projected it would face by the end of the century at a cost of about \$2 billion.

In addition, the Environmental Protection Agency said last week that next July it would propose regulations that would ban all uses of certain construction products containing asbestos, including cement pipes, roofing materials and floor coverings.

Furthermore, the EPA is also proposing to place a cap on the amount of asbestos that can be contained in all other products and to set up a timetable for phasing out practically all uses of asbestos in the next few years, said Edward Klein, director of chemical control in the EPA's Toxic Substances Division.

Mr. Klein said that the earliest time in which the proposals could go into effect was late next year or in 1985.

Asbestos is still used in some products made today, although its use is declining, and there are products on the market manufactured previously that contain asbestos.

Finally, Mr. Bailey of Commercial Union resigned last week.

A frequent and often controversial speaker on asbestos litigation, Mr. Bailey has contended that asbestos and other mass tort litigation are a threat to the insurance industry and the tort system.

He also has been a strong advocate of the manifestation theory of coverage for asbestos insureds, which says insurers should provide coverage only at the time asbestos disease is manifested in victims.

The theory is in contrast to others including the exposure theory, which says insurers on the risk are liable at the time a victim is exposed to asbestos.

Mr. Bailey could not be reached to comment on his future plans. ■

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TOTAL	42,383

*Source: Business/Occupational breakdown of qualified circulation, May 2, 1983 issue, as submitted to BPA for June 1983, BPA Publisher's Statement.

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Coverage theory favors asbestos firms

Continued from page 2
already has spent about \$19 million defending asbestos lawsuits and paying claims.

Zurich, under the exposure theory, is the only insurer that has contributed to paying Raymark's claims so far.

Raymark is facing about 14,000 lawsuits involving 17,000 plaintiffs claiming injury from asbestos exposure. Asbestosis, lung cancer, and mesothelioma—a cancer of the lining of the lung—are contracted through the inhalation of asbestos.

In his decision, Judge Murray addressed the major issue in all of the coverage cases: When does "bodily injury, sickness or disease" from asbestos occur, thus triggering coverage?

Departing from the approaches of other courts, however, Judge Murray said bodily injury, sickness and disease are separate and distinct terms that separately trigger coverage and correspond to a distinct stage in the asbestos disease process.

Judge Murray said that bodily injury occurs during the time a victim is exposed to asbestos, and disease occurs during manifestation of the illness.

The judge based his decision on expert medical testimony during a month-long trial last spring. Judge Murray applied the evidence to the dictionary definitions of bodily injury, sickness and disease.

Testimony by pathologists showed that injury occurs simultaneously with exposure to asbestos and, therefore, triggers coverage, he said.

"Depending upon an individual's susceptibility, he may be lucky enough never to develop asbestosis,

'Bodily injury is not the sole trigger of an insurer's obligations under the policies. Sickness and disease also trigger the insurer's duty to indemnify and defend,' Judge Murray's decision reads.

bronchogenic carcinoma or mesothelioma, but if exposed to asbestos, no amount of luck will prevent bodily injury from occurring," the court said.

"Accordingly, this court concludes that coverage and defense obligations are triggered by exposure during the policy period of the insurer."

At the same time, using the testimony of other medical experts, Judge Murray said sickness and disease occur after exposure and also trigger coverage.

"Bodily injury is not the sole trigger of an insurer's obligations under the policies," he said. "Sickness and disease also trigger the insurer's duty to indemnify and defend."

"In the context of asbestos-related disease, the court finds that both sickness and disease occur, after exposure, in a claimant who is ultimately diagnosed as suffering from asbestosis, bronchogenic carcinoma or mesothelioma."

Using the dictionary definition of disease to mean a condition impairing the performance of a vital function, Judge Murray said that asbestos disease occurs when the function of the exposed person's lung is significantly impaired. "This is usually the point in time

when the diseases are capable of detection and diagnosis by the clinician," the opinion says.

The court also rejected the view that the interim latency period is necessarily a trigger of coverage, as laid down in the Keene decision.

It notes that prior to the time that the disease is manifested and after exposure (the latency period), the body's condition is not normal and during this state the individual may have a sickness, also triggering coverage. But this is a question of fact to be decided on an individual basis, the court said.

The testimony indicated that progressive injury doesn't occur in two-thirds of the cases, it added.

Attorneys for Raymark were generally pleased with Judge Murray's opinion, but they noted many issues must still be resolved before a full analysis of the decision's impact can be made.

"In some respects we are happy, in some respects we are not," said Frank Heap, an attorney for Raymark with the Chicago firm of Bell Boyd & Lloyd Haddad & Burns.

A number of issues need clarification, including how liability will be allocated, which insurers have the duty to assume defense and whether pre-1966 policies include an unlimited duty to defend, said

Mr. Heap.

Robert L. Ford, acting general counsel for Raymark in Trumbull, Conn., said there "are certain unclear aspects as to the decision," but that on "initial blush, there are certain favorable elements."

An attorney for Zurich, which sought an exposure-theory ruling, also characterized the decision as favorable.

"Zurich is generally pleased with the opinion as far as it goes because it recognizes that injury occurs during exposure to asbestos products," said Robert C. Goetsch, an attorney for Zurich.

Zurich insured Raymark after 1969, putting it in the period when virtually all asbestos diseases were manifested and suits brought.

The decision will enable Zurich to recover contribution from other insurers on the risk during the exposure period, Mr. Goetsch said.

But an attorney for one of the insurance companies advocating the manifestation theory refused to say the decision favored policyholders. He said until the remaining issues are ironed out, the effect of the ruling will be unclear.

"The court defined bodily injury, sickness and disease and applied them to the particular facts at trial," said Anthony P. Katauskas,

an attorney for Commercial Union with the Chicago firm of Jacobs, Williams & Montgomery Ltd. "How this will be operative to Raymark is not defined by the decision."

"The decision in no way says which insurance companies will do what in any particular case," he added. "In the present form, the order is unclear as to the performance of insurers."

Commercial Union intends to file a motion for clarification to ascertain the insurance question the decision doesn't address, namely the performance question, Mr. Katauskas added.

Another insurer attorney called the ruling a "pro-insured decision," although Raymark did not get everything it wanted. The attorney agreed that it is uncertain how much coverage Raymark will get when allocation is decided.

One area that surely will involve a "major battle" concerns pre-1966 policies and whether insurers have an unlimited duty to defend policyholders, the attorney added. At least one state court has ruled that according to the language of the policy and state law, the primary insurer on pre-1966 policies is liable for defenses even after policy limits have been exhausted.

Maryland safety rule change approved

WASHINGTON—The Occupational Health and Safety Administration has approved a change in the Maryland occupational safety plans that allows the use of several agents in the testing of respirators used to protect workers from lead exposure.

Among the substances that OSHA has approved for use in such tests are isolamyl acetate, saccharin and irritant smoke.

Maryland is among 24 states and territories that are allowed to set and enforce their own health and safety rules.

Insurers hope film is a hit

Continued from page 2
MGM President Freddie Fields told *Business Insurance*.

Lloyd's underwriters, though, refused to pay the loss. They agreed with "Brainstorm" director Douglas Trumbull that the film, which is about a group of researchers who invent a device that can record and play back what the brain experiences, could be saved.

Lloyd's stood to lose the most from the loss. Although the bulk of the first \$5 million in coverage was placed through Lloyd's broker Stewart Wrightson North America Group Ltd. with Excess Insurance Co. of Great Britain and \$10 million in excess coverage was placed with Pacific Indemnity Co., about 95% of the entire \$15 million of coverage is reinsured with Lloyd's underwriters.

"A stalemate ensued," said Michael McAllister, vp of Bayly, Martin & Fay International Inc. in Los Angeles, MGM's broker. "Then Lloyd's came in and said that immediate action had to be taken while the cast and crew were still available or the film would indeed be a total loss," he said.

MGM reluctantly agreed to resume production after Lloyd's initially put up \$2.7 million to finish the principal shooting of the film. Mr. Trumbull rewrote three scenes to work around the loss of Ms. Wood (*BI*, Feb. 1, 1982).

But the disagreements between MGM and Lloyd's did not end. Special effects, post-production, printmaking and advertising costs put "Brainstorm" over budget and MGM, which was financially strapped at the time, did not want to bear the extra costs.

"But Lloyd's and MGM did not want to litigate this," Mr. McAllister said.

So Lloyd's agreed to pay another \$3.3 million for the extra costs, putting the total salvage cost at \$6 million, still less than what the un-

derwriters would have had to pay if the entire film had been scrapped.

Lloyd's and the other underwriters on the risk then signed a contract with MGM to make sure they are reimbursed for the \$6 million investment if the film does well at the box office.

"So that makes Lloyd's (and the other insurers) one-third investors in the film," Mr. McAllister said.

If the film turns out to be a box office hit and grosses more than \$18 million, the underwriters theoretically could earn more than \$6 million from the film.

"But, practically, it is unlikely," said the Lloyd's underwriter on the risk. "Usually when underwriters get their money back, we quit, though I think in this deal there may be some option to become investors after the limit. I am not exactly sure."

And the reaction to the film?

"My sister saw it and says it's sensational," says Mr. McAllister, MGM's broker, though he admits he has not yet seen the film.

Mr. Fields, MGM's president, has mixed feelings, though.

"My personal opinion—and this is my opinion, not that of the company—is that there is some loss at the end of the film by Natalie Wood's death.

"It may not be noticeable to you, but it is to me," he adds.

"He has to say that. That's been his bargaining point all along," says the Lloyd's underwriter.

"Underwriters are watching the progress of 'Brainstorm' with more than the usual interest because we want our faith in the movie to be vindicated," he adds.

Unless they travel to the United States, though, the Lloyd's underwriters will have to wait a while to get a personal look at their investment.

"Brainstorm" does not open in London until Christmas.

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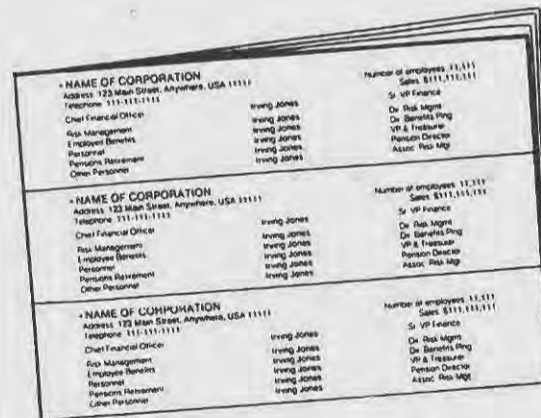
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California employers prepare wage-loss push

Continued from page 1

for benefit increases, high litigation fees and a duplication of benefits because of vocational rehabilitation programs.

An Oct. 11 hearing is set on a proposed average 2.4% rate decrease in workers comp rates (BI, Sept. 26). That average decrease could have been as high as 7%, but this year's benefit increases offset it.

For instance, the maximum temporary total disability award was increased on Jan. 1 to \$196 per week from \$175. And on Jan. 1, 1984, it will go up again to \$224 per week.

"We have a significant problem in California, as most employers are aware," said Paul Gladfelty, manager of workers compensation and industrial relations for the California Manufacturers Assn.

The CMA, California Self-Insurers Assn. and state Chamber of Commerce will combine efforts to tackle those work comp problems. They specifically want to raise money to:

- Mobilize those employers that believe that workers compensation is a significant issue. The push will be to get these companies' chief executive officers involved and relay that concern to legislators.

- Garner enough resources for a political action committee to elect legislators who feel as strongly about workers comp reform as the employers.

- Develop the employer's own data to see how much workers comp is costing and how much it would cost if a wage-loss system were adopted in California.

"Now we use insurance industry data. We're not saying it's not valid, but we all know you can do what you want with data," Mr. Gladfelty said.

Wage-loss had the support of employers in the past, but it was not pursued with vigor, Mr. Gladfelty said. In fact, an Assembly bill on wage-loss, A.B. 172, was introduced this session, not with the idea of quickly passing a wage-loss law, but to get people talking and studying it, he said.

"The political climate was such that legislation (previous wage-loss proposals) was too large," Mr. Gladfelty said (BI, March 29, 1982). "It's much easier for legislators to deal with issues in segments. And now we have a governor that's favorable to signing workers comp reform," he said.

And, now there is vigor behind the employers' reform movement.

Employers that will be solicited for donations will be asked: "How badly do you want reform?"

Some funds have already been raised, but Mr. Gladfelty would not specify how much. He estimates more than \$50,000 will be needed, "which is really a drop in the bucket compared with the impact of last year's benefit increases and rate increases," he said.

However, Susan Cavazos, manager of insurance and employee benefits for the California Chamber, said probably more than \$1 million will be needed when the employers' agenda is finally drafted.

During the next few months, the leaders of the three employer groups will meet to draw up specific goals and timetables, Ms. Cavazos said. They also will have to decide when to launch their fund-raising efforts, she added.

"The bottom line is to get the cost (of workers compensation) down and to redirect where the money is going—back to the injured employee," Ms. Cavazos said.

The amount paid to injured workers in permanent partial disability benefits even though they are able to return to their same jobs bothers several employers. A wage-loss system would help trim these benefits, notes Paul Bayer, corporate manager of workers compensation for the San Francisco-based Crown Zellerbach Corp.

"Wage-loss. Let's face it, that's what workers compensation was suppose to be from the first," said Art Fitzgerald, manager of workers compensation for Union Oil Co. of California in Los Angeles.

"But the system got twisted. There's much too much litigation," he said. "All the money's going on the fringes, like lawyers and examining doctors. There's a leak. That's why I like wage-loss."

"California has the lowest benefit schedule, yet we're one of the highest states when it comes to cost to employers," said Carl William Allen, an attorney and supervisor of workers compensation at Pacific Gas & Electric Co. in San Francisco.

"There's a statutory mandate to liberally construe everything for the employee," he said.

"You just can't win...not even with a tie," said Jerry Ohlert, claims manager for Del Monte Corp. in San Francisco.

"If there's any doubt (in a claim) whatsoever, they find in favor of the employee," he said.

Del Monte will be one of the employers joining the push for workers comp reform and wage-loss.

The County of Los Angeles, which has about 70,000 employees, has been concerned about workers compensation for some time. In fact, the county Board of Supervisors has a legislative program it presented to lawmakers, which includes a provision for the wage-loss concept, said Jim Harrigan, deputy director of personnel.

But some are not so sure about following the Florida lead.

"You just can't be sure of the results from Florida. I've read varying reports about the results...and there's no conclusion in the industry," said Ron Christensen, a spokesman with the State Compensation Insurance Fund, which has the largest share of the workers comp market in the state, estimated at 15%.

He likes to refer to Florida's wage-loss program as "the experiment."

"When wage-loss is studied, it will fall on its own face," said Don Green, a Sacramento attorney who's affiliated with the California Trial Lawyers Assn. and the Applicant's Attorneys Assn.

He believes benefits should just be higher.

The claimant's lawyers are expected to be a big roadblock to the wage-loss movement, Mr. Gladfelty said.

An insurance industry source, who did not want to be identified, said, "Wage-loss is a word that's thrown out, which employers transfer immediately into lower rates. But wage-loss by itself doesn't mean anything, it's a short-hand phrase, but it depends on how you design it, what controls you put on it."

He said the wage-loss concept may work in Florida because the law there limits litigation, which is a big concern among California employers.

"Los Angeles is the litigation capital of the country," Mr. Bayer said. "Everything is litigated for every reason."

"There is the extraordinary problem with litigation in a system designed to be no-fault," Mr. Christensen said.

"It's the litigation process and the almost unbelievably extensive use of medical-legal exams" that hurts the system, Mr. Ohlert said.

Each exam needed to prove a case in court can cost \$500 to \$800, "and that's on smaller injuries," he added.

Although applicant attorney's fees are pretty much set by law at 10% to 12% of the award, "defense fees can break you," he added.

Another area that employers believe contributes to high workers compensation costs is vocational rehabilitation.

"We're heavy into vocational rehab. In effect, we're duplicating benefits," Mr. Fitzgerald said.

He noted that injured workers received a partial disability award based on the initial loss of use of a part of their body due to injury. These workers then receive vocational rehabilitation training and regain some of the use of that body part, but the size of the award isn't changed, he said.

All these concerns of employers and Florida's wage-loss system are among the things that will be studied during the next year by a joint legislative study committee.

Under legislative resolution ACR 49, which passed both houses Sept. 14, a joint legislative study committee will analyze the adequacy and equity of workers compensation benefits in California, court cases and previous legislation and the effect of self-insurers on the system.

"We've had meaningful reforms of the system in the past, but they didn't go far enough," said Assemblyman Bruce E. Young, D-Cerritos, sponsor of ACR 49 and A.B. 172, the wage-loss bill.

The joint committee, which will include the nine members of the Assembly's workers comp subcommittee and the nine members of the Senate's industrial relations committee, is expected to be organized

later this month.

"I expect to use all of next year to work on the study," said Assemblyman Young. "I don't want just a study though...I want thorough and workable recommendations; a blueprint for legislation for the 1985-86 session." Results of the study are due by Nov. 30, 1984.

Another study may be done by an administrative director's task force of the state Division of Industrial Accidents, which administers the workers compensation system.

The group of attorneys, union leaders, employers and medical practitioners will meet later this month to see if they can identify problems in the administration of the system.

And, there's still one more work comp study under way by the insurance industry.

The California Workers' Compensation Institute is surveying more than 1,000 workers injured in California, primarily in 1976.

The study hopes to determine how much in wages was lost due to each injury, which cases were litigated and why, whether benefits overlapped, the effectiveness of vocational rehabilitation benefits and the employee's perception of the system.

The institute, which was organized in 1964, tracks trends for the state's workers compensation insurers.

The report will be broken down into smaller reports on specific problem areas like vocational rehabilitation, litigation, benefit overlaps and the economic consequences of wage-loss.

Hill elected CPCU president

MALVERN, Pa.—George C. Hill has been named president of the Society of Chartered Property & Casualty Underwriters.

Mr. Hill, a senior vp and secretary of Schroeter, White & Johnson Inc. in Oakland, Calif., was named to the post last month at the society's annual meeting.

He replaces Frans R. Eliason, chairman and chief executive officer of Armco Insurance Group.

Others elected include:

- Joseph P. Decaminada, president-elect.

- James L. Jerden, vp.

James L. Kirschbaum continues his three-year term, which expires in 1984, as secretary-treasurer.

National directors elected are:

- George M. Gottheimer Jr. of New York and Richard H. Morse of Buffalo, N.Y., for the Northeast region.

- John O. Eubank of Nashville, Tenn., and Howard C. Kearns Jr. of Atlanta for the Southeast region.

- Harold H. Hines Jr. of Chicago and Charles M. Trubac of Marshall, Mich., for the North Central region.

- William R. Aven of Houston and Thomas S. Case of Overland Park, Kan., for the South Central region.

- Larry R. Bartle of Portland, Ore., and John Lusk of Englewood, Colo., for the Western region.

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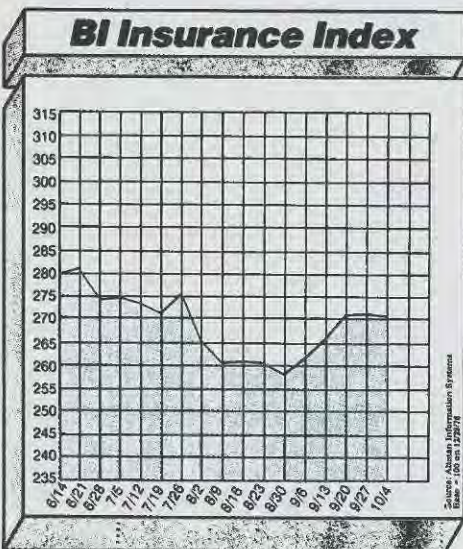
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After four weeks of gains, the *Business Insurance* stock index posted a decline, dropping 1.6 points to 270.8 for the trading period ending Oct. 4. The index had closed at 272.4 on Sept. 27, the end of the previous trading period. Twenty-one issues were up, 31 closed down and 12 remained unchanged. The largest gains were posted by Crown Life Insurance Co., 11.6%; Great Western Fire Assurance Co., 11.1%; Tokio Marine & Fire Insurance Co., 6.3%; Statesman Group Inc., 6.1%; and Marsh & McLennan Cos. Inc., 4.7%. The largest losses were reported by Fremont General Corp., 15.0%; Washington National Corp., 12.9%; Continental Corp., 10.2%; Aneco Reinsurance Co. Ltd., 7.1%; and SRI Corp., 4.7%. The *BI* index posted a 0.6% decline, compared with a 1.3% drop in the NYSE composite.

Flat third quarter awaits publicly owned brokers

By LEONARD M. WILSON
Special to Business Insurance

IT IS ALMOST reporting time again for the publicly owned brokers. By now, investors are inured to the prospect of difficult year-over-year comparisons. Optimists are scarce indeed—and why not, considering the back-drop is still quite negative?

Commercial premium rates, by all reports, are still quite soft. We estimate that the deflation for a typical renewal policy may be in the range of 8% to 10%. That means last year's premium at 100% is this year's renewal at 90% to 92%. Competitive conditions are a formidable hurdle for a broker trying to achieve operating growth. Hurricane Alicia scarcely caused a ripple in the markets.



Mr. Wilson

Lost business, always difficult to quantify, further depresses realizations on the renewal book of business. We doubt that lost business as a percent of commissions has changed very much. It likely remains in the area of 3% to 5%, as best we can determine. Lost business combined with premium rate reductions, though, shrinks this year's commissions and fees to about 85% to 99% of last year's level.

We expect the recovery in the economy to have a positive effect on the public brokers comparison, though this variable is also not easy to quantify. The renewed economic vigor likely will be more meaningful for operating progress in 1984.

New business continues to be the major offset to lower premium rates and inevitably lost business. The public brokers have been fairly uniformly successful in maintaining a strong flow of new business.

Despite the cumulative reduction in dollar

Leonard M. Wilson, a vp of L.F. Rothschild, Unterberg, Towbin in New York, specializes in insurance brokerage stocks. He is a member of the New York Society of Security Analysts.

realizations per unit of insurance, revenues should be bolstered by new business, but only sufficiently enough to produce flatish year-to-year comparisons for the top line.

Reinsurance brokerage, which is of varying importance to the public brokers, promises to outstrip the feeble gains in primary brokerage. The reports of firming reinsurance rates may not help much yet, but reinsurance brokerage has consistently shown moderate growth throughout this cycle, anyway. We expect continued progress in the third quarter, perhaps in the range of 5% to 10% for commissions.

International insurance brokerage is another source of strength. To be sure, it is proportionately more important for Marsh & McLennan Cos. Inc. than for some of the other public brokers. In local currencies, increases of 15% to 20% may be attainable.

Unfortunately, though, the strength of the dollar washes out some of the international business gains. In the third quarter of 1982, for example, the pound was valued at about \$1.72 against \$1.50 currently, a decline of 12% to 13%.

Employee benefits, insulated from the troubles of the commercial property/casualty insurance cycle, should characteristically record increases of 15% or thereabout. Although employee benefits are as yet only a moderate contributor to total brokerage revenues, their stability and growth have been welcome.

Investment income could decline 30% to 35% in the third quarter as a result of the contraction in short-term interest rates. However, this could be the last quarter of large year-to-year reductions in brokers' investment incomes.

The expected third-quarter slippage, though, is a harsh reminder that the brokers are currently experiencing the worst of both worlds: soft premium rates and lower investment income.

The combined impact of the disparate segments should produce flatter revenues in the third quarter for each of the public brokers, compared with the corresponding quarter of 1982. This would be consistent with the pattern of recent quarters.

In today's environment, the public brokers have only two defenses against the baleful

effect of premium rates: aggressive new business production and vigorous expense control.

It is now clear that expenses have been tightly screwed down. Brokerage head count is not growing materially on an overall basis, and the easing in inflation has aided in stabilizing per-capita costs. The rise in other operating expenses has also abated under the dual impact of less inflation and tighter expenditure controls.

We expect third-quarter expenses to rise in the range of 4% to 8%, with most of the public brokers close to the bottom figure. This is impressive on its own and also in comparison with the large cost escalations in 1980 and 1981.

Notwithstanding commendable expense control, flatish revenues portend lower earnings, about in line with what we have seen in the first and second quarters. In other words, more of the same. Negative operating leverage persists.

In cyclical industries, negative operating leverage is eventually followed by positive operating leverage. Some quick arithmetic is illustrative. Were commercial premium rates to be neutral, we believe that the typical public brokers could achieve a 10% to 12% rise in revenues if costs increased only 6% to 7%. This would lead to full-year earnings growth of 40% to 50%.

The numbers are easy to calculate. The hard part for the brokers is waiting for the competition to cease.

Financial briefs Associated Madison

A group of investors, including American Can Co.'s financial services unit, Associated Madison Cos., say they have agreed to a leveraged buyout of Tigor Corp., an insurance unit of Southern Pacific Corp., for \$271.3 million.

All of Tigor's subsidiaries—which include reinsurers, title insurance, residential mortgage insurance and other financial services firms—will be acquired by the investors, with the exception of Constellation Reinsurance Co.

Besides American Can, the investor group included Harold S. Geneen, former chairman of International Telephone & Telegraph Corp.; Rocco C. Siciliano and Winston V. Morrow, chairman and president, respectively, of Tigor; and Joseph H. Dowling, a private investor and an associate of Mr. Geneen.

The holding company that will buy Tigor, called TC Holding Corp., will pay \$240 million in cash for the company, raised through the sale of \$50 million in preferred stock to Associated Madison and bank loans. The remainder of the deal will be financed with \$31.3 million in 13.5% promissory notes.

Although TC Holding will at first hold 100% of Tigor stock, Associated Madison will receive warrant that can be exercised at any time to obtain two-thirds of the common stock and 80% of the voting stock of Tigor for \$2 million. Associated Madison will also receive an option to buy the remainder of the other investors' interest at a formula price.

The deal represents another move by American Can into the financial services field. The company bought Associated Madison last year for \$127 million and has since acquired four other financial services companies.

Last month, Associated Madison appointed John R. Cox, former executive vp for property/casualty at CIGNA Corp., as its deputy chairman and chief executive officer.

For its part, Southern Pacific, Tigor's current parent, announced late last month that it had agreed to merge with Santa Fe Industries Inc. in a \$5.2 billion stock swap that would create the third-largest railroad in the United States.

Torchmark

Torchmark Corp. has declared a regular quarterly dividend of 40 cents per share of common stock, payable Nov. 3 to shareholders of record Oct. 13.

British Issues

4 Oct	Price	P/E	Div.	Yield	1 Week High—Low
Companies	pence	pence	%	%	pence pence
Comml Union	165	165.0	16.86	10.2	171—165
Eagle Star	480	17.1	24.29	5.8	490—480
Genl Accident	428	11.1	24.29	6.2	432—428
Gdn Royal Exch	470	11.8	27.26	6.5	472—467
Phoenix	332	14.4	25.00	7.8	332—316
Royal	515	12.9	37.86	7.6	522—515
Sun Alliance	1238	14.2	68.57	6.3	1250—1225

Brokers	Price	P/E	Div.	Yield	1 Week High—Low
CE Heath	285	7.1	21.07	8.0	290—285
Hogg Robinson	113	8.7	8.57	8.3	113—112
JH Minet	124	9.5	6.50	6.1	124—122
Sedg Grp	207	10.4	10.00	5.5	207—206
Stenhouse Hldg	101	9.2	7.86	8.2	101—101
Stew Wrightson	237	7.9	20.43	9.5	243—237
Willis Faber	565	11.8	25.00	5.3	575—565

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

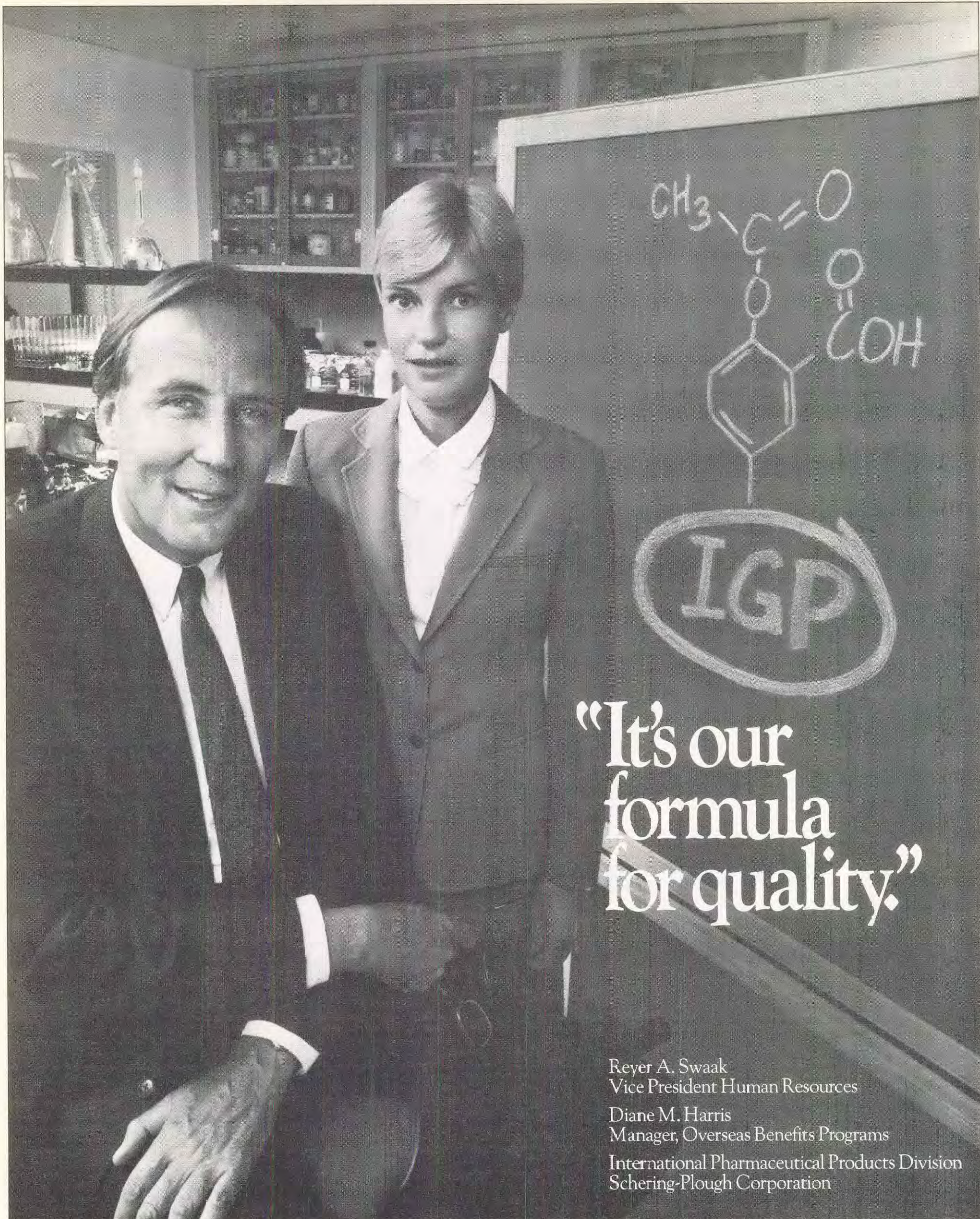
BI Industry Stock Report

OCT. 4, 1983 9/28/83 THRU 10/4/83

Insurance Cos.	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Aetna Life & Cas Co	NYSE 37.25	-0.7	9.1	2.64	7.1	37.25	36.50	632.0
American Bankers Ins Group	OTC 11.88	0.0	9.3	0.50	4.2	11.88	11.88	46.5
American Gen Ins Co	NYSE 21.25	0.6	7.7	0.80	3.8	21.38	20.88	553.0
American Indty Fnl Corp	OTC 17.63	-4.1	12.2	1.12	6.4	18.00	17.63	23.1
American Intl Group Inc	OTC 68.00	-2.9	11.4	0.44	0.6	69.00	68.00	421.6
American Natl Ins Co	OTC 19.75	-1.9	7.9	0.84	4.3	20.13	19.75	167.8
American Sts Life Ins Co	OTC 40.75	0.6	11.2	0.88	2.2	40.75*	40.50	0.3
Aneco Reins Ltd	OTC 3.25	-7.1	81.2	0.00	0.0	3.38	3.25	4.6
Avenco Corp	AMEX 22.00	0.0	11.9	0.58	2.6	22.13	22.00	11.1
Banks Iowa Inc	OTC 48.50	-1.0	17.8	1.52	3.1	49.00	48.50	5.1
Bitco Corp	OTC 20.00	0.0	8.6	1.33	6.7	20.50	20.00	24.7
Carolina Gas Ins Co	OTC 9.25	0.0	0.0	0.32	3.5	9.25	9.00	2.7
Chubb Corp	OTC 63.88	-2.1	7.9	3.12	4.9	64.75	63.88	248.4
Combined Intl Corp	NYSE 37.75	0.0	12.0	2.00	5.3	37.75	35.75	297.2
Continental Corp	NYSE 29.75	-10.2	18.3	2.60	8.7	31.13	29.75	3,291.5
Crawford & Co	OTC 16.50	-2.9	12.3	0.60	3.6	17.00	16.50	24.0
Crown Life Ins Co	OTC 125.00	11.6	8.2	3.10	2.5	125.00*	112.00	0.7
Employers Cas Co	OTC 34.25	1.5	7.0	1.20	3.5	34.25	33.75	4.4
Equifax Inc	NYSE 33.00	-2.2	13.9	1.40	4.2	33.88	33.00	24.1
Excelstor Ins Co	OTC 20.50	3.8	10.7	0.00	0.0	20.50*	19.75	4.7
Farmers Group Inc	OTC 39.25	-0.6	9.9	1.36	3.5	39.38	39.25	217.2
Foremost Corp Amer	OTC 31.00	-1.6	14.3	0.83	2.7	31.50	31.00	84.9
Fremont Gen Corp	OTC 13.50	-15.0	64.0	0.48	3.6	15.88	13.50	92.2
Great West Life Assurn Co	OTC 250.00	11.1	9.0	11.00	4.4	250.00*	225.00	0.3
Hanover Ins Co	OTC 60.25	-2.4	7.5	0.88	1.5	61.75	59.25	32.5
Hartford Steam Boiler Insptn	OTC 53.00	1.9	8.3	3.00	5.7	53.00	52.50	5.3
Jefferson Natl Life Ins Co	OTC 42.00	-2.3	13.0	0.76	1.8	43.00	42.00*	1.3
Keaper Corp	OTC 38.00	-3.8	7.1	1.80	4.7	39.13	38.00	55.3
Lincoln Natl Corp Inc	NYSE 56.38	-2.6	8.9	3.00	5.3	57.50	56.25	193.0
Mission Ins Group	NYSE 31.38	4.4	11.7	1.00	3.2	32.63	31.38	98.3
Nationwide Corp Ohio	OTC 41.75	0.0	15.3	0.70	1.7	0.00	DID NOT TRADE	
Northwestern Natl Life Ins	OTC 37.00	0.0	24.5	1.50	4.1	37.00	36.00	61.2
Ohio Cas Corp	OTC 48.88	2.4	9.0	2.32	5.2	48.88	47.75	57.3
Old Rep Intl Corp	OTC 33.00	0.4	7.6	0.90	2.7	33.00	32.88	73.2
Orion Cap Corp	NYSE 28.38	-0.4	14.2	0.66	2.3	28.50	28.25	31.1
Preferred Risk Life Ins Co	OTC 19.50	1.3	7.8	0.67	3.4	19.50	19.50	1.5
Provident Life & Acc Ins Co	OTC 65.50	-0.8	8.3	2.60	4.0	65.50	65.50	14.7
St Paul Cos Inc	OTC 57.25	0.0	6.6	2.80	4.9	57.75	56.88	563.8
SAFECO Corp	OTC 56.50	3.7	11.6	2.40	4.2	56.50	54.50	217.0
Sri Corp	OTC 20.25	-4.7	7.5	0.56	2.8	21.25	20.25	75.1
Seibels Bruce Group Inc	OTC 25.88	-2.8	15.3	0.80	3.1	26.25	25.88	23.2
Statesman Group Inc	OTC 10.88	6.1	7.6	0.15	1.4	11.13	10.50	222.6
Tokio Marine & Fire Ins Co	OTC 106.25	6.2	17.0	0.96	0.9	106.25	99.00	10.2

OCT. 4, 1983 9/28/83 THRU 10/4/83

Travelers Corp	Price	% Chg.	P/E	\$ Div.	% Yld.	High	Low	Vol. (000)
Travelers Corp	NYSE 31.00	-2.0	8.0	1.80	5.8	31.25	30.88	683.9
United Fire & Cas Co	OTC 32.25	0.0	11.6	0.88	2.7	32.25	32.25	0.1
United States Fid & Stry Co	NYSE 55.50	-2.6	11.0	3.84	6.9	56.00	54.25	397.0
United Svcs Life Ins Co	OTC 22.50	-0.6	6.5	1.00	4.4	22.75	22.50	6.1
Ualife Corp	NYSE 26.63	0.0	7.4	0.88	3.3	26.75	26.38	94.1
Washington Natl Corp	NYSE 27.00	-12.9	11.9	1.08	4.0	27.25	27.00	230.8
Zenith Natl Ins Corp	OTC 16.25	-4.4	11.6	0.60	3.7	17.00	16.25	13.1
INSURANCE COMPANIES	AVERAGE		9.9		3.7			
Agents/Brokers								
Alexander & Alexander Svcs	NYSE 21.13	-2.9	0.0	1.00	4.7	21.75	21.13	82.2
Baldwin & Lyons Inc	OTC 38.50	0.0	12.4	0.80	2.1	38.50	38.50	0.0
Corroon & Black Corp	NYSE 23.88	1.1	12.3	1.80	7.5	23.88	23.63	40.6
Crump E H Cos Inc	OTC 9.88	-1.3	14.5	0.40	4.1	10.00	9.88	4.5
Emett & Chandler Cos Inc	OTC 10.63	-1.2	0.0	0.00	0.0	10.63	10.50	5.5
Hall Frank B & Co Inc	NYSE 26.00	-4.1	20.3	1.70	6.5	26.75	25.63*	97.6
Integrated Res Inc	AMEX 37.63	1.7	14.0	0.00	0.0	38.00	37.13	52.6
Marsh & McLennan Cos Inc	NYSE 44.25	4.7	12.8	2.20	5.0	44.63	42.88	306.4
Poe & Assoc Inc	OTC 6.00	0.0	0.0	0.00	0.0	6.00	6.00	0.5
Reed Stenhouse Cos Ltd	OTC 13.88	0.9	23.1	0.60	4.3	14.00	13.50	5.1
AGENTS/BROKERS	AVERAGE		17.7		3.7			
Conglomerates/Holding Cos.								
American Express(Fireman's Fd)	NYSE 35.25	-4.1	10.3	1.28	3.6	36.88	35.25	3,045.5
Anderson Clayton(Ranger/PanAm)	NYSE 28.50	-0.9	16.3	1.32	4.6	28.88	28.50	24.2
Amco Inc	NYSE 20.13	0.6	0.0	0.40	2.0	20.25	19.63	452.6
Baldwin Utd Corp	NYSE 3.38	3.8	1.6	0.00	0.0	3.38	3.25	1,165.1
CIGNA Corp	NYSE 44.50	-1.7	6.8	2.48	5.6	44.50	43.88	505.2
City Investing Co. (Home Ins.)	NYSE 35.88	-0.3	8.6	1.80	5.0	35.88	35.63	446.6
CNA Finl Corp (CNA)	NYSE 22.00	-2.3	7.6	0.00	0.0	22.00	21.50	25.7
Control Data (Comml. Credit)	NYSE 51.00	-1.7	12.5	0.60	1.2	51.75	51.00	752.8
General Re Corp	NYSE 62.00	-1.0	12.9	1.28	2.1	63.25	61.00	



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