

Business Insurance

Judge rules workers over 65 entitled to pension contributions

LOS ANGELES—Employers cannot halt contributions to defined contribution plans for workers who reach age 65, a federal judge has ruled.

In addition, employers cannot freeze benefit accruals under defined benefit plans for employees over 65, the judge said.

Such practices by Farmers Group Inc. constituted age discrimination, ruled U.S. District Judge Terry J. Hatter Jr.

The ruling, which is expected to be *Continued on next page*

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Congress limits child-care FSAs' value to workers

By JERRY GEISEL

WASHINGTON—Employees that use flexible spending accounts to finance child-care expenses will lose valuable federal tax credits under a welfare reform bill passed by Congress late last month.

Starting Jan. 1, an employee's child-care expenses eligible for federal tax credits will be directly offset by the amount the employee contributes to an FSA for child-care expenses.

Taxpayers now can take tax credits of between 20% and 30%—depending upon their income—for up to \$2,400 of annual dependent care expenses for one child and \$4,800 of expenses for two or more children.

In addition, employees can finance up to an additional \$5,000 of expenses through pretax contributions to FSAs or through direct employer contributions to the account.

For example, under current law, an employee with \$3,000 in dependent care expenses could finance a portion of the expense with a \$600 pretax contribution to an FSA and collect a federal tax credit on the remaining \$2,400 of expenses.

By contrast, under the new offset rule contained in the welfare legislation, H.R. 1720, an employee with \$3,000 of child-care expenses who makes a \$600 pretax contribution to an FSA will be able to apply only \$1,800 of expenses toward the federal tax credit.

Some employees with big child-care expenses will be walloped by the new offset rule.

For example, an employee with two children and \$9,800 in dependent care expenses currently can fund \$5,000 of those expenses through an FSA and receive a federal tax credit for the remaining \$4,800 of expenses.

Under the offset rule, though, \$5,000 contributed to an FSA will wipe out the use of tax credits for the remaining expenses.

And, while surveys show that relatively few employ-
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Dukakis, Bush clash over benefit agendas

By JERRY GEISEL

WASHINGTON—The two major presidential candidates offer voters a clear choice on several employee benefit issues.

While Massachusetts Gov. Michael Dukakis vows to broaden health care coverage by proposing legislation to require employers to offer health care coverage to workers, Vice President George Bush vehemently opposes such a government mandate.

"I think it is time that when you got a job in this country, it came with health insurance," Mr. Dukakis said last month in the first televised debate with his Republican rival.

"That's the way we're going to provide basic health security for all the citizens of this country of ours," said the governor of Massachusetts, which this year enacted a statute requiring employers to offer minimum health care benefits (BI, May 2).

But while Vice President Bush also favors expanding health care coverage, "I don't want to mandate it and risk setting the (economic) recovery back," he said during the debate, adding that such a mandate would cost employers \$35 billion to \$40 billion.

Instead, Mr. Bush favors allowing more lower-income workers to buy health care coverage through an expanded Medicaid program.

"What I will do is permit people to buy into Medicaid. I believe that is the answer," he said. Medicaid needs to be made more flexible "so people at the lowest end can buy in there and get their needs covered."

The candidates also differ sharply on another benefit issue that is certain to be on the presidential and congressional agendas next year: expanding long-term health care coverage for the nation's growing pool of retirees.

Mr. Dukakis strongly supports legislation, introduced by Reps. Claude Pepper, D-Fla., and Edward Roybal, D-Calif., that would have created a massive federal program to provide home health care benefits to the elderly. The bill was soundly defeated by the House in June.

"As president, I will support and sign the Pepper-Roybal long-term health care bill," Mr. Dukakis said of the measure
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Photo: AP/Wide World

George Bush and Michael Dukakis hold opposing views on mandating employer-provided health care benefits.

Competition to reign during renewals

By KATHRYN J. McINTYRE

WHITE SULPHUR SPRINGS, W.Va.—Commercial insurance buyers can expect additional rate decreases when renewing most property/casualty insurance policies this fall and early next year, agents, brokers and insurance company executives agree.

The competitive property/casualty insurance market is expected to last at least until mid-1989 and more likely into 1990, most market insiders agree.

And, the competition will continue despite the fact that most rates, especially depressed property rates, could be inadequate now to produce a profit for insurers, they say.

However, no one expects insurers to compete so fiercely that rates fall to the depths of the early 1980s. As a result, no one expects to see another violent upswing in prices when insurers' appetite to write business is

diminished by poor results.

Rate decreases of 10% to 20% can be expected on upcoming renewals, except for surety and workers compensation insurance, for which rates will increase. The most competitive lines include umbrella and excess liability insurance.

This is the consensus of the nation's leading property/casualty insurance brokers and insurance and reinsurance company executives gleaned from formal and informal interviews during the annual joint meeting of the National Assn. of Casualty & Surety Agents and the National Assn. of Casualty & Surety Executives at The Greenbrier last week.

The first Saturday in October the nation's leading producers of property/casualty in-

urance and executives of U.S. insurance and reinsurance companies gather at the West Virginia resort for five days of business meetings and socializing.

In addition to association business, conducted at early morning breakfast meetings beginning at 7:30 a.m., formal speeches are delivered at morning sessions Monday through Wednesday.

The subjects of speeches: alternative markets, tort reform, guaranty funds and agency-company relationships.

The organized functions are completed before 11 a.m. tee-offs.

Business continues during golf games and between tennis matches and into the evening at receptions and dinner parties.

Insurance company executives wine and

dine their leading producers of business, and the agents and brokers swap market information. Reinsurance company executives, meanwhile, meet with and entertain their leading ceding company clients.

Major brokers also have used the meeting to identify and meet with leading agencies they might want to acquire. This, however, is becoming less of a factor than in years past due to the recent cooling of acquisition activity by the national brokers.

This year's most frequent topics of informal conversation were price competition, the impact of higher taxes owed by insurers and the antitrust litigation brought against insurers and their trade organizations.

The conspicuous absence of two leading property/casualty insurers from the conference also led to rumors about their rationales, and some speculation circulated that

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**NACSA/NACSE
CONFERENCE
The Greenbrier**

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Update

Farmers plan discriminatory

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appealed by Farmers, could result in total pension and profit sharing payments of \$5 million to the plaintiffs, said Cathy Ventrell-Monsees, an attorney for the American Assn. of Retired Persons, which filed suit against the Los Angeles-based insurer in 1986 on behalf of 85 current and former Farmers employees.

In the class-action suit, the AARP charged that the insurance group froze profit-sharing contributions and did not account for additional years of service once employees reached age 65, Ms. Ventrell-Monsees said.

As of Jan. 1, 1988, employers have been prohibited from limiting the pension benefits of older employees under amendments to the federal Age Discrimination Act, the Employee Retirement Income Security Act and Section 411 of the Internal Revenue Code. Those requirements apply to employees age 65 and older who were employed as of Jan. 1 and who are participants in defined benefit pension plans, Ms. Ventrell-Monsees explained.

However, those regulations do not apply to "people who retired prior to Jan. 1, 1988, and for those 65 and over who are participants in defined contribution pension plans," she said.

Judge Hatter's ruling makes it clear that all employees are entitled to benefit accruals for service past age 65, she asserted.

"The impact of this case is that there may be some implications as far as requiring pension accruals on a retroactive basis" for employees who retired prior to Jan. 1, agreed Cheryl Fells, a principal and technical consultant in the New York office of TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby Inc.

A Farmers spokesman pointed out that Farmers' plans complied with federal law prior to Jan. 1. The insurer on Jan. 1 amended its plans to comply with the new regulations, he said.

So far, one other similar suit has been filed in Connecticut, and there have been several age discrimination complaints filed with the Equal Employment Opportunity Commission, Ms. Ventrell-Monsees said.

Family leave bill withdrawn

WASHINGTON—A bill requiring employers to grant workers unpaid leave for serious illnesses and the birth or adoption of children was withdrawn Friday from further Senate consideration.

After a motion by Senate Majority Leader Robert C. Byrd, D-W.Va., to limit debate on the measure was defeated, Sen. Byrd pulled the bill from consideration so the Senate could move on to other legislation during its limited remaining time.

The bill, S. 2488, would have required employers with 50 or more workers to give employees 10 weeks of unpaid leave in a one-year period in the event of a serious illness and 10 weeks of unpaid leave within a two-year period for the birth, adoption or serious illness of a child. Employers would have been required to continue paying all health insurance benefits during the unpaid leave (BI, Oct. 3).

A House version of a parental leave bill, H.R. 925, has not been scheduled for floor debate and probably will not be considered this year.

Pension liability limited

WASHINGTON—The chief executive officer or dominant shareholder of a corporation cannot be held liable for the corporation's delinquent pension contributions, a federal court has ruled.

The U.S. District Court of Appeals for the District of Columbia last month ruled that the Employee Retirement Income Security Act provides no basis for holding these individuals personally and directly liable. "There is nothing in the legislative history that suggests that Congress meant to expand that liability beyond parties who in a (pension) plan or collective bargaining agreement obligated themselves to make those contributions," the court said. "In this case, that party is the corporation itself."

The ruling stemmed from litigation between the International Brotherhood of Painters and George A. Kracher Inc. The court said it would be "foolhardy" to hold Mr. Kracher responsible for the pension plan, saying such an interpretation of ERISA would mean that every employee with some responsibility for a corporation's employee benefit plan also could be held liable.

Suit seeks to enforce Prop 65

SAN FRANCISCO—Eight California grocery store chains and 25 manufacturers of non-cigarette tobacco products have been charged by the state attorney general with failure to adequately warn consumers about the health risks of their products.

A lawsuit filed Sept. 30 in San Francisco Superior Court by Attorney General John K. Van de Kamp alleges the sellers and makers of cigars, pipe tobacco, chewing tobacco and other similar products have not provided "clear and reasonable" warnings about cancer and birth defect risks as required under the state's Proposition 65.

However, the companies say they have been enforcing the law's provisions in their stores. Among the grocers named in the suit, Vons Inc. has removed tobacco products lacking health warnings from its shelves; Safeway Stores Inc. has asked tobacco manufacturers to put health warning labels on their products; and Lucky Stores Inc. has notified manufacturers to add warnings and, in the meantime, has posted its own warnings beside the products on its shelves.

The five other grocery stores named in the suit are: Albertson's

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Errors & omissions

• "Corporate Benefit Communication... Today and Tomorrow," a report by benefit consultant TPF&C, is available free from Julie Fohrenbach, TPF&C, 245 Park Ave., New York, N.Y. 10167. The availability of the report was misstated in the Sept. 19 issue.

High Court agrees to review dispute over asset reversion

By **DEBORAH SHALOWITZ and STACY ADLER**

WASHINGTON—The Supreme Court this year will review whether a company must use the excess assets of a terminated defined benefit pension plan to pay employees the value of early retirement supplements.

But for the second time, the high court stayed out of the controversy over coverage for hazardous waste cleanups by declining without comment to review a recent coverage ruling.

In addition, during the first week of its new term, the Supreme Court paved the way for Manville Corp. to begin implementing its reorganization plan.

The employee benefits case, *B.E. Tilley, et al, vs. Mead Corp.*, involves an April 1987 decision by the 4th U.S. Circuit Court of Appeals in Richmond, Va., in favor of plan participants. That ruling reversed a U.S. District decision in favor of Mead (BI, Aug. 17, 1987).

Dayton, Ohio-based Mead acquired the Lynchburg Foundry Co. in 1968 and subsequently formed a defined benefit pension plan for employees. But when Mead sold Lynchburg Foundry in 1983, the pension plan was terminated.

The normal retirement age under the pension plan was 65. However, employees age 62 with 30 or more years of service could retire early and collect benefits.

The six plaintiffs in the lawsuit had completed the length of service requirement to be eligible for early retirement but had not yet reached age 62 when Mead terminated the plan in August 1983.

When Mead terminated the plan, it calculated the six

employees' benefits on the basis of retirement at age 65. The employees claim their benefits should have been calculated on the basis of retirement at age 62.

Mead recovered more than \$10 million in excess assets from the plan termination.

In its petition for Supreme Court review of the case, Mead argues that the 4th Circuit's decision "will seriously impair" the administration of the Employee Retirement Income Security Act and "conflicts with thousands of rulings" by the Internal Revenue Service and the Pension Benefit Guaranty Corp.

Last year, the IRS placed a temporary hold on issuing determination letters to employers in eight states that wished to terminate overfunded defined benefit plans following the 4th Circuit's decision.

After considering the decision, however, the IRS lifted the hold and issued a memorandum that employers that terminate overfunded pension plans do not have to pay participants benefits they would have earned had they remained in the plans until retirement (BI, Oct. 19, 1987).

Mead also told the Supreme Court that upholding the 4th Circuit's decision will "spawn burdensome litigation" involving previous pension plan terminations.

"It's pretty significant" that the high court agreed to hear the case, said Seth Tievsky, an attorney with The Wyatt Co. in Washington.

However, since the appellate ruling was unclear "as to the provisions of the plan that were being interpreted, it's difficult to say whether the decision... (will) apply to most plans or only to plans with very

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Georgia says Teale's firm cannot write for Victoria

By **DOUGLAS McLEOD**

ATLANTA—The Georgia Insurance Department has rejected a proposed underwriting management agreement between Victoria Insurance Co. Ltd. and TRT Associates Inc., an Atlanta firm headed by Alan Teale, former president of the now-defunct Insurance Exchange of the Americas.

Victoria submitted the proposed agreement for Insurance Department approval Sept. 12, despite recent protests by its own management and the Insurance Department that Mr. Teale has incorrectly represented himself as an underwriting manager for the company since resigning as a director and officer last year.

In a Sept. 21 letter to Victoria's attorney, Insurance Commissioner Warren D. Evans said the proposed agreement was not in compliance with the state's insurance code. However, Mr. Evans did not explain how the agreement failed to comply.

Georgia law requires the Insurance Department to approve all underwriting management agreements with domestic insurers, according to a department spokesman.

The department has not approved any such agreements for Victoria, which had its license suspended last month, the spokesman said (BI, Oct. 3).

Victoria President Charles Gordon-Seymour—who joined the insurer when Mr. Teale resigned as an executive vp and director last Dec. 30—declined to comment on why Victoria submitted the proposed TRT

agreement.

However, Mr. Gordon-Seymour said in an interview that TRT and Mr. Teale have no binding authority for the insurer and may only submit business to Victoria.

Nevertheless, Victoria has received copies of policies bound by Mr. Teale's companies, and Victoria is honoring those policies, he added.

Mr. Gordon-Seymour and an Insurance Department spokesman say they both have protested Mr. Teale's or TRT's claims to have underwriting authority for Victoria.

In an Aug. 12 letter to Mr. Teale, Georgia Deputy Insurance Commissioner Hugh Edenfield objected to Mr. Teale's use of Victoria letterhead in correspondence Mr. Teale signed as "underwriting manager."

"Your use of this company's letterhead conveys the false impression of your continuing to represent (Victoria) in an official capacity," Mr. Edenfield said in his letter.

"We have notified many insurance departments that this authority ceased as of Dec. 30, 1987. Therefore, any contact you have with any insurance department or the public should correctly convey your relationship with (Victoria)."

But, a Sept. 29 statement Mr. Teale sent to a TRT producer regarding Victoria's suspension was on letterhead reading, "TRT Associates Inc., Underwriting Managers for Victoria Insurance Co. Ltd. (A company admitted in the state of Georgia)."

The statement describes TRT and Fenmar Interna-

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Inside

✓ We are outraged that Congress has once again passed benefit legislation without any public scrutiny, says this week's editorial. **PAGE 8**

✓ In Ask a Risk Manager, Susan M. Werner, director of risk management for Hardee's Food Systems Inc., explores ways to control workers compensation claim frequency and expense. **PAGE 53**

✓ Self-insured employers have fared well against attempts at increased federal regulation but continue to face pressure on several fronts, warns the Self-Insurance Institute of America at the group's annual meeting. **PAGE 78**



✓ The relationship between public entities and risk pooling began as a marriage of convenience, but it apparently has blossomed into true love, a new study concludes. **PAGE 85**

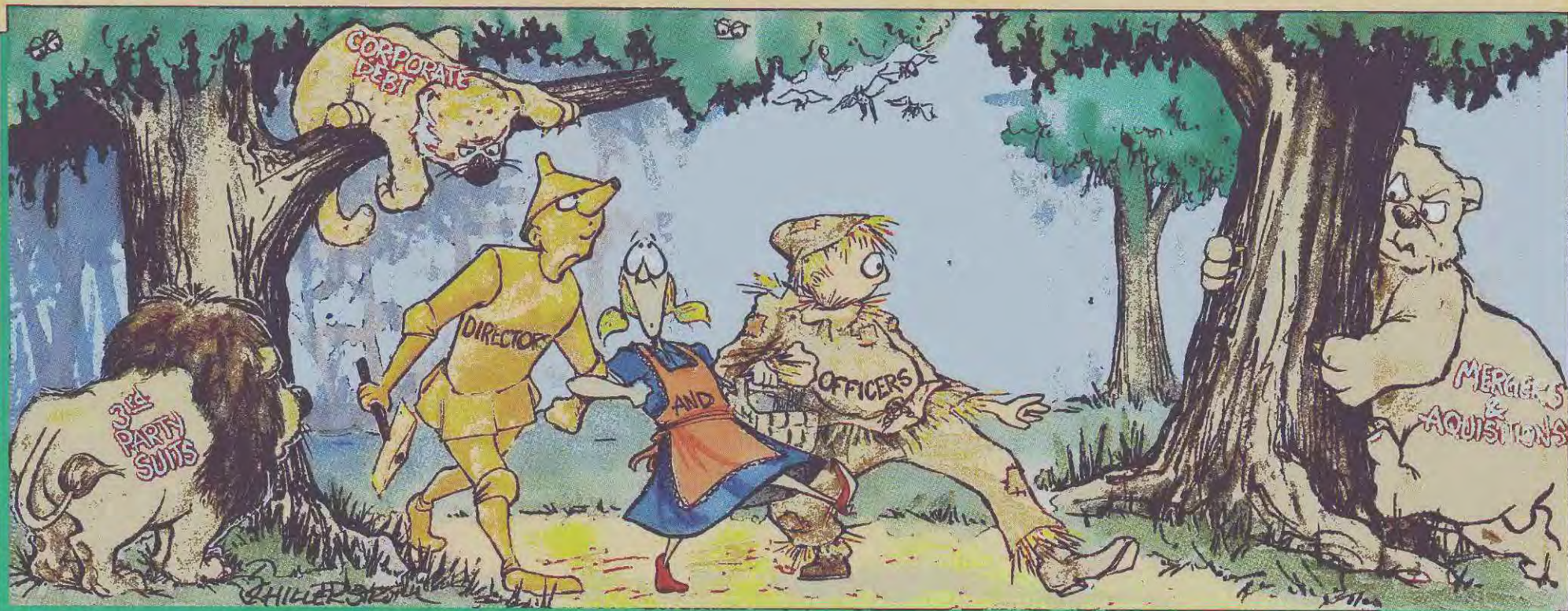
✓ Ralph Nader will be one of the feature attractions at the 27th annual Risk & Insurance Management Society conference, to be held April 9-14 in Atlanta. **PAGE 86**

✓ Liquidators of River Plate Reinsurance Co. Ltd. have begun legal proceedings to also force River Plate affiliate Transcontinental Reinsurance Brokers Ltd. into liquidation in Bermuda. **PAGE 99**

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Professional perils

D&O buyers still not out of the woods

By MARK A. HOFMANN

Directors and officers are more easily protected today from the dangers of the corporate jungle than they were three years ago.

More insurers are writing directors and officers liability insurance to protect company officials from claims filed by disgruntled shareholders, spurned merger candidates, dissatisfied bondholders and other corporate predators.

However, despite softening in the D&O market, insurance buyers still are not out of the woods: No one expects the market to return to the buyer-friendly days of the early 1980s.

Insurers—spurred by competition

from new D&O underwriters—are cutting rates an average of 5% to 20%, but the market's recovery is better reflected in greater capacity, less stringent terms and conditions, lower deductibles and fewer exclusions.

And, while many insurers and brokers expect the D&O liability insurance market to continue to soften through 1989, some remnants from the hard market remain and likely will stay D&O market fixtures.

Some policy exclusions—like those for pending and prior litigation—will remain a staple of D&O policies, according to insurers, brokers and consultants.

In addition, many insurers say they will continue to underwrite the risk

on a case-by-case basis.

Meanwhile, directors and officers face increased liability for their roles in mergers and acquisitions following recent court decisions (see story, page 10).

Observers link the softening of the D&O market to the softening in the overall property/casualty insurance market.

Insurers "are getting serious about underwriting this exposure again," said Susan M. Werner, director of risk management for Rocky Mount, N.C.-based Hardee's Food System Inc., a national fast-food chain.

While prices have not dropped to pre-hard market levels, insurers have softened terms and have dropped exclusions, she said.

"People are getting something for their premium dollar again," she said.

Today's market is a far cry from the sellers' market that existed only 18 months ago, said Betsy Headd, vp of Continental Guaranty & Credit Corp., a New York-based unit of Continental Insurance Co.

New players, lured by the high prices commanded by D&O coverage, have entered the market. That has fueled competition both in pricing and policy terms, said Ms. Headd. And, "there is definitely a lot of capacity out there," she said.

"Generally speaking, market conditions have improved from those of a year ago in terms of quality of cov-

Continued on next page

Few see cutthroat E&O competition

Although rates for professional liability coverage generally are dropping and capacity is more abundant, few observers expect rampant competition among underwriters of these specialty risks.

Even with rates for errors and omissions and directors and officers liability insurance falling, the discounts are meager when compared with the triple-digit rate hikes of the last hard market.

However, one trend is emerging that observers say may help calm the turbulent professional liability market: Underwriting specialization.

Meanwhile, professional liability coverage is becoming more readily available for those willing to pay for it.

"For accountants in general, the picture is brighter," said Ervin Kranberg, president of Professional Liability Consultants Inc. in Des Plaines, Ill., pointing out that prices offered by many professional liability insurers have stabilized (see story, page 14).

However, little softening has been witnessed by Michelle A. Duffett, executive vp of Professional Indemnity Management Co., a Chicago-based managing general agency that is offering a new

accountants E&O program written by Homestead Insurance Co. of Philadelphia.

"Our entry has softened it slightly," she said. "But certainly it was not our intention to come in and have people relax their underwriting standards or lower rates, and we are not seeing our competition cutting rates at renewals."

The outlook also appears cloudy in the lawyers professional liability insurance market. While new capacity is pushing rates down for some firms, increases in the frequency and severity of E&O claims are prompting rate increases for other firms, especially those involved in risk-prone specialties like securities work (see story, page 11).

And, while the market for directors and officers liability coverage appears to be stabilizing, that may change as company officials become increasingly vulnerable to lawsuits following recent court decisions (see story, page 10).

"The thing that strikes me most is the lack of predictability of where those exposures are," says Dan A. Bailey, co-author of "Liability of Corporate Officers and Directors," which is reviewed on page 53.

However, the formation of alternative market facilities to write professional liability coverages and the specialization of commercial underwriters in E&O and D&O insurance may make it easier for underwriters to predict loss trends.

Niche underwriting will stabilize the industry because underwriters familiar with risks presented by a particular industry or class are less likely to follow the market on pricing, said consultant Ron Boggs with The Wyatt Co. in Chicago.

Most commercial insurers already are underwriting such lines as lawyers E&O by practice specialty, according to Ronald E. Mallen, a partner with Long & Levit in San Francisco.

"I think specialization pays off; you're more focussed," concurs Betsy Headd, vp of D&O insurer Continental Guaranty & Credit Corp. in New York.

Adds Robert Coleman, president of Assn. of Trial Lawyers Assurance (A Mutual Risk Retention Group) in Chicago: "I think we will see a proliferation of (bar) association-sponsored programs," but they will be more targeted to special groups of lawyers.

Asbestos removal risks

Asbestos abatement contractors are scurrying to find liability coverage. And, some restrictive policies hardly qualify as a transfer of risk. **Page 23**

Fine arts risks expand

Despite growing exposures, museums and galleries still are buying commercial insurance rather than form alternative facilities or self-insure. **Page 26**

Scuba market rides waves

Long-term relationships among scuba retailers, insurers and brokers have enabled dive shops to continue their inner space exploration. **Page 30**

Financial guarantees

Rates for municipal bond insurance, the most common form of financial guarantee, have dropped as much as 50% in the past three years. **Page 33**

Spotlight report

D&O liability

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 erage and price," agreed Benno Friedman, vp-financial services division of Alexander & Alexander of New York Inc.
 But underwriters are looking at risks on a case-by-case basis, so "generalizations on pricing don't hold that much water in D&O," Mr. Friedman cautioned.
 However, he predicted the D&O market will continue to soften throughout 1989.
 "The D&O marketplace is very competitive," observed John R. Cox, chairman of A.C.E. Insurance Co. Ltd. of Bermuda, which offers \$50 million of D&O coverage excess of \$25 million to A.C.E. policyholders. He also predicted that the market would remain competitive well into next year.
 The D&O market may be better defined as "more responsive" rather than softer, said Stephen Sills, senior

vp-underwriting of Simsbury, Conn.-based Executive Risk Management Associates, a subsidiary of Hartford, Conn.-based Aetna Casualty & Surety Co.
 Mr. Sills explained that underwriters today are more willing to fine-tune the D&O products to buyers' desires.
 ERMA writes up to \$30 million in D&O limits on a primary basis.
 Reductions in D&O rates have lagged behind prices in the property/casualty insurance market as a whole, said Edward J. Shields, a consultant with Huggins Financial Services Inc. in Philadelphia.
 For example, he said, premiums for some good property risks have dropped between 30% and 50%, and casualty rates for attractive risks have dropped between 25% and 40% during the past year or so.
 However, D&O rates for good risks generally have fallen by only 5% to 15%, he said.
 Michael Segal, president of Near

North Agency, a Chicago brokerage, said prices have dropped "dramatically" during the past two years. He estimated that this year's renewal prices dropped by 15% to 25% in some cases.
 That decline has to be put in perspective, however, Mr. Segal added: Some customers had experienced rate hikes of 1,000% when the market contracted.
 Mr. Sills said ERMA has cut prices by 10% to 15% from last year, and he estimated that competitors' prices generally have fallen by a similar percentage.
 "American industry is doing better today, and price has to take that into account," Mr. Sills said.
 A.C.E.'s Mr. Cox offered a "pure guess" that D&O rates for Fortune 1,000 companies had declined about 10% from last year.
 Some insurers have cut prices even more for good risks. For example, Jackson, Miss.-based First Mississippi Corp. earlier this year paid

about 30% less for D&O coverage than it had the year before, according to Mark F. Wilson, corporate risk manager.
 However, insurers are not cutting prices across the board.
 For example, Morristown, N.J.-based Crum & Forster has not reduced prices, despite increased competition, pointed out Bruce A. Henriksen, vp with Chicago-based Crum & Forster Managers Corp. (Ill.), which underwrites much of Crum & Forster's D&O business.
 In fact, rates have increased for some risks, he said.
 Ralph Jones, vp and national manager of the Executive Protection Department of Warren, N.J.-based Chubb Corp. stressed that even given the renewed competitive spirit in the D&O marketplace, his company "is making pricing decisions on the basis of individual merits."
 Chubb offers up to \$25 million of D&O limits on a primary basis.
 CNA Financial Corp. approaches

a D&O risk the same way, according to Roger E. Lumpp, vp-financial institutions.
 "I'm not sure there is such a thing as a D&O marketplace," said Mr. Lumpp, noting that while the market is softening for some risks, it is remaining static for some accounts and hardening for others.
 CNA offers limits of up to \$15 million on a primary basis, unchanged over the past year.
 Mr. Lumpp said that CNA is trying to maintain an even keel in dealing with the market. "I don't think we want to be known as an underwriter that does anything significantly different from year-to-year."
 The softening of the D&O liability insurance market is reflected more in other respects.
 For example, capacity for D&O risks is growing because more insurers are actively seeking to write the business. Primary D&O limits of as much as \$30 million now can be found, and some buyers can obtain as much as \$150 million of excess liability insurance.
 "This market's not acting a lot differently" than before the market tightened in the mid-1980s, observed Jeffrey W. Greenberg, president of National Union Fire Insurance Co. of Pittsburgh, Pa., a New York-based unit of American International Group Inc. National Union writes up to \$25 million of D&O limits on both a primary and excess basis.
 Mr. Greenberg said that during the early 1980s, about 30 insurers actively were seeking D&O liability insurance business. When the market contracted, the number of D&O underwriters shrank to a handful, including National Union.
 The mid-decade flight of D&O markets was reflected in the results of Wyatt's biennial "Directors and Officers & Fiduciary Liability Survey 1987" (BI, July 6, 1987). The survey showed that only a handful of U.S. insurers wrote the majority of D&O insurance between 1984 and 1986. According to the survey:

- AIG wrote 41.1% of all primary premium and 28.2% of all primary policies. The insurer wrote 18.8% of the excess premium volume and 17.9% of all excess policies.
- Policyholder-owned Directors & Officers Liability Insurance Ltd. of Bermuda wrote 16% of the total U.S. premium volume but wrote only 3.6% of policies.
- Chubb, through its Federal Insurance Co. unit, wrote 12% of the total U.S. premium volume. The insurer wrote 24.1% of all primary D&O policies and 15.7% of all excess policies.

Today, new entrants have swelled the ranks of insurers actively seeking D&O liability insurance business to about 20, said Mr. Greenberg. However, he predicted that many of those markets will vanish when the market hardens again.
 "There are certainly a lot more options around for buyers," Mr. Greenberg said.
 Among the new markets is Continental Guaranty & Credit, which in May began providing \$5 million of limits for directors and officers of banks. Continental's Ms. Headd said the insurer may later offer policies targeted at other types of financial institutions, including some savings and loan associations.
 ERMA earlier this year began marketing a policy offering \$10 million in limits for outside, non-salaried corporate directors.
 In addition, ERMA plans to introduce by next month a policy providing \$30 million of limits for the directors of non-profit organizations Mr. Sills said.
 Dearborn Insurance Co., a unit of Chicago-based Aon Corp. that was licensed last year by the Illinois Insurance Department, began writing \$2 million of D&O limits on a primary and excess basis earlier this year (BI, Feb. 1). The insurer is writing on a non-admitted basis in all states except Illinois.

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D&O liability

Continued from page 4

Established D&O markets also are increasing the limits they will write.

For example, New York-based Home Insurance Co., a unit of The Home Group Inc., announced last month that it was doubling the D&O limits it will offer on both a primary and excess basis to \$5 million.

Home will write the coverage for, among others, new companies and firms going public, which have been hard-to-place risks, a spokesman said.

And, CFMC (Ill.) and International Surplus Lines Insurance Co., a wholly owned Crum & Forster subsidiary, currently offer primary limits of up to \$5 million, up \$2 million from 1986.

Assistant Vp Jeanne M. Murphy predicted that the market will not charge significantly before January renewals.

Meanwhile, major offshore cap-

itives and facilities say that competition has not eroded their share of the D&O insurance market. Offshore insurers emerged as major D&O markets during the contraction of the mid-1980s.

For example, Mr. Cox of A.C.E. said since its inception in 1985, the facility has lost "only seven or eight accounts." A.C.E. currently has more than 100 D&O policyholders, he said.

And, the book of business of Corporate Officers & Directors Assurance, Ltd., which is managed by A.C.E. subsidiary A.C.E. Insurance Management Ltd., has not been reduced by competition, Mr. Cox said.

"But, we're not seeing the volume of submissions we saw 18 months or two years ago," he acknowledged.

A spokeswoman for Argus International Ltd., which manages Bermuda-based Directors & Officers Liability Insurance Ltd., said policyholders are not deserting the facility.

DOLI offers limits of \$25 million

for both primary and excess coverage. The Argus spokeswoman would not reveal by how much DOLI is reducing rates.

Kenneth S. Wellner, a consultant with The Wyatt Co. in Chicago, stressed that the money and effort expended by participants in facilities like A.C.E. promote policyholder loyalty.

"We don't see people dropping out of A.C.E. and CODA," agreed A&A's Mr. Friedman.

However, insurance buyers that are not currently participating in alternative markets now find "there's less reason to get in now" than there was a year ago and are turning to the traditional markets for coverage, Mr. Friedman said.

"The offshore programs like A.C.E. are still strong" because of capacity and the commitment of their members, said Mr. Sills of ERMA.

But "we're not seeing the formation of new captives" because the traditional markets are providing

coverage at affordable prices, he explained.

"We're seeing interest by folks who were self-insured or buying offshore. I certainly don't see any move toward self-insurance," said National Union's Mr. Greenberg.

Some insurers also have dropped several of the exclusions that festooned D&O policies in the hard market.

Some buyers have seen a "substantial loosening of terms," Wyatt's Mr. Wollner said.

"What we're seeing is less an actual reduction in premium for good risks than larger limits and better terms," Mr. Shields of Huggins Financial said.

For example, insurers that previously insisted on a \$25,000 deductible per director now require \$10,000 deductibles, according to Mr. Shields of Huggins.

In addition, some insurers are dropping required corporate retentions dramatically to less than

\$200,000 in some cases from as high as \$500,000.

National Union announced in June that it would begin offering three-year D&O insurance programs. The new program consists of three consecutive one-year policies that will be renewed at the same terms and conditions as long as there is no material change in the policyholder's risk profile.

Mr. Shields also pointed out that insurers appear to be "backing off on some exclusions," such as denying coverage for outside directors.

Policies generally contain fewer exclusions, and "underwriters are more readily agreeable to consider extensions than they were a year ago, and certainly more than they were two years ago," Mr. Friedman said.

For example, Continental's financial institutions program contains no exclusion for merger and acquisitions activities or exclusion for the management of pension plans for third parties.

And, the new National Union form contains a revised hostile takeover exclusion that does not apply if the policyholder gets favorable legal and investment opinions.

The new form also offers a revised "insured vs. insured" exclusion that does not apply to actions brought by company affiliates that are not subsidiaries or named risks on the D&O policy.

But some exclusions, particularly the insured vs. insured provision, appear to be "resilient," Wyatt's Mr. Wollner said.

That exclusion bars coverage for lawsuits brought by the company against its directors and officers to recover under its D&O policy.

In addition, insurers generally exclude coverage for pending or prior litigation and pollution and environmental damage.

Despite the softening of the overall D&O market, some directors and officers still find coverage difficult to obtain.

Directors of financial institutions and of newly created entities have a harder time finding coverage than directors of Fortune 500 companies, said many insurers and consultants, because typically more claims are filed against these type of institutions.

Sometimes outside directors are also harder to insure, they said.

However, National Union's Mr. Greenberg said the insurer makes "no distinction between inside and outside directors. The plaintiffs don't.

"Uninformed and greedy directors are the biggest risks," he said.

Because underwriters are approaching their risks on a case-by-case basis, there is no reason to call one class of directors greatly more attractive than others, said A&A's Mr. Friedman.

For example, he said that because of the "improved climate" of the D&O liability insurance market, some directors in industries generally considered risky, such as utilities and savings and loan institutions, now are able to find coverage.

ERMA's Mr. Sills said his company writes all classes of business except contractors and real estate developers.

Directors of savings and loans associations and investment banks are generally harder to place on the market as a whole, he said.

ERMA does write coverage for financial institutions.

Underwriters also are still cautious about getting involved with directors of companies involved in leveraged buy-outs, Mr. Sills said.

Companies involved in corporate restructuring and widely diversified companies present a somewhat greater D&O risk than others, said Chubb's Mr. Jones. Well-managed companies exist in every industry, he said.

"The key characteristic of well-managed companies is people who understand the expectations of their constituents," Mr. Jones said. ■

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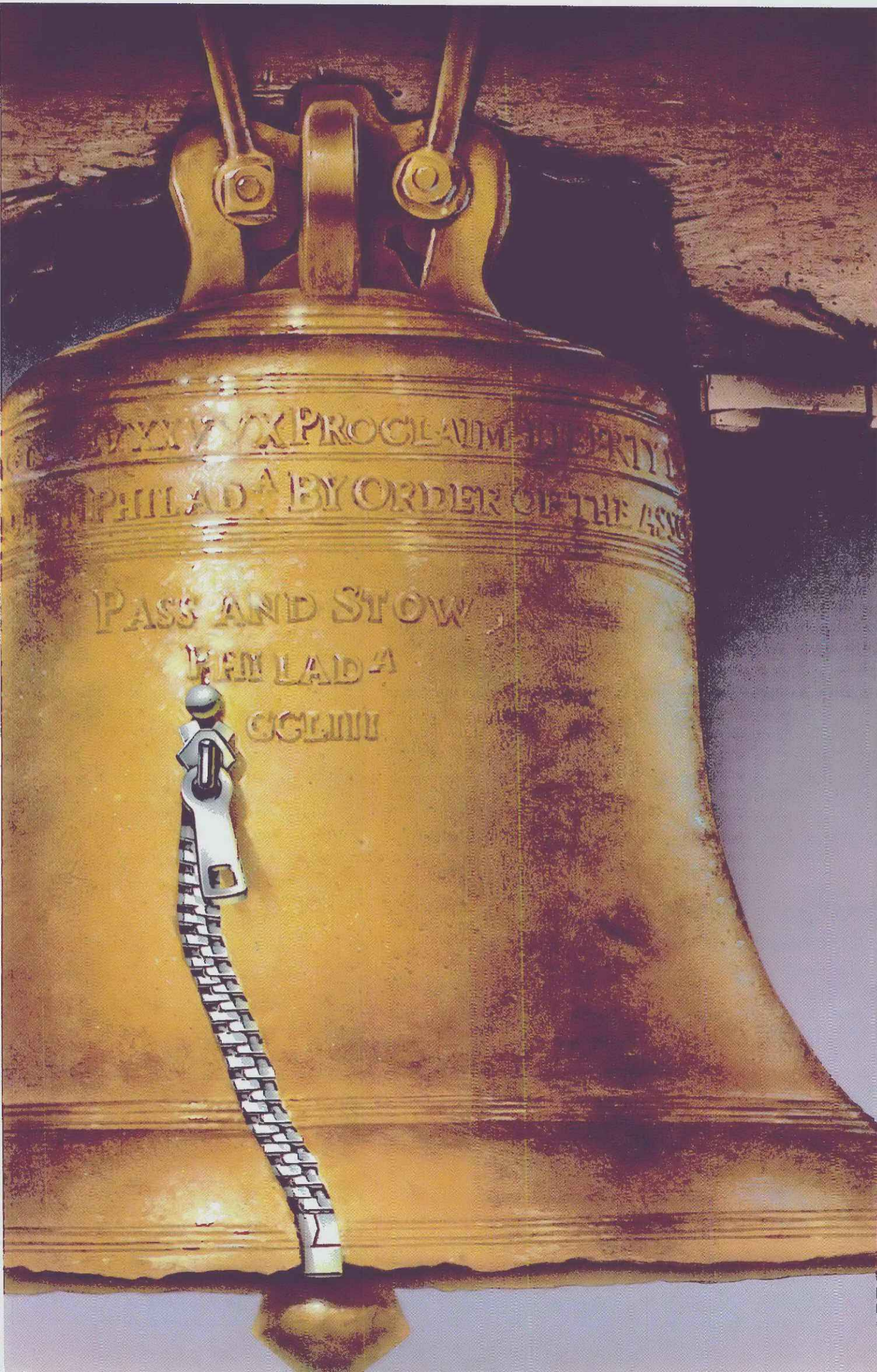
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Opinions

Congress' sucker punch

THEY'VE DONE it again! Members of Congress have tacked an important piece of employee benefits legislation onto an unrelated bill without holding a single hearing on the subject. And, again, they're giving employers and employees virtually no time to comply.

Contained in the massive welfare reform package passed by Congress last month is an obscure provision that requires an employee to offset his or her child-care expenses eligible for federal income tax credits by the amount he or she contributes to a flexible spending account for dependent care.

In short, workers beginning Jan. 1 must decide whether they want to finance their child-care costs through an FSA or take a tax credit for their day-care expenses. They can no longer finance the bulk of their child-care expenses through an FSA and then take a tax credit for any additional child-care costs.

Congress' irresponsible action comes as a shock for several reasons.

We find it unbelievable that Congress would pass a measure that will hamper working parents' efforts to find quality day care for their children at a time when public officials—including the presidential candidates—are advocating that the government help workers with their day-care burdens.

In addition, by giving the provision a Jan. 1 effective date, Congress is allowing employers insufficient time to inform workers about the change. In fact, some employers with flexible benefit plans now are distributing benefit election forms for 1989 to workers, while employees at some companies have already completed their benefit elections. Presumably, employers that offer FSAs must re-enroll employees in light of the new law.

But, while we are concerned about the administrative headaches the new law will cause employers and the financial burden it places on employees, we are more outraged at Congress' continued



willingness to pass benefit legislation without any public scrutiny.

Unfortunately, we cannot point a finger at any one legislator for this latest debacle: No one is taking responsibility for introducing the provision. Benefit observers say the measure likely came from a list of revenue-raising proposals maintained by tax committee staffers.

Employers know all too well that hastily enacted benefit laws are nearly always bad laws. COBRA's health care continuation provisions and the Section 89 non-discrimination rules—both of which were passed after virtually no consideration—come to mind quickly.

It's probably too late to do much about the child-care provision. However, employers can ask their legislators—especially those running for re-election—if they really knew what they were voting for when they approved the welfare bill. Keep their response in mind when you vote on Nov. 8.

Letters

Pension terminations can hurt participants

To the editor: Your Sept. 26 editorial opposing any restrictions on employer raids on pension plans states that "if workers or retirees are hurt by reversions (of so-called overfunded pension plans), we can't see it."

In 1987, more than one-fourth of terminated pension plans were without any replacement, though less than 7% of reversions were due to claimed business necessity. In fact, Pensions & Investment Age reports in its July 25 issue: "Incidence of corporations terminating pension plans without starting any successor plans have increased dramatically since 1985 and eventually could represent the majority" of terminations." This is based on estimates from the Employee Benefits Research Institute that by the end of this year 50% to 75% of all terminations will be by corporations that do not intend to replace their defined benefit plans.

The Department of Labor estimates that when plans terminate, participants lose an average of 45 cents for every dollar they would have received if the plan

had not been terminated. Since 1980, 1.9 million pension plan participants have been affected by reversions with an average loss of \$9,700.

Can you still say that workers and retirees are not hurt by reversions?

Bert Seidman

Director

Department of Occupational Safety
Health and Social Security

AFL-CIO

Washington, D.C.

More to mythmaking than absence of truth

To the editor: I really must take issue, very gently, with Sandra E. Knapp over the definition of "myth" and "mythmaking" (*BI*, Sept. 12) because lying has nothing to do with the topic; romanticizing does. According to the Oxford English Dictionary, the author of *Religio Medici*—Sir Thomas Browne—used the expression in the same way as I as early as 1640, and hundreds of others have done so since. Moreover, the process of mythmaking in this broader sense is well-known to every political science and anthropology major, among others.

Nevertheless, Ms. Knapp is entirely correct when she suggests that myths frequently have a religious connotation, as was well-illustrated in her response to my original letter (*BI*, Aug. 15). Not only did James Tye, in a subsequent letter (*BI*, Aug. 22), acknowledge that he accepts every myth that Ralph Nader has to offer, but in the process he raised Nader to the level of a cult figure. Thus, to question Mr. Nader's authoritarian proclivities

becomes, for Mr. Tye, not criticism but blasphemy!

Peter Downes

Risk Manager

American Trading

& Production Co.

Baltimore

No-fault won't dent insurance costs

To the editor: The skyrocketing cost of automobile insurance is a plague of our times, but I wonder if no-fault, as proposed by William M. McCormick in his Perspective article "California Vote", is really the answer (*BI*, Sept. 19).

No-fault has been around for a number of years and, here in Pennsylvania, it finally got a well-deserved bullet after much haggling between the Legislature, the legal profession and the insurance industry. Mr. McCormick speaks of true no-fault at the same time he recommends lowering legal fees. It seems to me that true no-fault should do away with legal fees.

In Pennsylvania, we attempted to have a no-fault system with a \$750 threshold, after which the attorney has his heyday. The result was higher medical bills and correspondingly higher cost with nary a dent in lawsuit follies.

So long as our society, as epitomized by California's track record, remains lawsuit-happy, auto insurance rates will rise to pay for the fiasco.

Dean D. Young

Managing Partner

Dean D. Young Insurance Agency

Newtown Square, Pa.

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Mergers pose risk for company officers

By MARK A. HOFMANN

Corporate directors and officers may face increased liability for their roles in mergers and acquisitions in the wake of recent court decisions.

The legal climate for directors and officers has worsened recently and could deteriorate even more, according to two prominent D&O attorneys. They expect that shareholders likely will attempt to hold directors and officers liable for the repercussions of increasingly popular corporate spin-offs and mounting corporate debt.

But directors and officers that do their homework and seek the advice of outside experts before making decisions can minimize their exposure, attorneys say.

In addition, directors are taking some comfort in the fact that most states have enacted legislation that allow corporations to adopt policies stating that directors cannot be held personally liable for damages not resulting from illegal activity.

"Directors need to heighten their sense of informed vigilance," said John W. Morrison, an attorney with the Chicago law firm of Altheimer & Gray.

Mr. Morrison points to the March U.S. Supreme Court decision in *Basic Industries vs. Levinson* as an example of the increased exposure corporate officials face.

The court ruled that directors and officers cannot mislead shareholders about merger talks, but the court did not clarify what merger information must be disclosed to shareholders (BI, May 16).

In the case, some shareholders of Cleveland-based Basic, a chemical manufacturer, argued that company officials deliberately misled them during merger talks with Stamford, Conn.-based Combustion Engineering Inc. in 1977-78. The plaintiffs claimed they would not have sold their Basic stock for far less than Combustion ultimately paid for the stock if Basic officials had not denied merger talks were occurring.

Under federal law, companies cannot make false or misleading statements about "material aspects" of their operations.

The Supreme Court ignored the rulings of some lower courts that information regarding a possible merger does not become material until a preliminary merger agreement has been reached.

The Supreme Court held that information about preliminary merger talks may qualify as "material," but it declined to say when such information becomes material. That determination must come on a case-by-case basis, the court ruled.

"Basic is probably the most significant (D&O) case to come down" during the past year, because it also could subject directors to suits from a much broader class of claimants, Mr. Morrison said.

The court further ruled that investors can file class-action suits against companies that allegedly issue misleading information during merger talks, even if individual investors did not rely on that information when making their buying and selling decisions.

"The court ruled that you don't have to prove specific reliance," said Mr. Morrison. "That to me has created a much broader class of plaintiffs."

Dan A. Bailey, an attorney with the Columbus, Ohio, firm of Arter & Hadden, agreed that the *Basic* ruling is one of the most important recent decisions affecting directors and officers, but he also pointed to the 1985 Delaware Supreme Court decision in *Smith vs. Van Gorkum*

as a landmark D&O ruling.

The decision graphically demonstrated the actions for which directors and officers can be held liable, weakened a common defense and illustrated the high stakes that are involved in mergers and acquisitions.

In the case, shareholders brought suit against the directors of Chicago-based Trans Union Corp. for allegedly approving in 1981 the sale of the company to Chicago-based Marmon Group Inc. for far less than it was worth.

The court ruled that Trans Union directors were personally liable for not thoroughly investigating the takeover offer.

The case ultimately was settled for \$23.5 million, most of which was paid by Trans Union's new

owner and Trans Union's D&O insurer, Los Angeles-based Harbor Insurance Co., a unit of New York-based Continental Corp. (BI, Aug. 26, 1985; Aug. 19, 1985).

The "case was shocking to a lot of people in the business community" because it weakens the so-called "business judgment rule," which holds that all business officials occasionally make honest mistakes in judgment and should not be held liable for the repercussions.

The weakening of the business judgment rule, along with the size of the settlement, sent a chill through boardrooms, Mr. Bailey said.

In the past three or four years, courts have rendered more than 20 D&O liability awards of at least

\$10 million each, Mr. Bailey pointed out.

Both Mr. Morrison and Mr. Bailey cited merger and acquisition activity as one of the most serious exposures that directors and officers face.

Directors and officers find that "regardless of what they do, someone's going to be unhappy" during a merger or acquisition Mr. Bailey said.

Mr. Morrison also predicted that corporate spin-offs likely will become more common and, thus, become the source of more D&O litigation.

Another area that seems likely to lead to more litigation against directors and officers is the growth of corporate debt.

There will be a lot of suits

claiming a lot of different things but the common thread will be the enormous amount of corporate debt. As interest rates rise, we will see a lot more pressure on corporations to handle that debt," Mr. Bailey said.

"Debt is a big problem, particularly with mergers and acquisitions," Mr. Morrison said. "It not only has impact on the asset value of the corporation, but it can have an effect on the cash flow as well."

The key to minimizing exposures is to have competent people in boardrooms, the attorneys said.

"You need high-quality, independent people with the time and interest to serve as directors. This is no place for yes-men," Mr. Bailey asserted.

Continues on next page

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Continued from previous page

To help attract these people, corporations must provide directors and officers the greatest amount of protection allowed under state law. Mr. Morrison advised. Corporate bylaws must be examined to assure that directors and officers are provided that protection, he added.

Both attorneys also stressed the importance of seeking advice from competent inside and outside experts, particularly when engaging in merger and acquisition activities.

Mr. Morrison noted that directors are "usually attacked for an information shortfall." For example, directors or officers involved in a merger should call upon investment bankers and outside appraisers for advice, he said.

Mr. Bailey agreed, saying that directors should tap the services of qualified counsel, accountants and other specialists before making decisions. "All loss prevention procedures stem from this," he said.

And, Mr. Morrison offered one succinct piece of advice concerning directors facing what might be construed as a conflict of interest: "When in doubt, don't," he said.

While directors' and officers' liability exposure have increased, since the mid-1980s most states have passed statutes affording corporate directors some degree of

Mr. Morrison offers one succinct piece of advice concerning directors facing what might be construed as a conflict of interest: 'When in doubt, don't,' he says.

protection against losing their personal assets as a result of a D&O judgment. Mr. Bailey said the proliferation of such statutes is "unquestionably the single most significant development" in D&O law of the past few years.

Thirty-five states as of April 30 had enacted laws allowing corporations to limit directors' personal liability, according to Mr. Bailey.

Mr. Morrison predicted that the trend toward statutory protection will continue. Within the next two or three years, the protections offered under D&O statutes "will probably become pretty much a boiler plate in most state corporation acts," he said.

Both attorneys cautioned that directors and officers can be held personally liable for damages under some federal laws, which always supersede state law. ■

Lawyers E&O capacity boosted by new markets

By MEG FLETCHER

The direction of the lawyers professional liability insurance market depends on whom you ask.

New capacity, especially from the recent surge in lawyer-owned risk retention groups and group captive insurers, is pushing rates downward, some say.

However, increases in the frequency and severity of errors and omissions claims against lawyers are prompting some insurers to increase rates, especially for large firms and those involved in risk-prone specialties like securities work, others contend.

Some say rates for average risks of all sizes are down 15% or more

compared with a year ago, while others say rates are flat and a few say rates are increasing 20% to 30% for some large firms and up to 40% for big firms based in New York City.

The average cost of coverage on a per-attorney basis varies considerably by locale, points out Ronald E. Mallen, a partner with Long & Levit in San Francisco.

For example, policies with a limit of \$1 million cost an average Midwest attorney \$1,800 to \$2,200, while that attorney's counterpart in California pays \$3,500 to \$5,500 for the same coverage, according to Pat Myers, assistant vp with Evanston, Ill.-based underwriting manager Shand, Morahan & Co. Inc.

Yet, there is universal agreement that the market has improved in the past three years.

"Lawyers are in a strong market position," said Steve Brady, vp of professional industry underwriting at St. Paul Fire & Marine Insurance Co. in St. Paul, Minn. They have "fairly strong" access to capacity from both established insurers and new alternative facilities, he explained.

The four largest commercial insurers of lawyers E&O risks, according to Tim Plunkett, marketing director for professional liability insurance for St. Paul, are The Home Insurance Co., CNA Financial Corp., American International Group Inc. and St. Paul.

Other major markets include Attorneys Liability Assurance Society; units of Minet Holdings P.L.C., which wrote on behalf of Lloyd's of London syndicates; Shand, Morahan, which writes on behalf of Evanston Insurance Co., Insurance Co. of Evanston and Lloyd's syndicates; and Crum & Forster Managers Corp. (Illinois), which writes on behalf of Crum & Forster units.

Commercial insurers of medium-sized to large law firms typically offer \$5 million in primary limits, though they can provide substantially higher limits through the use of facultative reinsurance arrangements.

The availability of coverage for firms with fewer than 40 attorneys "is generally improving," but has been erratic, according to Mr. Berens. A year ago, smaller firms doing a substantial amount of securities or plaintiffs' work could not get coverage, he said.

New alternative facilities offering lawyers professional liability coverage include:

- Assn. of Trial Lawyers Assurance (A Mutual Risk Retention Group), which is licensed in Illinois as a captive and writes coverage nationwide.

ATLA Mutual, which began underwriting Aug. 1, expects to insure about 5,000 lawyers in firms with an average of five attorneys by the end of its first year of operation, said Robert Coleman, ATLA Mutual president.

ATLA Mutual offers primary or excess limits of \$1 million per claim/\$1.5 million aggregate. However, it may be able to provide up to \$5 million with facultative reinsurance, he said.

While ATLA Mutual hopes to reduce price fluctuations in the market, it primarily was established to assure availability and, secondarily, to improve the quality of services to policyholders, Mr. Coleman said.

- Professional Liability Underwriters Group, a Bermuda captive formed in September by 15 of the largest law firms in the United States. PLUG is designed to write less than \$5 million in limits in a

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Attorneys

Continued from previous page
 \$20 million on excess of \$20 million layer.

- Bar association-related insurers. About 24 states now have bar-related insurance companies that provide professional liability insurance to attorneys in those states, up from fewer than a dozen such facilities at the beginning of 1984, estimated Sheree Swetin, professional liability coordinator for the American Bar Assn.

Those companies are typically owned by individual attorney/policyholders and are operated by the state bar associations as mutual or captive insurers. However, many typically write coverage only for individual attorneys or small firms.

Earlier this year, bar associations in 10 less-populous states created the Attorneys Liability Protection Society Inc. The Nevada-licensed risk retention group began offering lawyers E&O coverage in March with

limits ranging from \$100,000 per claim/\$300,000 aggregate to \$5 million or more with the use of facultative reinsurance, said Richard Cowan, vp of Fred S. James & Co. of California in San Francisco. James provides some administrative services to the program, which has its executive offices in Missoula, Mont.

ALPS now writes policies for 740 lawyers located in: Delaware, West Virginia, Kansas, North Dakota, South Dakota, Montana, Wyoming, Idaho, Nevada and Alaska.

In addition, the Illinois State Bar Assn. expects to soon begin underwriting up to \$5 million in limits through a new risk retention group.

However, a few other state bar associations decided against forming insurers, in part because of high start-up costs, said Sylvain Dion, the Chicago-based head of The Wyatt Co.'s risk management practice.

Meanwhile, two commercial insurers also have begun underwriting lawyers professional liability cover-

age: San Diego-based Golden Eagle Insurance Co. this summer began writing up to \$5 million in limits on a primary or excess basis in Arizona and California; and three units of Philadelphia-based Reliance Insurance Group last year began offering up to \$10 million in limits.

And, larger firms—those with at least 40 attorneys—can obtain coverage from Attorneys Liability Assurance Society, said Chairman Mark Berens.

ALAS, which began as a Bermuda-based captive in 1980, now insures 37,000 attorneys in large firms in 45 states. In December 1987, it formed an Illinois captive to underwrite the policies, which are reinsured by the Bermuda facility. ALAS now offers limits of \$25 million per claim/\$50 million aggregate, the same as a year ago, Mr. Berens said.

While coverage is more available, its affordability still varies.

The new risk retention groups "usually have lower rates," while

more established captive programs have rates comparable to those charged by commercial markets, said Ms. Myers of Shand, Morahan.

Alternative facilities' lower rates may stem from the groups' lack of loss experience or the fact that they are based on previous estimates of claims frequency and severity, Ms. Myers said.

However, ALPS President Robert W. Minto Jr. said his organization's actuarially determined rates are competitive in some states, but in two states—West Virginia and North Dakota—the rates had to be set so high to be sound that few attorneys are attracted to the program.

However, in other states, like Alaska, some commercial insurers "are chopping rates like you can't believe," Mr. Minto contends.

"The marketplace is very competitive," said Robert Stalker, vp-marketing with Crum & Forster Managers Corp. of Illinois in Chicago, which offers combined single limits of \$5

million for firms with between two and 100 attorneys.

Rates are 10% to 15% lower than a year ago, said Jim Knupp, assistant vp in Crum & Forster's professional liability department.

However, "I don't see rates moving downward at all," said a spokesman for St. Paul, because of the increased severity and frequency of claims as well as general inflationary pressures.

For example, loss trends are prompting St. Paul to make new rate filings in several states, which may translate into an average 10% to 15% increase in rates, the spokesman said.

Meanwhile, another market observer said rates for large firms are rising about 20% to 30% nationwide. And, one source pegged rate increases for large firms in New York City at 20%, while another was aware of 40% rate increases.

Aside from rates, insurers are being more flexible in accepting higher-risk clients like those that do a significant amount of securities work, a few insurers say.

Nevertheless, most insurers continue to use tighter policy forms developed in the last hard market, which include defense costs within policy limits.

An exception is St. Paul, which offers a professional liability program that does not subject defense costs to policy limits in some states for lawyers whose practices exclude securities work.

While there was disagreement about rate trends, many concurred that both the severity and frequency of claims were up substantially in the past few years.

In fact, several observers cited the record \$50 million settlement a Philadelphia-based law firm recently made with the Federal Savings & Loan Insurance Corp. over its representation of a failed Florida thrift (*BI*, Aug. 15).

The FSLIC and other financial regulators have been "fairly successful" at suing on behalf of a financially troubled company to tap a lawyer's E&O policy for what amounts to a directors and officers liability claim stemming from an attorney's participation on a failing company's board of directors, Shand's Ms. Myers said.

As a result of the increased claims activity in lawyers professional liability, "there are more insurers and reinsurers who are beginning to realize the value of risk management," said Duke Nordlinger Stern, president of Duke Nordlinger Stern Associates Inc. in St. Petersburg, Fla., a risk management consultant.

And law firms themselves, particularly large firms that retain the first \$1 million in risk, "have a significant financial interest in preventing losses," said Stuart Pattison, managing director of M.I.P.I. Brokers, a Paramus, N.J., subsidiary of Minet Holdings P.L.C. He places insurance for about 150 law firms, most of which have more than 100 attorneys.

Typical risk management activities among law firms include dissemination of information about topics like docket control and client engagement and disengagement letters through newsletters, seminars, videotapes and bibliographies, said the ABA's Ms. Swetin.

While Mr. Pattison said he does not think law firms' risk management activities will translate into premium credits for some time, ALPS' Mr. Minto noted that his risk retention group already is offering discounts on premiums to attorneys who attend risk management seminars.

In addition, ALPS offers policyholders access to a toll-free telephone number for both peer support with technical questions as well as a claim expert's confidential help in handling malpractice claims.

ALAS' Mr. Berens also credits risk management measures, which include three visits by insurer representatives to policyholders each year, for holding ALAS' claims steady over the past three years.

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Accountants E&O market stable—for now

By MICHAEL BRADFORD

There is an uneasy calm in the accountants professional liability insurance market.

Rates that in some cases doubled during the past two years have stabilized and sufficient capacity appears to be available, especially for small firms.

But insurers and accounting professionals say it is still possible that the complex Tax Reform Act of 1986 will haunt accountants and insurers by spawning increasing numbers of errors and omissions claims.

And, court cases in some states have expanded the liability of accountants. Insurers and accountants also point out that a recent string of large awards could send rates for the coverage upward again.

In addition, some insurers and reinsurers remain afraid to commit capacity to accountants professional liability insurance for fear of taking "a big hit."

"During the (insurance) crisis, our profession was one of the hardest hit," said Walter Primoff, director of professional programs for the New York State Society of Certified Public Accountants, a 31,000-member trade group.

"A lot of insurance dried up and limits went way down," said Mr. Primoff, referring to the hard market cycle of the mid-1980s. "In the last couple of years, rates have still been very high, but coverage is available. In 1985, a lot of accountants couldn't get insurance."

In the last two years, "there has been a stability added that may or

may not be destroyed by tax reform," observed Robert Stalker, vp-marketing with Crum & Forster Managers Corp. of Illinois in Chicago.

Provisions in the 1986 Tax Reform Act are confusing and could be responsible for generating professional liability claims long after the law has taken effect, he said.

Mr. Stalker pointed out that while the accountants professional liability insurance market has softened, "if we see a tremendous increase in claims with regard to tax reform, it could harden again."

Michael Silchuck, vp with Herbert Landy Insurance Agency Inc. in Needham, Mass., said the biggest source of claims for small firms has always been tax-related and, he added, "with the big changes in '86, things will stay unsettled for a couple

more years."

Although the market for accountants professional liability insurance has softened since the end of the last hard cycle, large accounting firms have not reaped as many benefits from the market turn as smaller companies.

Restrictions on capacity "eased slightly in 1988," for Big Eight accounting firms, according to Peter Christie, chairman and chief executive officer of Montreal-based Minet International Professional Liability Ltd., which places coverage for those larger firms.

Though Mr. Christie said that the amount of coverage Big Eight firms can purchase is considered confidential, other sources estimate the largest accounting firms are able to purchase from \$50 million to \$100

million in primary and excess coverage worldwide.

Much of the coverage, Mr. Christie acknowledged, is placed in the London market.

The reluctance of reinsurers to take on Big Eight firms' risks has restricted the amount of primary coverage available, Mr. Christie explained.

"They are the major cause of the reduction of capacity," he said of reinsurers. "They have not come back" since the professional liability insurance market began softening.

Reinsurers, he added, "got pretty badly hurt" in several lawsuits that resulted in large awards against accountants.

Over the past two years, insurers have increasingly been called on to shell out large payments, like the one for nearly \$20 million paid by syndicates at Lloyd's of London to settle a suit brought against Peat, Marwick, Mitchell & Co. by the Federal Deposit Insurance Corp. over the 1982 collapse of Penn Square Bank of Oklahoma City (BI, July 14, 1986).

Later in 1986, Alexander & Alexander Services Inc. collected a total of \$24 million in a settlement funded by insurers of accountants Peat Marwick, Josolyne Layton-Bennett & Co. and de Paula Turner Lake & Co. (BI, Nov. 10, 1986). That settlement ended a lawsuit in which A&A alleged breach of contract and negligence against the accounting firms, which had audited Alexander Howden Group P.L.C. and its subsidiaries prior to A&A's 1982 acquisition of Howden.

Stan Oetken, assistant vp of Minneapolis-based Professional Liability Underwriting Managers Inc., agreed that "it is difficult to get reinsurance support. . . . The reinsurance market has not softened like it has in some other areas."

PLUM administers a program written by The Home Insurance Co. of Indiana, a subsidiary of The Home Insurance Co. of New York. The program offers medium-sized accounting firms \$1 million in errors and omissions coverage with a \$1 million aggregate.

"There is a general fear of this type of business until it gets a better track record," Mr. Oetken explained. Reinsurers, in particular, have a "general fear that they are going to get hit with a big one," he added.

Much of the fear is unfounded, Mr. Oetken remarked, because "we know thousands of CPA firms that have never had a claim."

Lack of reinsurance support is one reason the 2-year-old PLUM program has not expanded as quickly as developers had hoped, he said. The coverage currently is available in 13 states with approval pending in three others.

Reinsurers' fears have not been justified with regard to the PLUM program, said Mr. Oetken, who added that "the loss ratio has been favorable to this point, knock on wood. We had a couple of claims to policy limits."

If reinsurance market conditions do loosen, Mr. Oetken said he hopes to secure a reinsurance treaty that would allow The Home to write an additional \$1 million in limits. Firms with more than 10 professionals usually like to purchase more than \$1 million in coverage, he explained.

The accountants E&O coverage written by The Home is on a claims-made form with a one-year tail available if the coverage is canceled or not renewed. Coverage for prior acts also is available. Deductibles start at \$2,500.

Small accounting firms, those with fewer than 10 professionals, see the professional liability insurance market from a different perspective than their larger counterparts.

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WHAT HAS REINSURANCE IN COMMON WITH GOTTFRIED W. LEIBNIZ?



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Accountants

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"The Big Eight firms are really out there on their own," explained Mr. Silchuck of the Landy Insurance Agency. "Their experience hasn't had any influence on the ratings for smaller companies."

For example, he said that the program offered through Landy rates a risk by the number of covered professionals. Small firms pay from \$1,000 to \$2,500 per professional and "Big Eight firms are paying at least twice that," said Mr. Silchuck.

The agency offers coverage with limits up to \$3 million in a program sponsored by the National Society of Public Accountants. The coverage is written on a claims-made basis in all states except New York and Nebraska, where it is written on an occurrence-based form. About 7,500 policyholders are in the program, which is open to all CPAs.

The coverage is written by Chicago-based Transportation Insurance Co., a subsidiary of Continental Casualty Co., a CNA Financial Corp. unit. Like most programs for small firms, the NSPA coverage excludes securities exchange work and work that includes investment advice and asset management.

Mr. Silchuck said rates have stabilized for his agency's program after skyrocketing 150% in 1986 and 40% last year.

And, reinsurance is not a problem "because we've stuck with the smaller (accounting) firms where there is not a huge (claims) severity problem," Mr. Silchuck observed.

Mr. Stalker of Crum & Forster said the coverage written by C&F units North River Insurance Co. in Morristown, N.J., and International Surplus Lines Insurance Co. in Chicago for members of the American Institute of Certified Public Accountants in New York is another program that does not have serious reinsurance problems.

However, he added, the reinsurance market still does not wholeheartedly support this particular line of business.

The C&F program, which offers up to \$3 million in limits is "a large program properly underwritten with decent underwriting results," said Mr. Stalker. "We're not making tons of money on it, but it's profitable to the extent that it is highly desirable from a reinsurance standpoint."

The C&F program is administered by Rollins Burdick Hunter of New York Inc.

New capacity for smaller firms also is available from Homestead Insurance Co. of Philadelphia through Professional Indemnity Management Co., a managing general agency in Chicago.

The PIMCO program, in place since January, offers firms with 10 or fewer professionals claims-made coverage with aggregate limits of \$100,000, \$250,000 or \$500,000. The coverage is available on a surplus lines basis in 37 states and on an admitted basis in three other states and the District of Columbia.

About 200 policies have been written and response to the program is encouraging, said Michelle A. Duffett, executive vp with PIMCO.

So far, around 45% of policyholders have purchased limits of \$250,000 and another 45% have bought limits of \$500,000, said Ms. Duffett. The remaining 10% chose policies with limits of \$100,000, she said.

CAL Accountants Mutual Insurance Co., formed in 1986 to write coverage for California accounting firms, has increased the limits it offers. When the company began, it provided claims-made coverage with a \$750,000 aggregate. A \$250,000 excess layer was available through Classic Syndicate Inc. of the Illinois Insurance Exchange and Associated International Insurance Co. of Los Angeles.

Today, the insurer writes coverage for about 2,000 policyholders and offers primary limits of \$500,000,

\$750,000, \$1 million or \$2 million. No excess coverage is available.

Frederick Knauff, executive vp at CAL Accountants Mutual, explained that increased reinsurance support allowed the insurer to increase its primary limits. "We are getting ever more favorable reviews from reinsurers," he remarked. "They are very supportive of the program."

In July 1987, CAL Accountants Mutual boosted its rates 80%, said Mr. Knauff, while changing its calendar year so that policies that saw the increase were actually in force 18 months. In January 1989, he expects rates to rise another 28% in step with increases that normally accompany claims-made coverage during later policy years.

The price for coverage offered by

Admiral Insurance Co. of Cherry Hill, N.J., has remained fairly steady during recent insurance market cycles, said Ervin Kranberg, president of Des Plaines, Ill.-based broker Professional Liability & Consultants Inc.

Mr. Kranberg, whose brokerage places the coverage with Admiral, said the insurer "has tried to keep a pretty firm line of where premiums should be" for accountants professional liability insurance.

Admiral offers limits of up to \$1 million, but generally writes \$500,000 of coverage for small accounting firms. Last year, the insurer wrote gross premiums of \$5 million to \$6 million through the claims-made program offered by Professional Liability & Consultants, Mr. Kranberg estimated.

Ms. Duffett pointed out that although some insurers have increased the limits they offer, there is an absence of new players entering the marketplace.

"As far as I know, nobody else has entered this area since we came in last January," said Ms. Duffett.

C-PAC-O, a risk retention group that was being formed last year to write professional liability coverage for accountants, was scrapped before it could get off the ground (*BI*, Sept. 14, 1987). Mr. Primoff of the New York Society of CPAs said the market softened so much that there was no need to continue with plans for the group to offer up to \$1 million in claims-made coverage.

In California, plans to write the coverage through an offshore insurer

have been stalled because of a challenge from the California Insurance Department.

Norm Smith, owner of broker Capitol Workshop International Services Ltd. in San Francisco, said he intended to offer accountants professional liability insurance through his insurer, Professionals Prototype I Insurance Co. Ltd. in Barbados. The offshore insurer currently writes professional liability insurance for California lawyers (*BI*, Oct. 20, 1986).

However, the department would not allow the company to begin writing accountants professional liability coverage in California because of insufficient claims data and lack of an experienced underwriter to handle the CPA business, said Mr. Smith.

Continued on next page

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As soon as claims data can be assembled and a capable underwriter retained, "we will go ahead and approach the department and see if we can use the company to write lawyers and CPAs," Mr. Smith remarked. "We hope to have it all put together next year."

If coverage is offered through Professionals Prototype, it likely will be at limits of \$500,000, he said. An excess layer of \$500,000 probably will be available from Mr. Smith's Professionals Prototype Excess Insurance Co. Ltd. in Grand Turk, Turks & Caicos, British West Indies.

In recent years, insurers and accountants have been affected by several court decisions (BI, Oct. 20, 1986).

Whether the liability has been broadened or narrowed, "really depends on what state you're in," said Mr. Primoff.

"In New York, in general, the only person that can sue a CPA for liability is the client," he explained.

But in others, like New Jersey, "anybody that the CPA could reasonably guess could use those statements can sue," Mr. Primoff said. "Which means the whole world."

The landmark decision that narrowed the liability of

accountants in New York came in the case of *William Iselin & Co. Inc. vs. Mann Judd Landeau* (BI, April 18).

In that decision earlier this year, it was ruled that third parties such as investors and lenders must show that an accountant knew the third party would rely on the accountant's review or audit in making a business decision to prove the accountant was negligent.

But while the *Iselin* decision narrowed liability for accountants in one area, another ruling expanded it.

U.S. District Judge Charles E. Stewart ruled that U.S.-based firms can be sued in the states for negligence in preparing audits for other countries (BI, March 14).

The judge denied a motion by Arthur Andersen Co. to dismiss a \$260 million suit filed against it by the British Department of Economic Development in connection with audits the firm conducted for De Lorean Motor Co. and its Irish unit between 1978 and 1980. The British government had invested in securities offered by De Lorean.

Mr. Knauff also pointed out that accountants are becoming increasingly vulnerable to lawsuits stemming from work performed for troubled savings and loans. ■

Day-care liability cover available, but limited

By KARI BERMAN

The day-care liability insurance market is stabilizing, though underwriting guidelines remain strict and policies are full of exclusions, according to day-care liability insurance experts.

The newfound coverage capacity and affordability also may be short-lived, observers fear, as insurers feel the effects of the 1986 Tax Reform Act, observers say.

But some day-care providers are

hoping that proposed federal funding of a day-care liability reinsurance pool will further expand the market for the coverage.

While capacity is generally available, limitations and exclusions contained in child-care liability insurance policies often leave day-care centers—and employers with on-site day-care facilities—exposed to significant, uninsured exposures of which they are unaware until a mishap occurs, experts warn.

"Day-care centers have to check for loopholes in policies, such as exclusions of coverage for off-premises field trip accidents and kidnapping, which can occur during parental custody disputes," cautions James Strickland, president of Human Services Risk Management Exchange, a consultant in Austin, Texas. He estimated that a total of \$80 million in capacity is available nationwide.

After insurance companies suffered huge losses in the mid-1980s following a rash of day-care center child abuse incidents, all day-care center liability policies now specifically exclude coverage for child abuse and molestation.

"The child abuse issue has been a problem for insurers because there is not a set definition of abuse," said Barbara T. Nelson, insurance manager for Health One Corp. in Minneapolis.

"Anything that can be interpreted as mentally, physically or emotionally damaging to a child can prompt a parent to prosecute and take the insurance carrier to the cleaners," she explained.

Although child-care experts report that the day-care center child abuse scare of previous years has been diffused and that instances of day-care child abuse are fewer than in the past, liability insurers remain wary.

"Past loss experience is not indicative of future risk," according to Mike Waters, an actuary at the New York office of Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc.

"If you look at the past 10 years' experience in relation to premiums, there are only a few severe loss cases. Carriers are concerned about the perceived risk and are worried about having to cover claims for cases that exist but have not yet been reported," he added.

According to Mr. Strickland, there is a three- to five-year time lag between the initial incident and the actual filing of a claim, making it dangerous to rate a day-care facility on a one-year experience scale.

However, because it takes three to five years for claims to mature, Mr. Strickland cautions that insurers probably won't immediately lower premiums.

"These actions might help lower prices, but they might be premature. . . . A one-year experience rating will usually include only the smaller claims and at the end of the first year the incurred-but-not-reported claims will usually dwarf all others," he added.

CIGNA Corp. sends all of its day-care liability policyholders a loss control brochure and checklist, enabling each to perform a self-evaluation by checking for problems with facilities, playground and toy material, exits and transportation, said Robert LoConte, director of marketing operations for CIGNA in Philadelphia.

Each of the 3,300 day-care centers insured under the CIGNA program must adhere to the insurer's underwriting standards, designed in accordance with the regulations

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Day-care liability

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of the National Assn. of Education for Young People, Mr. LoConte said.

The NAEYP requires employee screening and training in addition to observance of a strict safety code, Mr. LoConte added.

"Our average premium for a day-care facility of 40 to 50 children is \$3,500 annually with a \$1 million basic limit and an umbrella limit of up to \$10 million," according to Mr. LoConte.

Another major player in the day-care liability market is Continental Insurance Co. of New York, which underwrites a program administered by Marsh & McLennan Group Associates in New York.

Continental's day-care program, developed three years ago under the guidance of the Child Care Action Campaign, protects providers against claims for injury from par-

ents and other parties for either combined single limits of \$500,000 or \$1 million, depending on the needs of the specific center, according to Fredrick Seifert, vp at Marsh & McLennan.

Also included in the package is medical payment coverage of \$10,000 per occurrence and an aggregate of \$20,000; and a \$50,000 limit for fire damage and legal costs, excluding criminal acts, liability for incidental nursing actions and personal injury, Mr. Seifert explained.

"Premiums are based on claims made, experience and the average number of children present on a normal day of occupancy. Minimum premiums begin at \$500 per year for a \$500,000 limit and \$625 per year for a \$1 million limit," he said.

To be eligible for coverage through this program, day-care centers must be licensed, engage in pre-hiring employee screening and

agree to regular safety inspections, according to Mr. Seifert.

"Our experience has been good because we take the time to inspect every facility and make sure that safety standards are being maintained," he added.

A third market for day-care center liability insurance is Los Angeles-based BMF Marketing Insurance Services Inc., a subsidiary of Bayly Martin & Fay International Inc., which offers its coverage through the National Care Provider Inc. Group Purchasing Plan. Policies are written by Topa Insurance Co. of Los Angeles, explains Joseph Silverman, president of BMF Marketing.

The BMF program—which is offered to licensed day-care centers in California only and based on the experience ratings of hundreds of California centers—charges a base premium of \$46 per child per year.

"We offer limits of either \$300,000 per occurrence with an

aggregate of \$300,000 or \$500,000 per occurrence with a \$500,000 aggregate," Mr. Silverman said.

"Liability is measured in terms of severity rather than frequency of occurrences," he said. For example, "although the majority of claims involve minor accidents, an infant death, such as one past claim involving strangulation on a pacifier, resulted in a \$500,000 settlement."

According to Charles Tagman, vp at the Boston office of Tillinghast, "there is less risk in covering large national day-care-center chains because they have to meet state regulations and pre-employee screening requirements, resulting in excellent histories for many of the major players in the day-care provider market."

Montgomery, Ala.-based Kinder-Care Inc., which provides daily care for 105,000 children in 1,200 centers nationwide and in Canada, is one such chain that has not had

problems obtaining insurance.

"Kinder-Care has done very well in the insurance market and is covered by a general liability policy that includes coverage for alleged or suspected child molestation," said Jerry Hill, director of risk management for Kinder-Care. He would not release specific coverage information.

Kinder-Care reduces the chance of an accident or foul play of any kind by designing facilities without inside walls so that children are in sight at all times.

Also included in Kinder-Care's risk management policy is pre-employee screening and employee training programs that often exceed state regulations.

"Kinder-Care has one of the better claims history in relation to the numbers and this showing has resulted in our ability to maintain proper coverage in a difficult market," Mr. Hill said.

But other companies have not been as fortunate.

La Petite Academy Inc., a Kansas City, Mo.-based national day-care-center operator that cares for an estimated 70,000 children in 650 locations, lost its general liability insurance coverage in July when American International Group Inc. in New York canceled its policy.

Although an AIG spokeswoman said the policy was dropped as a result of La Petite's excessive claims volume, Paul Vadovicky, La Petite's controller, reports that "AIG canceled the policy without giving a reason."

Mr. Vadovicky speculates that "AIG may have made confidential settlements for child abuse claims filed in 1985 when some policies contained child abuse protection, paid too much and then canceled the coverage."

The AIG policy had limits of \$1 million per occurrence, Mr. Vadovicky said.

La Petite is now self-insured for liability claims, he said.

Another reason La Petite—and other day-care centers—may encounter coverage availability problems is the changes in the tax law, which forces insurers to discount their loss reserves and increases their overall tax liabilities, Mr. Strickland speculates.

"We project that within 18 months there will be a tightening in the day-care center liability market as insurers respond to the new tax laws and find that they don't want to insure industries with large future risks when they are being forced to reduce their own reserves," he said.

Tillinghast's Mr. Tagman agrees that, "As the insurance industry realizes the implications of the 1986 Tax Reform Act, combined with increasing inflation and decreasing interest rates, the market will become more restricted."

However, on a more positive note, Mr. Tagman does not believe the premium increases and policy restrictions will be as severe as those of the hard market of the mid-1980s "because of a fear of federal intervention."

At least one proposed federal program is aimed at increasing day-care liability insurance capacity. The plan, proposed by Vice President George Bush, would establish a federal reinsurance pool that would make it easier for employers and day-care center operators to obtain liability insurance.

However, day-care liability experts critical of such a plan are concerned that making day-care coverage more accessible would enable unsafe facilities to operate.

"Federal money for liability coverage will certainly help more companies provide on-site care, but it might also help the poorer facility operate because the companies will not have to meet the safety standards required for coverage in the commercial insurance markets," Mr. Tagman said. ■

J&H INFOLINE

INFORMATION AND IDEAS ON RISK MANAGEMENT FROM JOHNSON & HIGGINS

NO.30

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American Safety Risk Retention Group, Inc. (ASRRG), a new stock casualty insurance company, is now providing liability insurance to preferred-risk asbestos abatement contractors.

The company is licensed by the state of Vermont and is authorized under the 1986 Risk Retention Act.

ASRRG is totally contractor owned and operated. Only shareholders can purchase insurance and only insureds may become shareholders. Shareholder/insured contribution to capital is included in the first-year premium.

Three policy forms are offered by ASRRG: claims made, reported occurrence, and occurrence. Coverage for liability arising out of asbestos abatement operations (including products and completed operations, personal injury, and professional liability) is provided. Policy limits are either \$1 million or \$2 million per occurrence and up to \$5 million in the aggregate.

ASRRG also will offer a program especially for building owners designed along lines similar to the contractors' program. Project coverage will be automatic for building owners who use ASRRG-insured contractors. For building owners not using these contractors, coverage will be available on a project-by-project basis. ASRRG has stringent loss-control guidelines for admission.

J&H is program manager for ASRRG, which is accessible to independent agents and brokers.

For more information, call your local J&H office, or Clayton Price or Tina Crouse at 404-586-0000.

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**Choosing A Reinsurer
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Employer-sponsored day-care holds risks

By KARI BERMAN

Though apprehensive about exposing themselves to increased liability, some employers are entering the risky business of either opening on-site day-care centers or sponsoring day-care facilities.

But employers that venture into the day-care realm are cautious, practicing strict risk management principles, while other employers mitigate their potential liability by subcontracting with established child-care providers or by supporting day care by issuing vouchers to employees rather than sponsoring a day-care facility.

However, consultants warn that employers that attempt to avoid day-care liability by transferring the risk to another provider or by offering

vouchers may still be exposed.

Employers are being pressured to play a larger role in unlocking day-care center doors by the growing number of "latchkey" children, a phenomenon that has resulted from the changing demographics of the U.S. workforce.

With three of every five women with school-age children working outside of the home, more than 2 million children are left alone for some part of the day, according to a recent U.S. Bureau of Labor Statistics study.

"Although employers tend to be frightened by liability risks, as companies are recognizing the need to aid employees with their child-care needs, significantly more are selecting on-site care," said Lewis Figh, vp of corporate child-care services for

Kinder-Care Inc. The Montgomery, Ala.-based day-care provider operates 1,200 centers nationwide and in Canada, in both independent and employer-affiliated settings.

Maryann Laketek, a consultant in the Chicago office of Hewitt Associates, agrees. While "employers are very quick to react to the risk of liability involved in creating an on-site facility," she said, they are expressing more interest this year than in the past.

But, "whether sponsoring certain facilities or building a day-care center on company grounds, there is a liability factor that is often a major stumbling block for employers who deal with this issue and they have to be aware of all of the risks," warned Susan Connolly, a consultant in the Boston office of William M. Mercer-

Meidinger-Hansen Inc.

Although obtaining adequate liability coverage is a primary obstacle blocking employers from building on-site company day-care centers, the risks can be minimized by implementing and enforcing strict internal loss control and risk management policies, said James Strickland, president of the Austin, Texas-based Human Services Risk Management Exchange.

He advises day-care liability policyholders to conduct in-depth loss prevention training programs for day-care center employees to develop their observational skills and improve behavior management, in addition to maintaining environmental and quality standards.

Combining these elements in a loss control program can reduce expo-

sures by teaching employees to anticipate accidents that can happen in technically safe facilities, Mr. Strickland believes.

And, Mr. Strickland predicted that as both insurers and policyholders become more aware of risk management programs that can help control day-care-related losses, they will become less frightened, resulting in an increase of both employer-sponsored and on-site day-care popularity.

For example, renewal discounts are being offered to day-care providers that participate in a day-care training program under the Family Day Home Care policy administered by BMF Marketing Insurance Services Inc., according to Joseph Silverman, president of the Sherman Oaks, Calif.-based subsidiary of broker Bayly, Martin & Fay International Inc.

Although some experts believe child care to be the employee benefit of the future and predict an increase in on-site day-care centers, some progressive companies, among the first to offer on-site day care, view child-care provisions as a problem of the past.

Miller & Schroeder Financial Inc. in Minneapolis responded to employees' requests for day-care assistance three years ago when a company day-care center opened its doors, according to Carol Anderson, vp of personnel.

Located in the lower level of a church one block away from Miller & Schroeder's main offices, parents can easily visit their children during the day and often join them for lunch, Ms. Anderson added.

Open from 7:30 a.m. to 6 p.m., five days a week, the center has a maximum occupancy for 34 children and averages 25 to 28 children daily, ranging in age from six weeks to 5 years.

"The first year we were open we priced ourselves 40% below market value, and the company lost \$100,000," Ms. Anderson said. "Now our prices are in line with the general day-care market, but we offer our employees the convenience of being near their children," she added.

According to Ms. Anderson, liability issues created major concerns when planning the center, and loss control programs were implemented in an effort to reduce the risks.

"We have a strict pre-screening procedure for all potential (day-care) employees which includes checking references, background information and police records. The threat of child abuse is very real and we do everything we can to avoid hiring a wrong person," Ms. Anderson explained.

Miller & Schroeder also avoids food contamination claims by having parents supply their children's food.

Although she could neither name the facility's insurer nor release specific coverage information, Ms. Anderson said the day-care center is covered by the company's general liability policy with limits of \$600,000 per occurrence.

Grieco Brothers Inc., a Lawrence, Mass.-based men's clothing manufacturer, has provided on-site day-care services for employees since 1986.

Because the company was having difficulty recruiting and maintaining personnel due to a lack of day-care facilities in the area, Grieco requested assistance from the city of Lawrence's Department of Social Services, explained Marianne Zeller, executive director of Grieco's day-care center.

"Now children of both Grieco employees and those of surrounding companies can use the facility that is subsidized by the city of Lawrence on a sliding scale based according to salary and family size," Ms. Zeller explained.

Continued on page 22

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On-site care

Continued from page 20

The 9,000-square-foot center currently provides care for 69 children, and employees of Grieco are pleased with the convenience that on-site care offers, she said.

"Parents like to come down during the day and check on things, and if we need them we have easy access," Ms. Zeller said. "The management understands the importance of working with the parents, and that is an additional help," she added.

Grieco purchases general liability insurance for its day-care center from Philadelphia-based CIGNA Corp., Ms. Zeller said.

"In order to get proper liability coverage, the center had to meet state safety regulations, maintaining proper ratios of children to supervisor," she said.

"Pre-screening of employees is also an important part of reducing the risks of liability," Ms. Zeller pointed out.

After surveying employees in the early 1980s, the St. Paul Children's Hospital in St. Paul, Minn., began providing on-site day-care in 1982, said Wendy Nielsen, director of the Children's Hospital day-care center.

Currently licensed for 80 children, the center offers child care to hospital employees at competitive prices but does not subsidize the cost, according to Ms. Nielsen.

"We are a non-profit organization and we need to cover our expenses. Parents understand this and feel that the resources of the hospital is worth the expense," she said.

In an attempt to reduce liability risks, the center uses an in-depth employee screening program that includes an FBI check, criminal check, finger-printing and pre-employee physicals.

"Although we are covered under an umbrella policy of the hospital, child abuse coverage is not included and we are very concerned with protecting both the children and others involved," Ms. Nielsen said.

While she identified the hospital's umbrella liability insurer as St. Paul Fire & Marine Insurance Co., she would not provide coverage details. St. Paul also would not comment.

Another way consultants advise employers to reduce their potential liability is by contracting with an established child-care provider rather than operating their own facilities.

For example, some employers that contract with Kinder-Care provide the space, while Kinder-Care manages the facility.

Walt Disney World in Orlando, Fla., contracted with Kinder-Care when attempting to help its employees with day-care needs, according to Pam Wells, senior representative of cast activities at the Magic Kingdom.

"Although Kinder-Care is on Disney property, they hire the employees, maintain it and run it like any other private Kinder-Care center, and in our periodic safety checks we find that they are very reliable," Ms. Wells said.

Walt Disney World employees who use the center receive a discount from Kinder-Care as stipulated in Kinder-Care's contract with Disney World, she explained.

Kinder-Care quells some of the company's fears by assuming liability for any accident resulting from the negligence of day-care center employees in its contract with Disney World, Mr. Figh explained.

"We have not had a problem, but if the situation arises, Kinder-Care is responsible," Ms. Wells said.

However, risk management experts report that often company managements are unaware of the intricacies of day-care center liability, assuming that the company is free from all risk when in reality it is still responsible.

"Many times companies contract with day-care operators so that the operator assumes part of the risk. The operator, however, does not absorb all of the liability because the

employer is involved in the selection process of the operator, making him unknowingly liable," explained Mr. Strickland of Human Services Risk Management Exchange.

Other experts concur that when a company takes part in any aspect of the decision-making process involved in selecting day-care facilities, it becomes vulnerable to liability claims.

And although many consultants tout voucher systems as being safer than subcontracting with child-care services, employers' liability exposure remains, employee benefit experts warn.

In a typical voucher system, like the one used by Cambridge, Mass.-based Polaroid Corp., the company provides the employee with a list of day-care providers and allows the worker to select from the list.

At Polaroid, an employee with an income of less than \$35,000 can receive a subsidy for 10% to 80% of child-care costs, depending on the

size of his or her family, said Verna Brookins, Polaroid's corporate community relations manager.

"The employee chooses a provider from our list of registered facilities and we enter in a contract with the provider for the amount that the company will pay," Ms. Brookins said.

"We have not had a problem with liability claims and our legal department has not indicated that there is a legal problem with this system," she added.

However, according to Gary G. Hafner, an employee in the property/casualty underwriting department at Hartford, Conn.-based Travelers Corp., "When a child is injured seriously or fatally in a day-care facility, all parties involved in any way can be sued."

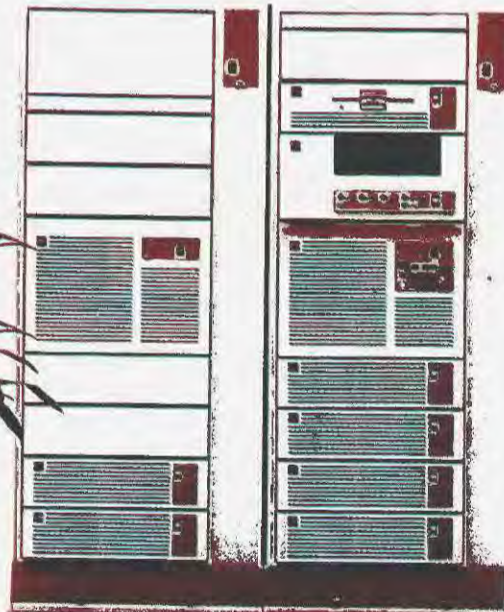
He further explained that waivers releasing certain parties from responsibility are often worthless when a child is injured as a result of negligence. ■



Photo: Miller & Schroeder Financial Inc.
Children of Miller & Schroeder Financial Inc. employees play at Safekeeping Corner, an employer-sponsored care facility in Minneapolis.

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Asbestos removal contractors' cover strict

By STACY ADLER

A growing number of asbestos abatement contractors are scrambling to find adequate liability insurance, only to realize that insurers are offering coverage that is so restrictive that it hardly qualifies as a transfer of risk.

Some observers also fear that some insurers that will underwrite the coverage may not be around in 20 years when asbestos abatement-related claims are expected to begin pouring in.

And, other insurers writing the coverage may not have ample reinsurance, observers say.

Few states set minimum liability insurance requirements for asbestos abatement contractors, but industry experts recommend that

contractors have a minimum of \$1 million in occurrence-based liability coverage for each job they perform.

But, much of the coverage that is available is either written on a claims-made form or an occurrence form riddled with exclusions, industry observers say.

Insurers have been reluctant to write coverage for the nation's 3,000 asbestos abatement contractors—already an estimated \$2 billion a year industry—because of the contractors' inexperience and insurers' general concern about asbestos.

However, observers note the market is much softer than it was a year ago, and others predict the market could soften even further.

The need for asbestos abatement

liability insurance is growing at exponential rates as the demand for asbestos removal increases.

"There is a tremendous need for coverage," said Vincent Bell, president of Risk Retention Group Management Co. The Burlington, Vt.-based captive manager helped form Fulcrum Risk Retention Group to offer coverage to asbestos abatement contractors.

Fulcrum, which is in the process of raising enough capital to offer contractors \$1 million in per occurrence limits, will offer a manuscript form that covers claims stemming only from the area of the building where the contractor removed asbestos, according to an underwriter for the captive.

Currently, liability coverage for asbestos abatement contractors is

available from only five insurers and about a dozen risk retention groups, according to said Tony Brown, a vp with broker Rose-Tillman Inc. in Northbrook, Ill., who specializes in placing coverage for asbestos-related businesses.

Those insurers write asbestos abatement contractors limits ranging from \$1 million to \$5 million on either claims-made or occurrence forms.

The insurers are:

- National Union Fire Insurance Co. of Pittsburgh, Pa., a unit of American International Group Inc., which has been writing coverage on an occurrence form that includes a sunset clause of typically four or five years.

- American Empire Insurance Co., a unit of Great American In-

urance Co. in Cincinnati, which has been offering coverage on a claims-made form.

- United Capital Insurance Co. of Atlanta, which writes coverage on a claims-made form.

- United Coastal Insurance Co. of Hartford, Conn., which writes coverage on a claims-made form. United Coastal was formed in part by ACMAT Corp. of East Hartford, Conn., one of the nation's largest asbestos abatement contractors, when that company was unable to find reasonably priced liability coverage (*BI*, Nov. 4, 1986; June 3, 1986).

- Fidelity Environmental Insurance Co. of New Jersey. Fidelity was licensed in 1987 with \$10 million in capital and offers occurrence policies with limits of \$2 million aggregate and \$2 million per job. The insurance is written on the Insurance Services Office Inc.'s 1986 version of the CGL form (*BI*, July 18).

Fidelity markets its coverage through a nationwide purchasing group known as Professional Environmental Contractors Inc.

All of the insurers offering coverage to contractors base premiums on a percentage—commonly 5% to 10%—of the asbestos abatement contractor's revenues. And, generally, insurers charge a lower rate for large jobs than for smaller jobs.

There are no regional differences in premiums, according to insurers. However, premiums vary greatly depending on the asbestos abatement contractor's experience.

For example, Fidelity stringently screens all applicants, according to President Emil D. DeVito.

While Fidelity has received more than 240 applications for coverage, it has only 80 policyholders, according to Vp Richard C. McDonough.

Many observers, meanwhile, argue that some of the available coverage can hardly be considered adequate coverage for asbestos abatement contractors.

"Often insurance is no more than a permit to work, not a real transfer of risk," warned Robert P. Ouellette, vp-corporate development at Versar Inc., an environmental engineering firm in Springfield, Va.

Because many of the policies are very restrictive, asbestos abatement contractors are not receiving real protection, he explained.

"A lot of the coverage being offered is more apparent than real," agreed Richard Grayson, vp with Johnson & Higgins in Atlanta.

He explained that a majority of the coverage available is written on either a claims-made form or on occurrence forms with very stringent exclusions.

Occurrence-based policies are preferred because they cover any insured event that occurs inside the policy period regardless of when the claim is filed. However, claims-made policies only cover events that occur and for which claims are filed during the policy period.

"The 15- to 25-year latency of asbestos-related illness makes claims-made impractical," explained Robert E. Mackin, president of Mackin & Co., a New York-based consulting firm.

"Claims-made coverage is virtually no coverage," agreed Mr. Ouellette of Versar.

"Everyone prefers occurrence forms," said Mr. Brown of Rose-Tillman. "But to this date no true occurrence forms exist without crazy exclusions."

"It is a problem for contractors to identify solid coverage," agreed Mr. Grayson of J&H.

Continued on next page

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The need for asbestos abatement liability insurance is growing at exponential rates as the demand for asbestos removal increases.
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Asbestos cover

Continued from previous page

Among the exclusions that asbestos abatement contractors and their employers must beware of are sunset clauses that stipulate the coverage ends when the abatement work is complete and exclusions for bodily injury due to "airborne particles."

"The typical insurance document has one page of what is covered and 20 pages of what is not covered," Mr. Ouellette said.

Mr. Brown and Mr. Grayson warned risk managers to obtain a copy of the asbestos abatement contractor's actual policy and "read it carefully."

Risk managers also should be wary of who—whether it is an insurer or a risk retention group—is underwriting the asbestos abatement contractor's liability insurance, said Mr. Grayson.

"Contractors must assess the likelihood that the company will be around in 20 years to pay claims," he said.

"This is the type of business that could easily attract (insurers) with less than adequate financing," warned Mr. Bell of Risk Retention Group Management Co.

"Many insurers writing coverage for asbestos abatement contractors are not well-established," said Mr. Ouellette of Versar. In addition, some insurers and risk retention groups may not have "solid" reinsurance programs, he said.

And, Mr. Grayson noted that many occurrence-based asbestos abatement liability policies are reinsured on claims-made forms, which could be a problem if the claims-made reinsurance is not renewed continuously.

However, asbestos abatement contractors may see some relief soon, observers say.

For example, premiums for asbestos abatement contractors liability insurance could drop significantly as the overall commercial property/casualty insurance market continues to soften, according to industry experts.

"As the market softens, more people may get into this area," said Mr. Mackin.

In fact, in the last 18 months, the asbestos abatement insurance market has begun to soften, according to Mr. Grayson of J&H. A year ago there were only three or four insurers writing the coverage, and they offered only claims-made policies for premiums that were 15% of revenues, he said. Today there are about 18 markets for asbestos abatement contractor liability insurance, of which at least three offer occurrence policies, he explained.

"In six months you will see real coverage available for contractors," predicted Daniel J. Sitomer, an attorney with Sitomer &

Continued on page 26



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Risk Management Planning and Support

Asbestos removal cover

Continued from page 24

Drexler in New York who works with several insurers considering entering this market.

As more standard insurers enter the market, the limits of liability coverage available to asbestos abatement contractors will increase to \$5 million on average, predicted Mr. Sitomer.

"Since there is money to be made" in this market, more insurers will begin offering this type of coverage, according to Mr. Orelleste.

However, other observers disagreed that traditional insurers will enter the asbestos abatement liability market in a significant way.

"No sane insurer would enter this market," said Mr. Bell of Risk Retention Group Management Inc.

Furthermore, he predicted that the market will not quickly soften because there is such a long tail.

Mr. Brown of Rose-Tillman agreed: "I don't see standard carriers jumping into this area. By the time they get in, most of the work will be done."

While 30 states require asbestos removal before renovation or demolition of buildings, only seven have addressed asbestos abatement insurance issues. And, only two of those states have established minimum insurance requirements for abatement contractors, ac-

ording to a report from that National Conference of State Legislators.

Arkansas and Illinois require contractors to have a minimum of \$500,000 in claims-made or occurrence-based liability coverage. Arkansas also requires that policies cover "asbestos," though the law does not elaborate further.

Delaware requires unspecified liability insurance for contractors working on state projects, including public school and state-owned buildings.

Rhode Island does not require contractors to have insurance. However, the state stipulates that physicians within the state must notify the director of health if they diagnose an asbestos-related disease.

South Carolina has no requirement regarding asbestos abatement insurance but has set up a task force to "minimize asbestos exposure in state-owned buildings, decrease asbestos liability for the state and recover damages from manufacturers," the NCSL says.

And, Virginia "ensures that all abatement projects are monitored by competent personnel and the Department of General Services reviews all abatement specifications," the report says.

Minnesota has offered the most assistance to asbestos abatement contractors, having formed a joint underwriting association to provide liability coverage to those unable to find insurance elsewhere. ■

High prices, popularity increase fine arts risks

By DEBORAH SHALOWITZ

Like an elite club whose members have known each other for years, the closely knit business of fine arts insurance is built on years of trust and extreme caution.

Stability is a hallmark of the business.

However, skyrocketing fine art values are pushing premium volume up, and soaring museum attendance has increased the risks to fine arts.

Despite these pressures, fine arts insurance buyers are sticking with their traditional commercial insurers, eschewing alternatives such as captives or self-insurance. Most art insurance buyers say commercial

insurance continues to be the best risk-financing method for their needs, adding that there is enough flexibility among insurers to accommodate the changing pressures.

And, a federal indemnification program for foreign art on loan in the United States is helping museums handle the high cost of insuring blockbuster exhibitions, which have been growing in popularity.

Generally, fine arts insurance is written on an inland marine all-risk basis, explains William Allen, president of Allen Insurance Associates in Los Angeles.

Inland marine all-risk insurance covers all risks of physical loss and damage, including earthquakes, floods, employee dishonesty and breakage during transit.

Most fine arts coverage for large museums is written internationally because of the large limits needed, with the majority of coverage written at Lloyd's of London, according to art insurance experts.

Mr. Allen said his firm places risks with Lloyd's underwriters and members of the Institute of London Underwriters through J.H. Minet & Co. Ltd. of London.

Other non-U.S. insurers that write fine arts coverage for museums include Seine & Rhone-Oceanide Reunies in Paris and Nordstern Allgemeine Versicherungs A.G. in Cologne, West Germany, according to Huntington T. Block, owner of Huntington T. Block Insurance in Washington, the largest U.S. fine arts insurance broker.

More than \$1 billion in capacity is available worldwide for fine arts insurance, Mr. Block estimated.

Fine arts insurance for galleries with limits of up to \$10 million tends to be written by domestic companies that have an inland marine department, according to Bruce Perkins, a fine arts insurance broker with Flather & Co. Inc. in Washington.

Domestic insurers writing fine arts insurance for galleries and some museums include Federal Insurance Co., a Chubb Corp. unit in Warren, N.J.; units of Hartford Insurance Group in Hartford, Conn.; and St. Paul Fire & Marine Insurance Co. in St. Paul, Minn., according to Mr. Perkins.

Fine arts insurance covers both permanent collections and traveling art pieces. Art on loan is written on a "wall-to-wall" basis, covering the work of art from the moment it leaves the lender's wall or premises through its exhibition elsewhere to the moment it returns to the lender.

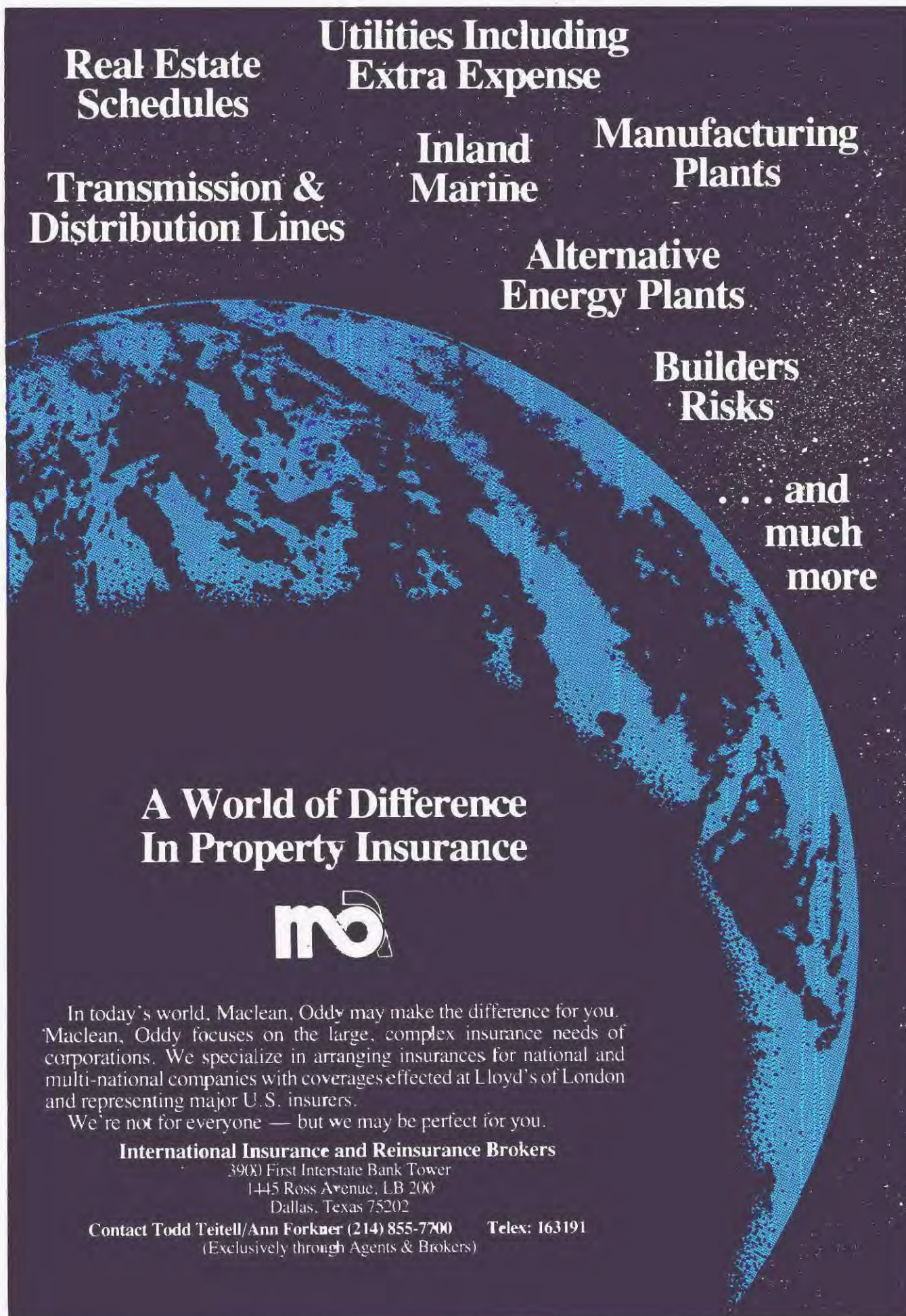
Most museums do not insure the full value of their permanent collections because the chance of a single, total loss is extremely remote, the art experts note.

This is largely due to the "extraordinary security precautions" and loss prevention measures followed by museums, including every type of alarm system, fireproofing and security guards, notes Virginia Mann, registrar of the Art Institute of Chicago. Ms. Mann keeps track of where works are being loaned and their insurance.

Nonetheless, "museums have become as popular as the Saturday afternoon ballgame," thereby attracting larger crowds and increasing the risk of vandalism or accidental damage to works of art simply on display, Mr. Block said.

Another reason most museums do not insure the full value of their permanent collections is that many do not have a complete inventory of each art object and its current market value, Mr. Allen said.

Continued on page 28



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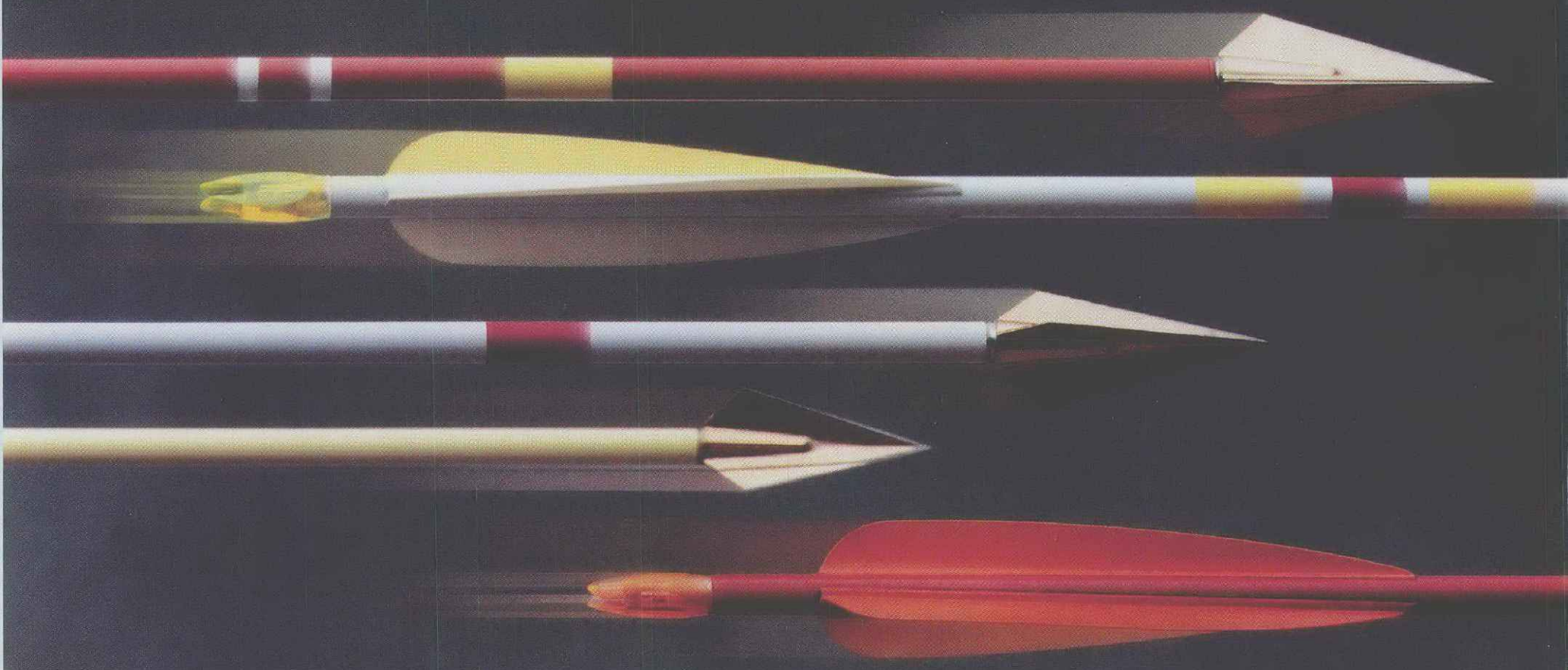


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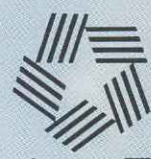
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Photo: Michael A. Marcotte

Museums, like the Art Institute of Chicago, are attracting larger crowds, increasing the risk of damage or theft of works on display.

Fine arts cover

Continued from page 26

Furthermore, the risk of loss or damage is greatest when a piece of art is in transit, Ms. Mann said.

Instead, museums generally put together an insurance program that covers their permanent collections with aggregate limits of less than the collections' total value. If a loss or damage occurs, the claim is paid on the basis of the current market value of the piece of art as of the date of loss, up to the policy limits, explains Mr. Block.

Smaller galleries also buy a blanket amount of insurance, though the policy limits purchased usually correspond more closely to the total value of the collection than museum estimates do, Mr. Block added. Losses are paid either on the basis of the selling price of art that had been sold, the consigned value of unsold pieces or the selling price of unsold pieces not on consignment

less 20% to 30%, he said.

The nature of the gallery business—in which pieces are constantly on loan or exhibited at other galleries and may be on consignment from artists—makes valuation of a collection an inexact science.

For example, Daniel Fendrick, a co-owner of the Fendrick Gallery in Washington, said his collection could be valued as high as \$2 million, with perhaps \$1 million of that in-house at any one time.

However, the gallery has insurance with an annual aggregate of less \$1 million, he said.

The Fendrick Gallery's insurance policy, which is written by Federal Insurance Co., requires a \$1,000 deductible and an annual premium of \$6,121. The cost of the coverage, which covers a Fendrick gallery in New York as well as the one in Washington, has remained stable for several years.

Corporations and major private collectors also generally purchase

policy limits less than the value of their entire collections.

That is because a major private art collector probably has several homes with his or her art distributed among them, making the chance of a single, total loss extremely unlikely, Mr. Block explained. Similarly, a corporate art collection probably is distributed among several locations.

Losses suffered by corporate and private art collectors generally are paid on the basis of current market value at the time of loss.

The difficulty in determining the amount of insurance necessary to adequately insure an art collection is aggravated by the skyrocketing values of fine art.

Several famous paintings recently were sold for record sums, making current owners of masterpieces concerned that the market value of their collections may exceed their insured value.

For example, in November 1987 Vincent van Gogh's "Irises" sold for almost \$54 million, eight months after the impressionist's "Sunflowers" sold for nearly \$40 million.

The sale of the two Van Goghs for such huge sums has instilled a "nervous fear" in people about the current value of their collections and future increases in the value of their art, said Ms. Mann of the Art Institute of Chicago.

"The art market is phenomenal and making everybody uneasy about the value of their loans," agrees Alice Whelihan, administrator of the federal Arts & Artifacts Indemnity Program, which provides museums with coverage for foreign art on loan for exhibition in the United States.

Edward Able, executive director of the American Assn. of Museums in Washington, notes that the dollar's value compared with foreign currency is making the problem of skyrocketing art values worse.

For example, he notes that the company that bought Van Gogh's "Sunflowers" last year was Japan's Yasuda Fire & Marine Insurance Co. The Japanese insurer paid for the picture in British pounds (*BI*, April 20, 1987). If the dollar had been as strong last year against foreign currencies as it was a few years prior, the dollar value of the painting would have been lower, Mr. Able points out.

Because of these and other soaring fine arts values, premium volume for fine arts insurance—which are based on the value of the works of art—are rising, Mr. Block said.

However, the actual rates at which the premiums are calculated have remained stable for years and perhaps even softened in the last 12 months, he continued.

Flather & Co.'s Mr. Perkins agreed that prices for fine arts insurance have "softened a tad" since the last hard market.

Fine arts insurance for the largest U.S. museums is calculated at a basic minimum rate of 10 cents per \$100 of value per year, according to Mr. Allen of Allen Insurance Associates. Smaller museums would not be offered as low a rate because the total premium generated is lower, he said.

International transit insurance for fine arts is calculated at approximately 13 cents per \$100 of value per move, Mr. Allen said.

Although premiums are rising, so far "museums have shied away from group programs" because each individual collection is so different, says Mr. Able. However, he added that because of the surging value of art, alternatives to commercial insurance may become attractive in the future.

Although currently there are no museum group captive insurers, Mr. Able says the American Assn. of Museums is planning to establish a committee this year to look at members' insurance needs and determine whether an association captive is

Continued on page 30

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Fine arts insurance

Continued from page 28

needed and practical. The association represents 23,000 museums and 8,000 individual museum professionals.

Museums generally do not self-insure their fine arts exposures, art experts say.

"It's absolutely unheard of to lend something without insurance," says Constance Lowenthal, executive director of the International Foundation for Art Research Inc. in New York, a non-profit organization that keeps records of stolen art.

IFAR, with the Lloyd public relations department and Lloyd's broker Hogg Robinson & Gardner Mountain P.L.C., is contemplating developing an international computerized art loss data base to stem the worldwide flow of

stolen art (BI, July 18).

Mr. Elock said he does not know of any major museums or galleries that do not buy commercial fine arts insurance.

"The vast majority of galleries do not self-insure," Mr. Perkins said, adding that he does not know of any fine arts galleries or dealers that do not buy traditional fine arts insurance.

However, one alternative to commercial fine arts insurance available to museums is the federal indemnification program for foreign art on loan for exhibit in the United States as well as U.S. pieces sent abroad. The federal Arts & Artifacts Indemnity Program, administered through the National Endowment for the Arts in Washington, probably has saved American museums about \$30 million in premiums since the program began in 1975, says Ms. Whelihan.

The government does not collect premiums,

but applications for coverage are highly scrutinized. Nearly 300 museums have taken advantage of the program so far, she adds.

Total capacity of the federal program at any one time is a congressionally imposed limit of \$1.2 billion, with a ceiling of \$125 million for a single exhibition. Deductibles are on a sliding scale, beginning with a minimum deductible of \$15,000 for exhibitions of up to \$2 million in value; a \$25,000 deductible for exhibitions of between \$2 million and \$10 million in value; and a \$50,000 deductible for exhibitions worth more than \$10 million in value.

The value of any single shipment of art cannot exceed \$20 million.

The indemnity program has paid only one claim, worth \$100,000, in its 13-year history, and has settled two claims within deductible limits, according to Ms. Whelihan.

Because the program was authorized by Congress to enable museums to protect international exchanges of art, Congress must appropriate funds to pay claims. The program is not commercially reinsured.

Individuals or organizations seeking federal indemnification of foreign art must submit a detailed application that includes complete packing and shipping information for every object from the moment it leaves the wall of the lender through the entire tour and back to the lender's wall; the security, climate control and fire protection systems at each institution participating in the exhibit; and each participating institution's loss history for the last five years.

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Scuba shops diving through market waves

By DONNA DiBLASE

Retail scuba diving shops and instructors have had no trouble keeping their heads under water throughout the swings in the commercial liability insurance market.

In fact, these purveyors of equipment for and instruction in exploring inner space enjoy long-term relationships with specialty and surplus lines insurers, brokers who place coverage for scuba risks say.

And, despite a few liability court judgments in recent years, mainly in the U.S. Virgin Islands, the scuba diving industry has had a very favorable loss history, which has contributed to the maintenance of these relationships.

"I think the diving industry has greatly matured in recent years, and there now are some very astute business people and associations that have made the industry more professional," said Ronald A. Young, executive vp with Kelter-Thorner of Southern California, a Costa Mesa, Calif.-based broker that has placed insurance for scuba diving shops for almost 20 years.

But, to protect against the possibility of a lawsuit, most scuba shops and instructors now require equipment renters and students to sign liability waivers. Some shops even require that customers be examined by a physician to ensure they are in proper physical condition to dive, said one broker.

Scuba—or self-contained underwater breathing apparatus—equipment was invented in 1943 in France by Jacques Cousteau and a group of scientists, reports the Cousteau Society in Norfolk, Va.

Unlike skin diving—which requires the diver to return to the surface to breathe through a snorkel—and surface-supplied deep sea diving—in which the diver breathes through an air line connected to a pump on the water's surface—scuba tanks enable the diver to move about freely in the water and breathe air that automatically is regulated to match the prevailing pressure in the surrounding water.

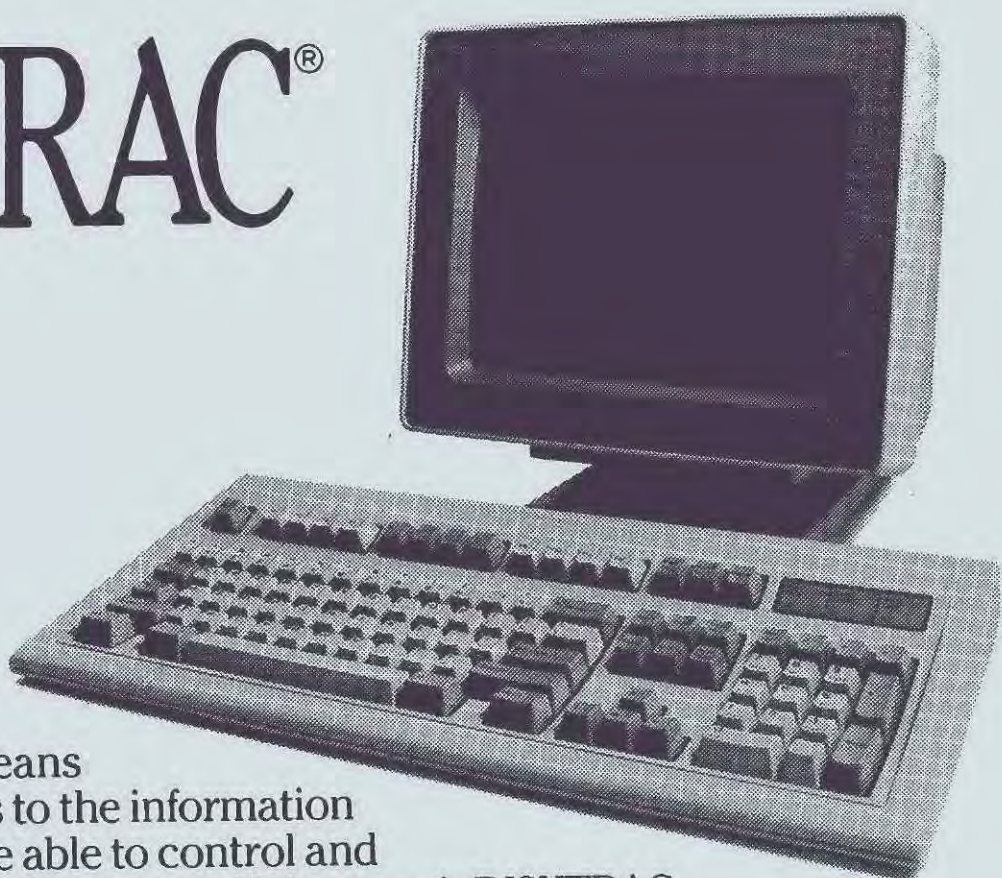
Some of the earliest scuba instruction and certification programs were conducted by two organizations that exist today as the Professional Assn. of Diving Instructors of Santa Ana, Calif., and the National Assn. of Underwater Instructors of Montclair, Calif.

PADI is a for-profit educational organization that certifies or graduates divers upon completion of certain courses, said CK Stewart, PADI's director of marketing. Dive shops can become members of PADI by providing certified PADI instruction and equipment.

NAUI is a non-profit educational organization in which divers become members once they complete certain courses, explained Peter Meyer, accounts executive with

Continued on page 32

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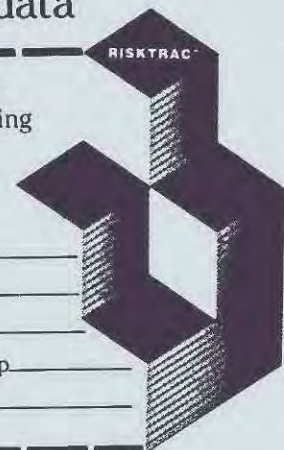
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Scuba liability

Continued from page 30

Dale & Co. Ltd., a Vancouver, British Columbia, broker that places NAUI's instructors' liability insurance. There also are NAUI-approved dive shops.

There also are two other major scuba educational organizations in the United States: the National Assn. of Scuba Diving Schools in Long Beach, Calif., and Scuba Schools International in Fort Collins, Colo.

Liability insurance for the scuba industry is underwritten in two pieces, brokers explain.

Liability insurance for dive shops, which mainly covers products and completed operations like the quality of air fill for scuba tanks, is written separately from professional liability insurance for dive instructors.

In fact, dive shop liability insurance excludes professional liability coverage for instructors. Since scuba diving instructors are employed by dive shops as independent contractors, they must secure their own professional liability insurance and name the shop as an additional insured on their policies, said Peter Buckley, vp with broker Vicencia & Buckley Insurance Services Inc. in Cerritos, Calif., who places property/casualty insurance for PADI instructor and dive shop operator members.

"The reason dive shop coverage is available and so reasonably priced is that the instructors are independent contractors," Mr. Buckley said.

Dive shops that are members of NASDS, NAUI or PADI can purchase a property/casualty package policy through association programs underwritten by Nautilus Insurance Co., a surplus lines insurer in Scottsdale, Ariz., and a unit of W.R. Berkley Corp. of Greenwich, Conn.

The program is brokered by Kelter-Thorner of Southern California.

The policy provides liability limits of \$1 million per occurrence/\$1 million aggregate; there is no deductible. It covers liability related to products such as sold and rented equipment, air fills for scuba tanks and repairs of customer equipment, Mr. Young said. The policy also covers policyholders against personal injury, libel, slander and advertising liability.

Defense costs are not included in policy limits, Mr. Young said. Though the policy covers claims that arise from incidents anywhere in the world, coverage is provided only when the claim or suit is filed in the United States, its territories, Canada, the British Virgin Islands, Bermuda, Bahamas or the Cayman Islands.

Along with excluding all professional liability, the policy excludes workers compensation coverage and claims stemming from the use of facilities such as lakes, ponds and quarries and the rental of any non-scuba equipment.

The policy also provides a minimum contents coverage of \$25,000 over a \$250 deductible.

The policy also includes a \$500 deductible for burglary in most states, except California, Florida, Hawaii and New York, where the deductible is \$1,000. The coverage requires that dive shops have a central-station burglar alarm system wired to either to a police station or an alarm service, Mr. Young said.

The package policy costs dive shops slightly less than \$4,000 per year, he said.

Professional liability insurance for PADI and NASDS scuba diving instructors is underwritten by Lloyd's of London syndicates, said Messrs. Young and Buckley.

The coverage provides limits of \$1 million and is written on a

claims-made basis with no deductible. The annual premium for the coverage is about \$500, the brokers said.

NAUI's professional liability insurance for instructors also is underwritten by Lloyd's syndicates, said Mr. Meyer of Dale & Co. The coverage provides limits of \$1 million per occurrence/\$1 million aggregate. Premiums are about \$400 a year.

SSI, which primarily is an association of retail dive shops, does not have an instructor certification program, said Carol Gammin, the organization's insurance agent.

Guaranty National Insurance Co. of Englewood, Colo., has underwritten a dive shop liability insurance program for SSI for 14 years, she said.

The claims-made program includes commercial general liability coverage with limits of up to \$300,000.

Continued on next page



Liability insurance for scuba dive shops and professional liability insurance for diving instructors are usually written separately, though each type of coverage can be purchased through association-sponsored package programs.

Photo: PADI International



Continued from previous page

The program also provides up to \$300,000 in claims-made professional liability coverage.

And, shops can purchase excess policies providing either \$200,000 excess of \$300,000 or \$700,000 excess of \$300,000 of either the CGL, professional liability or both, Ms. Gammin said.

Premiums are based on the dive shop's gross revenues but range from about \$2,275 and \$3,275 annually for primary CGL coverage.

Although SSI does not have its own diving certification program, it does offer insurance for instructors working as independent contractors in SSI shops. The premiums for instructors' professional liability coverage under the program is about \$305 per year per instructor, she said.

Liability insurance for the scuba diving industry has remained available and consistently priced even throughout the hard liability market of the mid-1980s, the brokers said.

Some brokers say this is due in part to the long-standing relationships between the diving associations and their insurers.

"The one saving grace for SSI is that the organization established a relationship with Guaranty National in the early 1970s. So, when the crunch hit, prices went up some and coverage

was restricted a bit, but Guaranty National was committed to ride out the storm," said Ms. Gammin of SSI.

"Diving is perceived as a tremendous risk by non-divers. So, if we had to go out and try to place this coverage elsewhere, we would have a very difficult time," she said.

Other brokers attribute the diving industry's good relationship with insurers to the minimal number of losses the industry has sustained.

Brokers pointed to only a few suits in the U.S. Virgin Islands, noting that the territory impose stringent liability standards on owners and operators of water sports equipment and facilities.

In fact, for two months of 1988, the instructors' liability programs of NASDS and PADI excluded coverage of suits or claims filed in the U.S. Virgin Islands, Mr. Young of Kelter-Thorner pointed out. That exclusion has recently been dropped.

Mr. Young noted there have been only three major judgments in recent years in the U.S. Virgin Islands against dive instructors: a \$1 million judgment in 1985 and two smaller judgments of \$340,000 and \$200,000.

Along with securing liability insurance, most dive shops and instructors now require their pa-

trons to sign a waiver of liability releasing the shop and instructor from liability for illnesses or injuries sustained by the diver.

"I hope that everybody uses the liability waiver, because it would aid in their defense in the event they are sued," Mr. Young said.

"The waiver is almost becoming a way of life in diving and other sports like white water rafting," said Mr. Meyer of Dale & Co. "If they end up in a courtroom and the diver has a health problem that contributed to (his) injury, then the waiver can protect the shop."

Some dive shops are even requiring that customers undergo an examination by a physician experienced in the physical requirements of diving, according to Ms. Gammin of SSI.

"I think everyone is resorting to a release of liability form, but some are requiring physicals to certify that a diver is physically able to participate," she said.

"We're seeing more and more denial of services by dive shops if a person has an illness or condition. This is mainly because diving is a lot different than a sport like tennis, where you can just stop playing when you are ill or exerted. You can't just stop and go up to the surface like that when diving," she explained. ■

Rates falling for municipal bond cover

By JUDY GREENWALD

The monoline municipal bond insurance industry is being socked by competition.

"There's considerable price competition, and premium costs are going down," said Richard A. Ciccarone, vp-research at Van Kempen & Merritt Inc., an investment banking firm in Lisle, Ill.

Rates are 50% below the peak they reached three to four years ago, said Jeffrey Noss, vp and municipal bond analyst with the Bank of New York.

While financial guarantee insurers' results have not yet been damaged by competition, it has reached "a level of concern. We know it can't go on forever," said Steven Schrage, a senior vp with securities firm Prescott, Ball & Turben in New York.

With activity in the municipal bond market down in comparison to just a few years ago and interest rates remaining relatively low, insurers are being forced to compete to attract more business.

In some cases, municipal bond insurers now are considering smaller, more complex deals they might not have considered worth their time and effort only a few years ago. Most observers still believe, though, that the municipal bond insurance market is unlikely to resort to cut-rate competition as the multiline property/casualty insurance industry.

Among other factors, they point to the rating agencies, whose triple-A ratings of municipal bond insurers are critical to the industry's viability. The threat of losing their ratings alone, say observers, will be effective in keeping competition in line.

Some observers estimate rates in the municipal bond insurance market may be down as much as 50% from the level reached during 1984 and 1985, when municipal bond issuers rushed to market in an effort to beat the Tax Reform Act of 1986, which cut back on the level of allowable municipal bonds (*BI*, June 1, 1987).

"They're scrambling in a smaller universe," said Neal Atterman, head of municipal research at Kidder, Peabody & Co. in New York.

In 1985, during the height of the rush, \$203.9 billion in municipal bonds were issued, of which 23% was insured. Last year, \$104.7 billion in municipal bonds was issued, of which \$19.5 billion, or about 18.6%, was insured.

The \$17 billion of new issues insured as of Aug. 31 amounted to 23% of the \$73.9 billion in new issues this year. For the year, observers and insurers estimate that new issues will total about \$100 billion or less, of which an estimated 25% will be insured.

Besides lower volume, another major factor in the increasing competition is the relatively low interest rates, said Mr. Noss.

Municipal bond insurers confer their own triple-A ratings on the lower-graded issues they insure. To the issuer, the cost of the insurance is more than made up for by the lower interest rate at which it can issue a bond with the Triple-A rating. But when interest rates fall, there is a smaller spread between the interest on triple-A and lower-rated bonds. This causes municipal bond insurers to reduce rates in order for the insurance to still have some value to the bond issuer.

The competition is now attracting attention in the market.

The competition "is a warning signal that must be heeded, and

Continued on next page

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Financial guarantees

Continued from previous page
 clearly if it continues indefinitely in a downward spiral, it will bode very poorly for the long-term profitability of municipal bond insurance business," said Michael E. Satz, president of Capital Reinsurance Co. of New York, a unit of Capital Re Corp. and one of two companies that specialize in reinsuring financial guarantee business.

"It's not a short-term problem, but it could be a long-term problem," said Gerald L. Friedman, chairman and president of Financial Guaranty Insurance Co., a unit of FGIC Corp. in New York.

Municipal bond insurance, he explained, is a "relatively generic" commodity. "Price is becoming more prevalent" as the major factor in determining where the business goes, he said.

Yet, the competition concerns Mr. Friedman. Although FGIC has never

Municipal bond insurance, Mr. Friedman of Financial Guaranty Insurance Co. explains, is a 'relatively generic' commodity. 'Price is becoming more prevalent' as the major factor in determining where the business goes, he says.

had a loss, "You must get a premium that allows you to build a certain loss tolerance," he explained, noting that the rate should cover expenses and build catastrophe reserves as well.

The competition has caused FGIC to let its market share decline, he noted. FGIC's share has decreased to 23.3% in mid-1988 from 28.3% in 1987, according to the company.

"I just won't write much business at these levels," Mr. Friedman said.

"Right now, the price levels are dictated by the companies in the industry that already have a large existing book of business," said Michael

Djordjevich, president and chief executive officer of Capital Guaranty Insurance Co., a unit of Capital Guaranty Corp. in San Francisco that was founded in late 1986.

Rates are down at least 50% since 1985 or the first half of 1986, he said. Business that had been written for a price of 60 to 90 basis points, or 0.6% to 0.9% of the total debt service, could be down to 30 basis points now, he said, noting his firm does not write business that will not provide it with an adequate return.

"Definitely, it's become competitive in the past couple of years,"

said David H. Elliott, president and chief operating officer of Municipal Bond Investors Co., a unit of MBIA Inc. in White Plains, N.Y.

But Mr. Elliott denied that MBIA has led the price competition. "I think all the companies have responded to competition by lowering prices on certain transactions."

"I would not say any one company is leading," agreed Robert J. Genader, senior executive vp of AMBAC Indemnity Corp. in New York.

"It's unfortunate that this industry shows signs of slipping into the same problems the property/casualty industry did three or four years back," commented Mark H.S. Cohen, first vp-finance and administration for Bond Investors Guaranty Insurance Co. in New York.

Mr. Cohen estimates that BIG's average premium rate is about 20% to 25% less than what it was a few years ago. "Some of our competitors premiums are so low right now,

we are out of the market," he said. "We will not do business at a level of pricing that doesn't give us an adequate return," he said.

Mr. Cohen observed that while he has seen price softening across the board, it tends to be particularly acute for issues that are competitively bid upon, rather than those that are negotiated.

In an effort to build premium volume, Mr. Cohen said, BIG is considering smaller, and more complicated deals than it wrote just a few years ago. The rates for these deals also are less likely to be pressured by competition, he said.

"We have certainly focused our attention on some different deals and must work harder," he said.

Mr. Cohen pointed to last month's marine bond revenue issue by the Jacksonville Port Authority of Florida, which had an insured principal of about \$54 million, as a deal BIG might not have considered at one time.

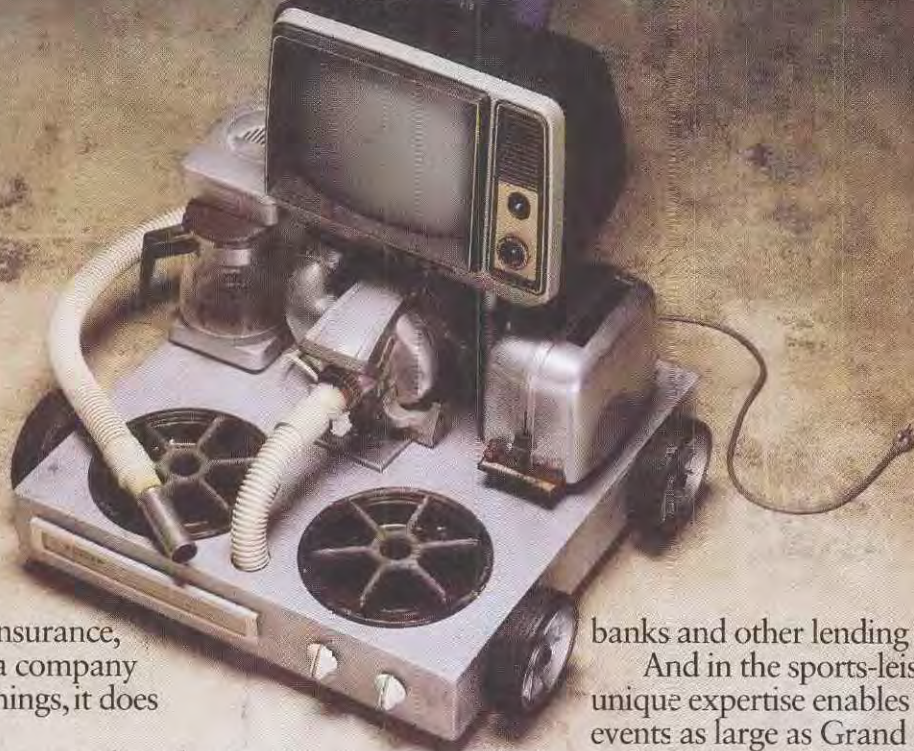
The issue generated close to \$1 million in premiums for BIG, said Mr. Cohen. Yet, two years ago, the insurer would have been reluctant to devote the effort, including site visits and resources, that insuring the issue required.

"I think everyone, including FGIC is trying to be more of an investment banker" and help investment banks do deals in "more creative ways" than before, added Mr. Friedman.

While insurers are considering different types of deals today, they are "not poorer credits," stressed Wallace O. Sellers, chairman and chief executive officer of Enhance Reinsurance Co. of New York, another financial guarantee reinsurance specialist. "We don't detect, I am happy to say, a de-

Continued on page 36

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- Municipal Bond Investors Assurance Co., a subsidiary of MBIA Inc. in White Plains, N.Y., with a 31.6% share.
- New York-based AMBAC with a 28% share.
- Financial Guaranty Insurance Co., a subsidiary of FGIC Corp. in New York, with a 24.4% share.
- Bond Investors Guaranty Insurance Co. in New York, with a 15.6% share.
- Capital Guaranty Insurance Co., a subsidiary of Capital Guaranty Corp. in San Francisco, with a 0.4% share.

Another monoline insurer now in the process of being organized is Washington, D.C.-based Connie Lee Insurance Co., which is owned by the College Construction Loan Insurance Assn., a subsidiary of the Student Loan Marketing Assn. or Sallie Mae.

Connie Lee, which is partially backed by the U.S. government, plans to insure bond and loan issues for higher education facilities, said a spokeswoman.

In addition, two New York-based reinsurers, Enhance Reinsurance Co., a subsidiary of Enhance Financial Services Inc., and Capital Reinsurance Co., a subsidiary of Capital Re Corp., specialize in reinsuring financial guarantee insurance.

Two other monoline companies, Financial Security Assurance in New York and the newly formed Capital Markets Assurance Corp. in New York, specialize in insuring corporate debt.

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Financial guarantees

Continued from page 34
the credit quality of the issues being insured."

Insurers are also paying more attention to the secondary market, insuring already-issued bonds that are resold, noted Mr. Schragger of Prescott, Ball & Turben.

"The pricing has been a lot more favorable" in this market, said BIG's Mr. Cohen, whose company has been active in the secondary market for two to three years.

"It hasn't been as price-sensitive" as the new issues market, he said.

Most observers agree there is no real worry that cut-rate competition will become rampant in the municipal bond insurance market.

"I don't have a serious concern about that at this point," said Frank Conley, senior vp at North American Reinsurance Co./Swiss Reinsurance Co. in New York. "I

think there's a point beyond which a primary insurer can't very well go and have the business remain viable."

There is a danger that monoline insurers will write business they should not accept in their anxiety to boost premium volume, said Mr. Ciccarone, "but it hasn't been apparent at this point."

"I'm not concerned about that as an issue," agreed Mr. Atterman. "That's not big on my list."

While lowering underwriting standards is always a concern, at the insurers must undergo a fairly stringent monitoring program by the rating agencies, noted Mr. Schragger. Any lowering of an insurer's rating "would in effect put them out of business," he said.

"This is still a very profitable and responsible industry," commented Mr. Cohen.

Mr. Satz noted that over the past few months he has "seen somewhat of a leveling off of the downward spiral."

Prices could begin to improve by the end of this year and "certainly going into 1989."

They will not, he predicted, however, return to the levels of 1984 and 1985, when there was a "great deal of demand and more limited supply."

In discussing when competition is likely to end, FGIC's Mr. Fried-

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man noted that in the property/casualty insurance industry, prices harden once losses begin to pile up. The municipal bond insurance industry, however, is "insidious" in that respect because in normal times, there are no losses. "There's no event out there which brings the market back to reality."

Two factors, either alone or together, will cause the municipal bond insurance market to best prices, Mr. Friedman said. The first is a loss or two, the second would be action by the insurers' owners/investors.

Mr. Friedman noted that monoline municipal bond insurers—including publicly held FGIC and MBIA—are largely owned by institutions (BI, Oct. 29, 1986).

In FGIC's case, for instance, while 20% of its stock is publicly held, the remaining 80% is owned by General Electric Capital Corp., General Reinsurance Corp., Lumbermens Mutual Casualty Co., J.P. Morgan & Co. Inc. and Shearson Lehman Hutton Inc.

Mr. Friedman said that in order to retain their triple-A ratings, monoline insurers must maintain a capital level that will satisfy the rating agencies. This capital can either be self-generated, or paid in by these institutions.

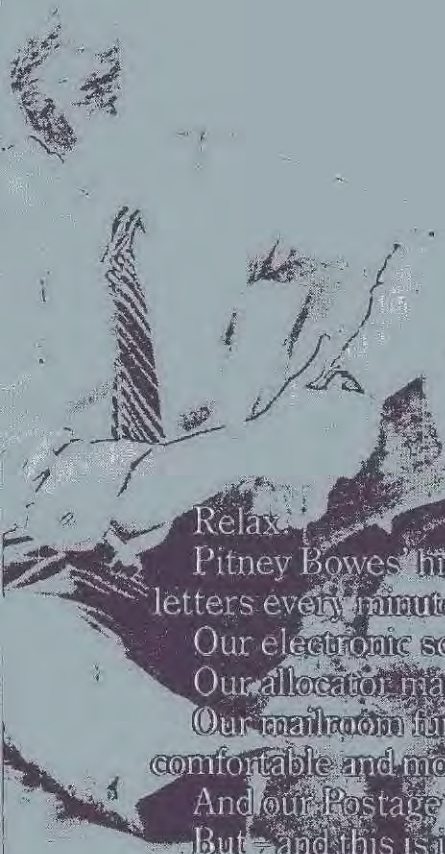
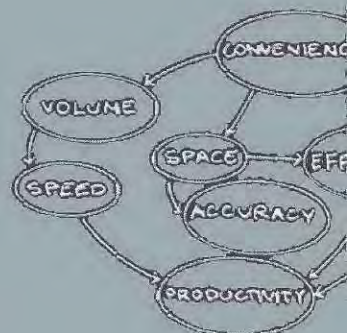
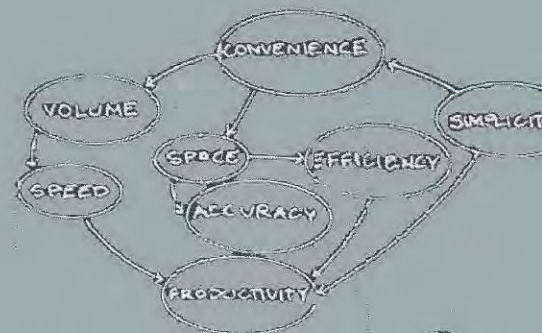
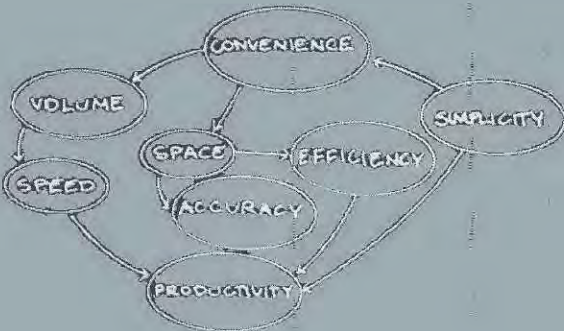
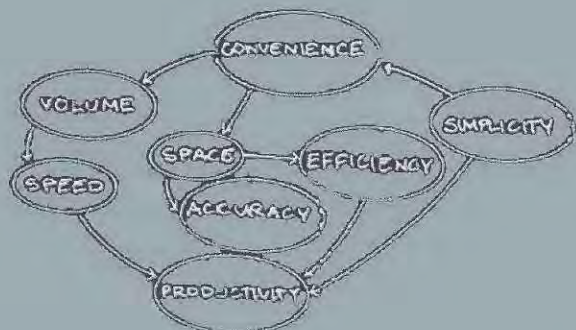
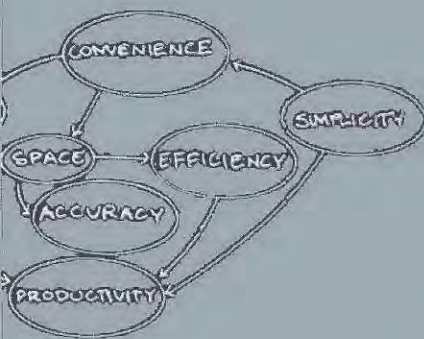
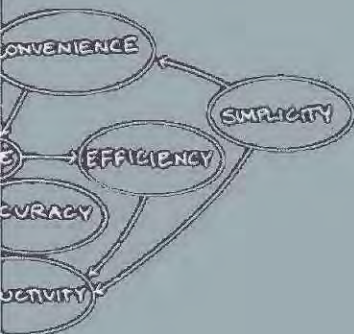
If competition and rate cutting means the capital cannot be self-generated, insurer managements will have to go to these institutions and ask for more funds. At that point, said Mr. Friedman, the investors will pressure the insurers to shape up their pricing.

Meanwhile, though, observers still predict a bright future for municipal bond insurance that will be fueled by the acute need to rebuild the nation's infrastructure.

Municipalities can't afford not to rebuild their roads and highways, commented Joanne Morrissey, a principal with Firemark in Morristown, N.J., an insurance research and investment banking firm. The roads in New Jersey, for instance, are so congested already that public entities are "not going to have a whole lot of choice."

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Triple-A ratings expensive, insurers say

By JUDY GREENWALD

NEW YORK—While monoline municipal bond insurers need the triple-A ratings that bond rating agencies assign them, some insurers think they're paying too much to the agencies for their services.

Observers conservatively estimate that the municipal bond insurance industry now spends about \$20 million annually for its ratings.

"The cost of the rating fees are much too high," said Robert J. Genader, senior executive vp at New York-based AMBAC Indemnity Corp. in New York, which last year paid \$2 million to Standard & Poor's Corp. for rating services. AMBAC also spent \$2.5 million for its Moody's Investor Services ratings, a figure that would have been higher had AMBAC not begun to work with the agency only in midyear.

Fees charged by rating agencies are "a significant bone of contention for me," said Mark H.S. Cohen, first vp and chief financial officer for Bond Investors Guaranty Insurance Co. in New York, which expects to pay S&P and Moody's \$4 million next year. "I think that we pay them too much."

"The rating fees they're charging issuers are astounding," said Richard A. Ciccarone, vp-research, for investment banker Van Kempen & Merritt Inc. in Lisle, Ill. "Apparently, it's worth it, because all the insurance companies have gone to get them."

Roy Taub, S&P's managing director, estimated that S&P collected no more than one-third of the \$20 million spent by municipal bond insurers on rating fees. "We feel the money we're charging is fair," he said, stating that S&P's triple-A rating adds value to the insurance.

Dan Heimowitz, vp and managing director-public finance for Moody's, said a factor influencing the rating agency's fee structure is that the potential default of any one issue impacts the strength of all the issues in the insurer's portfolio.

This is different, he said, from evaluating a non-insured bond issue, "which stands on its own" in relation to the debt of other issuers. "It justifies a different basis for our fees."

Nevertheless, "We're very concerned about the total fees charged by S&P and Moody's," said AMBAC's Mr. Genader, adding that the cost of the triple-A rating is second only to personnel.

"The industry needs to do something with the rating agencies to develop a more reasonable approach to their fee structure and the value it's providing," Mr. Genader said. "Clearly, the economics, the cost of these ratings, has to be reduced."

The rating agencies base their assessments of insurers on an analysis that includes an estimation of the insurers' ability to withstand a major economic depression.

Moody's triple-A rating is individually assigned to the issues insured by the municipal bond insurers, while S&P's is assigned to the claims-paying ability of the insurer itself. Despite the difference, both agencies' triple-A ratings are conferred upon lower-rated bonds insured by the municipal bond insurers.

Four of the five monoline municipal bond insurers have triple-A ratings from both S&P & Moody's: MBIA Inc., Financial Guaranty Investors Corp., BIG and AMBAC. A fifth monoline insurer, San Francisco-based Capital Guaranty Corp., has an S&P triple-A rating. It is not rated by Moody's.

Of the two reinsurers specializing in financial guarantee reinsurance, Enhance Reinsurance Co. has a triple-A rating from both agencies, while Capital Reinsurance Co. has a triple-A rating from S&P and from Chicago-based Duff & Phelps Inc.

Of the two monoline financial

guarantee insurers that specialize in corporate bonds, Financial Security Assurance Inc. has triple-A ratings from S&P, Moody's, Duff & Phelps, New York-based Fitch Investors Service and Nippon Investors Service Inc. New York-based Capital Markets Assurance Corp. has top ratings from S&P and Duff & Phelps.

To date, among the municipal bond insurers, only AMBAC has had to pay any losses. So far, AMBAC has paid \$34.7 million, including \$25 million in connection with the default of \$2.25 billion in bonds by the Washington Public Power Supply System in 1983 (*BI*, Oct. 29, 1986).

Michael J. Djordjevich, president and chief executive officer of Capital Guaranty, said the insurer never obtained a Moody's rating after it and the agency "agreed to disagree"

on Capital Guaranty's level of capitalization. "It is possible to make an argument that a bond guarantor indeed doesn't need more than one rating because in the final analysis, an insurance company is either triple-A or it's not," he said.

The level of capital required to obtain a rating was one factor in Prudential Insurance Co.'s decision to disband Dryden Guaranty Co., organized as a monoline insurer in 1986 with plans to insure asset-based securities, said Edward Baird vp of Prudential's enterprise planning unit.

While Prudential had invested \$100 million in the unit, it found it could need as much as \$200 million for a triple-A rating, said Mr. Baird. Also contributing to the decision to dissolve Dryden was that it would no longer fit into the insurer's core busi-

ness and changes in the tax law that "ruled out some of the opportunities we had in mind."

Cap Re has no immediate plans to obtain a Moody's rating, said Michael E. Satz, president and chief executive officer. The economics of a Moody's rating, the basis on which it is granted and its functional application to the business "are still questions which are not resolved and will have to be resolved before we proceed to get a rating," he said.

However, observers agree that at least one rating agency's triple-A is essential to the success of a financial guarantee insurer, particularly those insuring municipal bonds.

The municipal bond market, they explained, is increasingly dominated by private individuals who do not have the resources of larger insita-

tions to evaluate the creditworthiness of the issues they buy. Thus, they rely on the insurers' triple-A ratings.

"Without that triple-A, we're out of business," said BIG's Mr. Cohen.

"I certainly feel they're well-compensated for what they do," said Wallace D. Sellers, chairman and chief executive officer of Enhance Re But, "I think the industry can use the discipline of the rating agencies and I think their influence is beneficial."

"Without a triple-A rating, you're dead in the water," said Jeffrey Noss, a vp and municipal bond analyst with the Bank of New York.

State regulation of the industry is a "joke," said Mr. Noss, adding that "there's nothing wrong with the rating agencies having a strong influence on the business. I think they

Continued on next page



Continued from previous page
play an important role, and I'm glad to see they're keeping them honest."

The municipal bond business is peculiar in the sense that nobody except AMBAC has had to pay a loss, said Mr. Noss. "It's a psychological thing, I think, as much as anything," he said of the triple-A ratings' appeal.

The rating agencies provide a strong level of financial and underwriting standards, said Steven Schragger, senior vp with Prescott, Ball & Turben, a securities firm in New York.

But the municipal bond insurance industry is still relatively young, he said, and the relationship between it and the rating agencies is still evolving. "It's a dynamic, not a static, situation." Eventually, he said, as the rating agencies gain a better understanding of the business, this will be reflected in their evaluations. ■

N.Y. delays financial guarantee rules

By JUDY GREENWALD

New York, which two years ago was expected to enact legislation to regulate financial guarantee insurance, still has not approved any comprehensive measure.

Meanwhile, the Florida legislature passed a law that became effective in July.

"Florida represents a workable compromise that the legislature has approved," said Robert Mackin, executive director of the Assn. of Financial Guarantee Insurers based in Albany, N.Y.

But as for New York, "What you've got here is a real stalemate. There's no question about it."

"We're still in dialogue with the Legislature," said New York Insurance Superintendent James Corcoran, adding that "very productive

discussions" have been held and legislation could be approved this year.

Financial guarantee bills introduced into the New York Legislature during the last session failed to even emerge from committee, said Mr. Mackin.

The New York Legislature in 1986 first began considering financial guarantee legislation that was based on a model bill proposed by the National Assn. of Insurance Commissioners, though Insurance Department officials had discussed the need for comprehensive regulation even earlier (*BI*, Oct. 20, 1986; May 27, 1985).

Mr. Mackin noted a bill supported by the New York Insurance Department was considered by an Assembly committee earlier this year, while a somewhat different

bill proposed by State Sen. Joseph Bruno, R-Brunswick, was in a Senate committee.

A key issue in New York has been whether multiline property/casualty insurers should be permitted to write financial guarantee insurance.

Mr. Corcoran has long been a staunch supporter of restricting financial guarantee underwriting to monoline companies.

"When written as a sideline by a multiline insurer, financial guarantee insurance has the potential to bankrupt a company or to so limit its capacity as to prevent it from maintaining its market share for traditional and more essential lines of business," said Mr. Corcoran in testimony on the proposed legislation before a state Assembly committee in 1986.

A related concern has been the possible depletion of the state's guaranty fund in the event of the insolvency of an insurer writing financial guaranty insurance because of the massive amounts of debt they insure.

Legislation that has been proposed by the Insurance Department would require that multiline insurers set up separate monoline subsidiaries to write financial guarantees.

However, to obtain a Standard & Poor's triple-A rating, the subsidiaries would have to have a minimum capitalization of \$150 million, said Mr. Mackin.

Observers say multiline insurers would be reluctant to sustain such a drain on their companies' surplus by setting up these subsidiaries.

The latest bill proposed by Sen. Bruno would permit multiline property/casualty insurers to continue to write financial guarantee insurance for a six-year period. But Sen. Bruno said he now favors permitting multiline property/casualty companies to write a limited amount of financial guaranty insurance indefinitely.

"We should not inhibit triple-A (multiline) companies from making available an instrument like financial guarantee insurance that helps municipalities, helps business," he said.

Sen. Bruno, who criticized Mr. Corcoran for what he described as his refusal to compromise on this issue, said: "We haven't had businesses (multiline insurers) collapsing all over the place" because they have financial guarantee business on their books.

Mr. Corcoran's proposal "would put Continental out of business" insofar as financial guarantee insurance is concerned, said Clifton J. Brown, senior vp at Continental Guaranty & Credit Corp. in New York, a subsidiary of Continental Insurance Co., which continues to be active in the financial market.

Mr. Brown said that while he favors some regulation, he does not understand why an insurer like Continental that is capable of writing financial guarantee should not be allowed to continue doing so.

Monoline insurers, whose existence would not be threatened by New York legislation, also are in favor of passage of some regulation.

Unless the states begin to take a more active role in the regulation of the financial guarantee industry, "we're going to see an increasing intrusion by federal agencies to regulate this industry," said Michael Djordjevich, president and chief executive officer of Capital Guaranty Corp. in San Francisco.

It is "important to have some regulatory structure on the books," commented Michael E. Satz, president and chief executive officer of Capital Reinsurance Co. in New York.

Meanwhile, the new Florida law permits multiline property/casualty insurers with more than \$100 million in net assets to write financial guarantee insurance if not more than 20% of its net premiums written are for financial guaranty insurance and not more than 20% of its policyholder surplus is applied toward writing the coverage.

In addition, financial guarantee policyholders will no longer be able to make claims against the Florida guaranty fund, said a spokeswoman for the Florida Insurance Department.

Maine also has enacted legislation, which was effective in August, that excludes financial guarantee policies from guaranty fund coverage, said Everard Stevens, first deputy superintendent. ■



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Multiline underwriters shun guarantees

By JUDY GREENWALD

The financial guarantee insurance industry now is essentially a monoline industry, with not even the softening market reviving multiline insurers' flagging interest in financial guarantees.

While some multiline property/casualty insurers, including Continental Corp. and CNA Financial Corp., still actively write financial guarantees, growth clearly lies with the monoline primary financial guarantee insurers (see story, page 34).

"Financial guarantees outside of monoline companies are dead," said David Rudolph, vp-financial products group for Alexander & Alexander Inc. in Chicago.

"It's not exactly a booming business," he added. "From a financial

guarantee point of view, I'm hardly overworked."

Observers say that the factors keeping multiline insurers out of the financial guarantee market include:

- The Tax Reform Act of 1986, which led to a cutback in limited partnership—or investor note—bonds. These bonds were frequently insured by multiline insurers (*BI*, June 1, 1987).

- Stalled, though still pending, legislation in New York that, in effect, would limit financial guarantee insurance to monoline companies (see story, page 39).

Many of the major multiline insurers were at one point more active in writing financial guarantee insurance than they are today, observers point out.

"I don't think many multiline in-

surers are looking at financial guarantees as a way right now of making money," said Joanne Morrissey, a principal with Firemark in Morristown, N.J., an insurance industry research and investment banking firm.

The financial guarantee business is more like the surety business than the multiline property/casualty business and "a hard market really doesn't affect the surety business," said Michael P. Tilton, a partner with Tri-City Insurance Brokers in New York.

Like the surety business, said Mr. Tilton, the financial guarantee business "continues to function on the merits of each particular case," as opposed to the property/casualty business, where insurers deal with classes of business.

Financial guarantees are "not really the significant item for Corroon & Black that it was two to three years ago," said Kenneth J. Pinkston, president of Public Entities National Co., a Corroon & Black Corp. unit.

"I don't see it coming back the way it was," agreed Phil Lian, senior vp at Corroon & Black in New York. The interest in financial guarantee insurance was generated by tax-related transactions, "which aren't going to be there now" with the passage of the Tax Reform Act. Mr. Lian said C&B has worked on several investor note transactions this year, "but the market for that is very limited."

In these transactions, investor's funds are pooled to buy assets. The partners make a modest cash down

payment for their unit and issue a promissory note payable in annual installments to finance the balance of their investment. The insurance guarantees that payments will continue to be made.

Until the 1986 tax act, these deals often were used by investors through syndicates as tax shelters. But the tax act ended this use when it established distinctions between earned income and passive income.

Joseph C. Eanes Jr., president and chief executive officer of Fidelity & Deposit Insurance Co. of Maryland in Baltimore, said his firm still writes some coverage for economic-driven, rather than tax-driven, investor notes, "but they are very small and very few." Premiums this year will total "well less than \$1 million," he said.

A&A's Mr. Rudolph noted that in addition to the tax law and proposed monoline financial guarantee insurance legislation, last year's stock market crash—which lowered the insurance industry's capital—also discouraged a return to the financial guarantee insurance market.

In addition, many of the underwriters who wrote financial guarantees have joined investment companies and other firms closely aligned with their particular areas of expertise rather than remain with multiline insurers, said Mr. Rudolph.

Another factor, said C&B's Mr. Lian is that "no dramatic product has come to the surface" to attract insurers' interest.

The fact that brokers now are no longer bringing insurers new ideas for writing financial guarantees could help explain the quiescence among property/casualty insurers, said Clifton J. Brown, senior vp at Continental Guaranty & Credit Corp. in New York, a Continental unit.

"The brokers aren't really as active in financial guarantees, at least for the most part," said Mr. Brown. Brokers lost interest in financial guarantees when profits in the traditional property/casualty market began to improve. "The tendency is to go where there's more profits," he said.

Financial guarantee insurance, Mr. Brown added, is "still too new to attract the profits a lot of people are looking for."

It could also well be that it is just too early in the soft market for financial guarantees to exercise an appeal, Mr. Brown suggested.

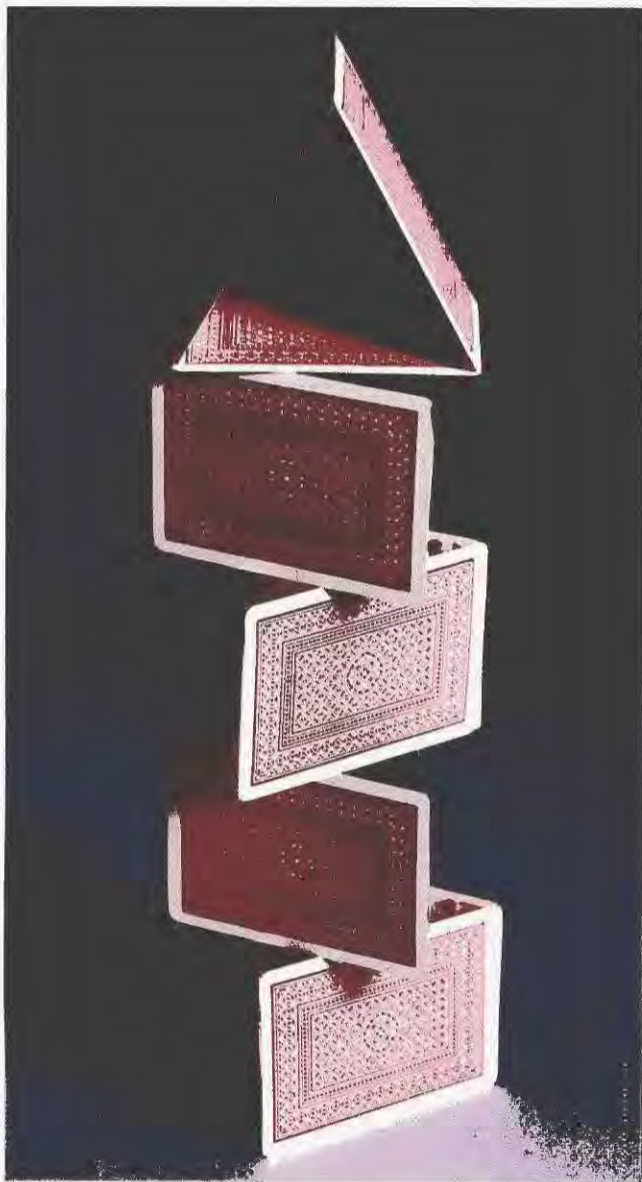
When financial guarantee insurance became popular in the early 1980s, he said, the cycle was in a "real steep trough," he said. "I think there'll be more coming into it in the soft cycle."

Continental's financial guarantee business, which should generate about \$9 million to \$10 million in net premiums this year, is divided between a corporate bond sector and an educational loan area.

In the corporate bond area, which accounts for about 80% of its business, Continental insures primarily tax-exempt bonds for shopping centers, industrial plants, office buildings and other facilities in the \$5 million to \$10 million range.

In the educational loan area, which accounts for about 15% of its business, Continental has started issuing policies on behalf of ConSern, a program developed by Washington, D.C.-based University Support Services that guarantees loans issued to middle-income students.

The remaining 5% of Continental's financial guarantee business includes limited partnership deals. ■



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New technologies aid fire loss control

By CHRISTINE WOOLSEY

Advances in fire loss prevention run the gamut from improved extinguishing equipment to more sophisticated detection systems to alternative fire prevention system checking procedures.

And, increasing with the technological advances in fire protection is the number of property loss control specialists offering their expertise to risk managers.

The 1988 *Business Insurance* directory of property loss control consultants attracted 120 responses, an increase of 126% from 53 the previous year. A listing of these consultants and their services begins on page 44.

One of the most recent advances in the fire protection field is the Early Suppression Fast Response sprinkler head, according to Jim S. Armstrong, engineering manager for Fort Lee, N.J.-based American Risk Management Corp.

Research on sprinkler systems had been neglected for many years, Mr. Armstrong said. But "four or five years ago the U.S. government and a number of major insurers got together to look at the dynamics of fire protection."

Older sprinkler heads were designed to control or suppress fires but not actually extinguish them, explained Mr. Armstrong, who is based in the Cleveland office of ARM, a unit of International Risk Management Group Ltd. and Swiss Reinsurance Co.

The water droplets released were relatively small and often would not effectively penetrate the fire plume.

"You almost had to wait until all the commodity burned up or get in there with fire hoses" to control the fire, he said.

But, researchers sponsored by the Factory Mutual System now have developed a sprinkler system that activates much faster and emits enough water to penetrate the fire plume. Whereas the old type of sprinkler head would not activate for two to three minutes, the ESFR head activates within 30 seconds, he said. In addition, the new system's larger water droplets are able to penetrate the fire plume to douse the fire.

In the fire detection area, smoke detectors are far more sensi-

tive and can distinguish, for example, between cigarette smoke and smoke from a smoldering fire, Mr. Armstrong said.

He noted that older smoke detectors' sensitivity levels had to be adjusted frequently to avoid false alarms when, for example, employees smoked cigarettes. In addition, air currents affected the detectors' performance.

Mr. Armstrong said that new detectors sample smoke particles in the air to determine whether there is a fire. In addition, the sensitivity of new smoke detection systems can be set based on occupancy levels in a building or an area.

More companies also are using thermographic scanning to detect hot spots in electrical and mechanical equipment that may develop into fires.

The military for decades has used infrared thermographic scanning, but its use in commercial industry was rare until the 1970s because of its cost and limited portability.

The system first became a feasible method of loss control for employers in the 1970s, when its cost dropped and portable systems were designed.

Mr. Armstrong said ARM engineers began using infrared technology several years ago on a plant-by-plant basis. However, about four years ago, when ARM recognized the importance and value of the technology, the company made infrared thermographic surveys the main thrust of its loss control consulting and special services division.

Approximately 35% of the fires in electrical and mechanical systems are caused by electrical failures, said Peter F. Johnson, assistant vp-marketing at ARM.

An electrical breakdown can cost an average of \$3,000 to \$8,000 per piece of equipment destroyed or damaged, he said.

An infrared scanner works like a temperature-sensitive camera, detecting temperature extremes much like the human eye detects light. However, an infrared scanner picks up light emitted from objects in the infrared spectrum.

The scanner contains a control unit that converts the light it detects to an electrical signal displayed on a closed-circuit monitor as a multicolored image indicating a range of hot to cold areas. From this picture, called a thermogram, valuable

information can be obtained about the temperature extremes inside electrical and mechanical systems.

For example, Mr. Armstrong noted that much of a piece of electrical equipment is supposed to be hot. "The consultant has to look for the true anomalies and decide what should or should not be hot," he said.

A study of one plant after it initiated an infrared inspection program indicated a 50% decrease in the failure of electrical systems from all causes, according to Mr. Johnson.

In addition to these physical fire suppression systems, researchers are attempting to develop alternative techniques to measure the volume of the fire extinguishing gas Halon 1301 that many companies use in their computer rooms.

Halon has been touted as one of the most effective fire protector gases because it suppresses fires and is non-toxic. The gas is released from pressurized containers and must reach a level of 5% of the room's volume in 10 seconds and maintain that level for 10 minutes to extinguish a fire.

Currently, the effectiveness of a Halon discharge system is measured by live discharge testing. But, a discharge test can cost between \$6,000 and \$10,000 for the Halon gas alone, Mr. Johnson said.

In addition research has shown that Halon's chlorofluorocarbon content is more detrimental to the Earth's ozone layer than ever the CFCs found in aerosol cans, Mr. Armstrong said. The United States in the late 1970s banned CFCs for use as a propellant out of concern for the ozone layer.

The Montreal Protocol, an international agreement signed by 11 countries—including the United States—to limit the production of Halon, cutting it back to 1986 levels, has fire protection engineers worried they will have to find an alternative testing method. "We think (the price) could double or triple in the years ahead as production of Halon is curtailed or regulated," Mr. Johnson warned.

Meanwhile, researchers are studying the use of blower doors, used for many years in home energy audits, as an alternative to discharge testing.

Continued on next page

Protection . . .

Continued from previous page

A blower door containing an electric motor-driven fan and a computer that measures Halon leakage is installed at a computer room's entrance, Mr. Armstrong said.

However, Edward Vining, vp at The FPE Group of Lafayette, Calif., said he has not seen any alternative system that provides as accurate results as live testing.

An equally important area of property loss control is safety training.

For example, "It's been proven that an individual with hands-on fire-extinguishing training can put out a fire 2½ times as large as an individual with no training," said R. Craig Schroll, chief consultant at Fireclin in Lancaster, Pa.

Unfortunately, companies tend to eliminate safety training programs when cutting costs, consultants point out.

And, some employers may be reluctant to hire a consultant to conduct training programs, because "they see us as someone who wants a lot of money to do something they could do themselves," Mr. Schroll said.

"Top management is at some point going to have to learn that safety must be an integral part of their operations," he said.

But, risk managers are beginning to realize this, according to Sheryl Anderson, business development representative at Schirmer Engineering Corp. in Deerfield, Ill. "There is a sense of risk managers looking where they can get the most benefits from their risk management programs, and they're realizing loss control and safety can help minimize costs."

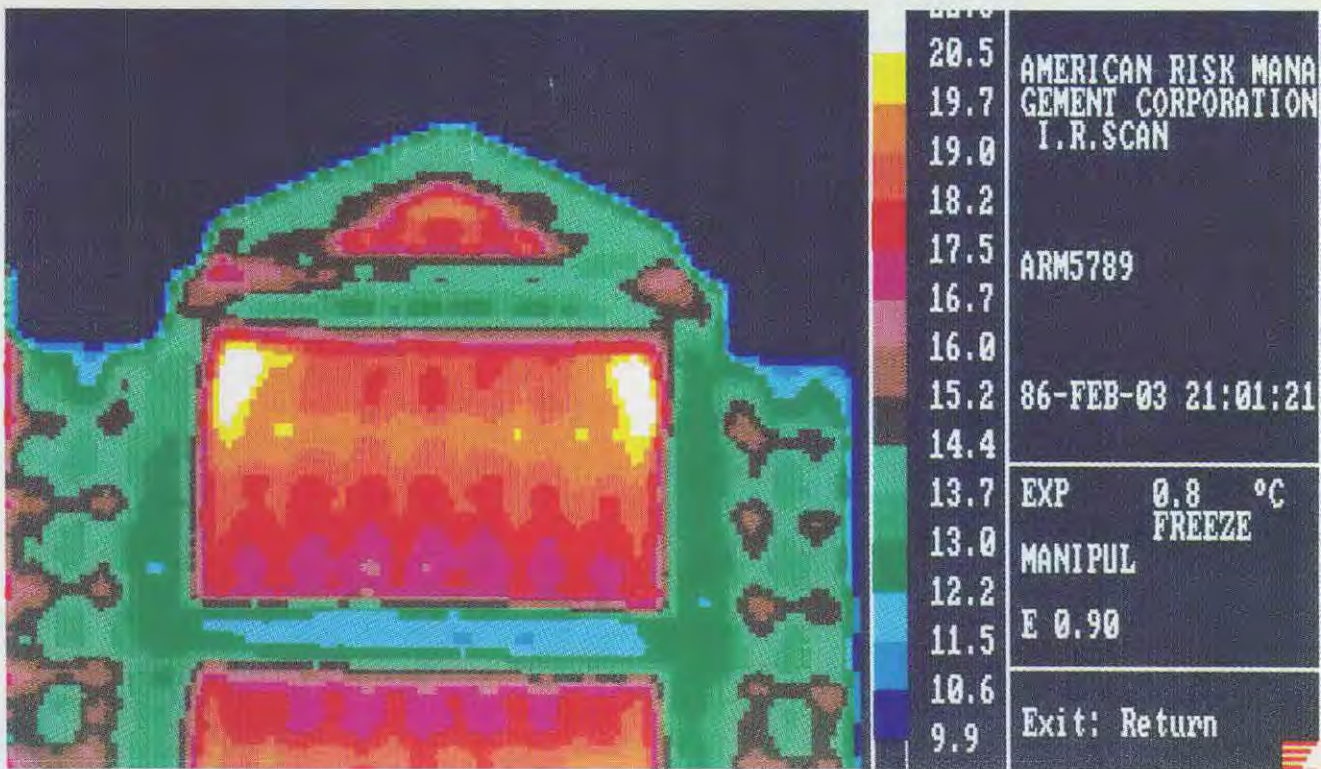
In addition to loss prevention techniques, consultants also offer employers a variety of post-loss services.

"Whenever there is a loss, the risk manager gets saddled with what to do afterward," said Michael Mentuck, president of Salem, Mass.-based Michael A. Mentuck & Associates Inc., which provides salvage services to employers with property losses. "We are a source to assist the risk manager and advise him on whether to recondition his damaged property or sell it," Mr. Mentuck explained.

Forensic engineering services also are available to companies facing litigation because of a property loss.

Forensic engineers reconstruct accidents that have caused a property loss to determine the cause of the incident.

In addition, the majority of property loss control consultants offer:



Graphic courtesy of American Risk Management Corp.

More companies use thermographic scanning to detect hot spots in electrical and mechanical equipment.

- On-site plant inspections.
- Hazard identification.
- Building plan reviews.
- Loss control training.

Of the 120 consultants that responded to the BI survey of property loss control consultants, 108 gave quantifiable responses. Among these respondents, hazard identification and loss prevention training are the two most commonly offered

services. Some 95% offer hazard identification, and 93% offer training classes, seminars or videos to employers.

Fire prevention inspections are offered by 82% of the consultants listed, and 80% offer clients loss prevention manuals, newsletters or other publications.

Building plan reviews are conducted by 75% of the respondents and 72% conduct loss prevention research.

In addition, 60% offer plant security inspections.

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Property loss control consultants listed

A

AIG Consultants

72 Wall St., New York, N.Y. 10005;
212-770-7000

Year founded: 1979.

Parent company: American International Group Inc.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews; occasional plant security inspections, client training.

Staff: 177 total staff members; 42 professionals assigned to property loss control engineering/consulting, including two ARMs, 17 CSPs, nine PEs, three CIHs, two CPCUs.

Clients: 300 total clients; 18% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million, 40% with \$500 million-\$1 billion, 1% with \$1 billion-\$3.5 billion, 1% exceeding \$3.5 billion.

Branch offices: Atlanta; Charlotte, N.C.; Boston; Chicago; Detroit; Dallas; Houston; Los Angeles; San Francisco; Philadelphia; Cleveland; Washington, D.C.; Toronto; Vancouver, British Columbia.

1987 gross revenues: \$10 million total; 8% from unbundled property loss control consulting and engineering; 92% from other services, including environmental impairment assessments, evaluation and planning.

Principal officers: A. Goldberg, president; R. Blaunstein, vp-risk assessment; D. Scott, vp-international engineering; J. Leonard, vp-regional operations.

American Risk Management Corp.

4807 Rockside Road, Suite 500,
Cleveland, Ohio 44131;
216-447-1600; 800-882-5528

Year founded: American Risk Management Inc. was founded in 1958; name changed to American Risk Management Corp. in 1988.

Parent company: International Risk Management Group Ltd./ Swiss Reinsurance Co.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, client training, infrared thermographic inspections for electrical components and roofing, boiler and machinery risk evaluations, underwriting reports and loss potential calculations, risk evaluations of property damage and business interruption exposures, chemical and petrochemical risk con-

sulting, boiler and pressure vessels reliability studies; occasional plant security inspections, loss prevention publications, loss prevention research.

Staff: Not reported; professional designations held by staff include one ARM, one ALCM, one ASSE, one CSP, five PEs, 31 SFPEs, six CPCUs, seven AICHEs.

Clients: 76 total clients; 5% with gross revenues less than \$200 million, 3% with \$200 million-\$500 million, 8% with \$500 million-\$1 billion, 50% with \$1 billion-\$3.5 billion, 34% exceeding \$3.5 billion.

Branch offices: Atlanta; Burlington, Vt.; Charlotte, N.C.; Chicago; Dallas; Detroit; Fort Lee, N.J.; Kansas City, Kan.; Louisville, Ky.; Minneapolis; Nashville, Tenn.; Pittsburgh; San Francisco; Seattle; Youngstown, Ohio; Bridgetown, Barbados; Hamilton, Bermuda; Grand Cayman, Cayman Islands; Toronto;

Guernsey, Channel Islands; London; Luxembourg; Shannon, Ireland; Singapore.

1987 gross revenues: Not reported.

Principal officers: Arthur R. Deters, chairman; Tom G. Grilli, vice chairman; John J. Ryan, president; William F. Nehls, executive vp; Charles D. Wharton, vp-engineering.

Asbestos Consulting Service Inc.

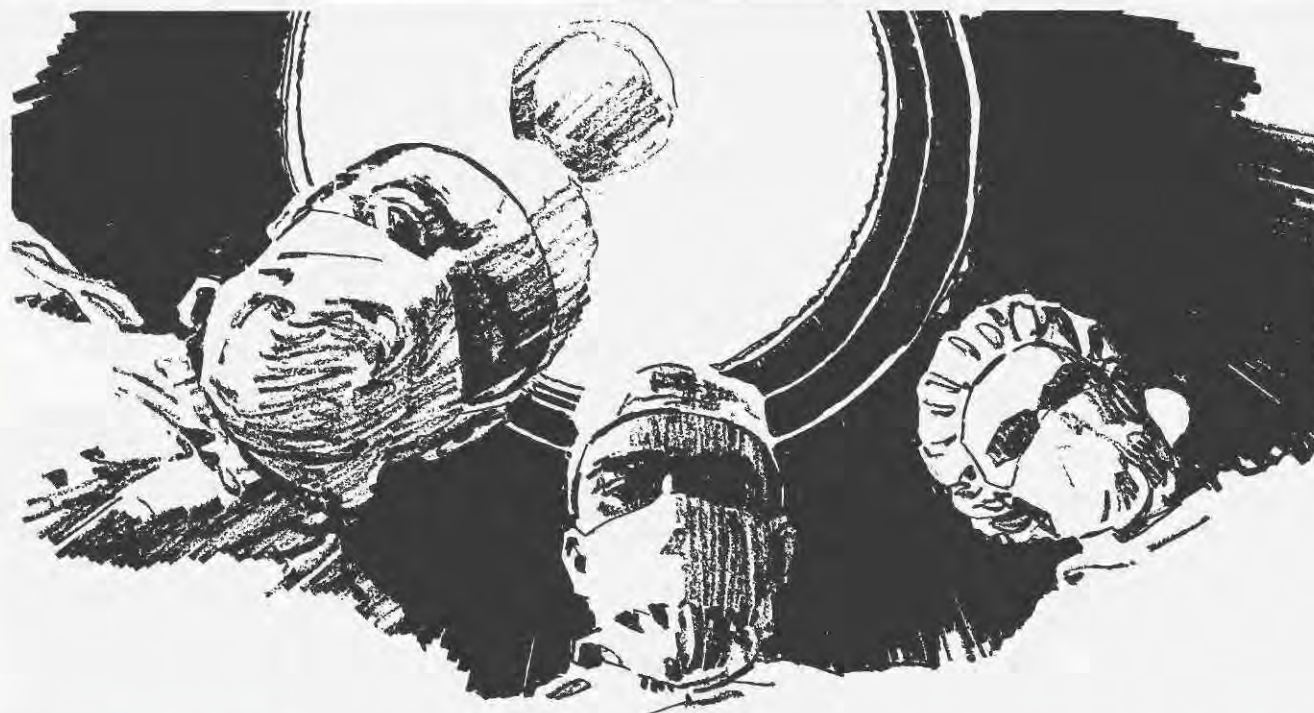
520 W. Midway Blvd., Broomfield,
Colo. 80020-1955; 303-466-7259

Year founded: 1982.

Services provided: On-site loss prevention inspections, hazard identification, loss prevention publications, client training.

Staff: Two total staff members, one professional.

Continued on page 46



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How to use directory

The second annual directory of property loss control consultants and engineers lists companies that provide loss control services like on-site plant loss prevention inspections (including fire prevention inspections, plant security inspections and hazard identification); building plan reviews; publication of loss prevention manuals, newsletters or other materials; loss prevention research; and training classes, seminars or educational videos for clients. Many companies list additional specialty services they offer to clients.

Companies included in the directory must provide these services on an unbundled basis directly to employers; companies that provide loss control only in conjunction with other services, like insurance brokerage, are not listed.

Business Insurance publishes the directory as an editorial service; there is no charge for companies to be included.

Following the name and address of the company, the **year founded** and **parent company** are given.

Next, details on loss control **services provided** are noted. Information on total **staff** members as well as the number of professionals assigned to property loss control consulting and engineering and the professional designations they hold are provided. Information on number and size of **clients** at year-end 1987 follows.

If a company specializes in consulting to a particular type of business or industry, it is noted under the **specialty** heading; then, cities and states of **branch offices** providing property loss control services are listed.

When reported by the company, **1987 gross revenues** are provided. Names and titles of **principal officers** complete the listings.

Listings are based on each company's response to a *Business Insurance* questionnaire. There are no public documents available to allow *BI* to verify the information provided.

Following are the full professional designations for those abbreviated under the staff heading:

AAFS is member, American Academy of Forensics Sciences; **AARST** is member, American Assn. of Radon Scientists & Technologists; **ACI** is member, American Concrete Institute; **ACS** is member, American Chemical Society; **AcSA** is Accredited Safety Auditor; **AIAA** is member, American Institute of Aeronautics & Astronautics; **AICE** is member, American Institute of Chemical Engineers; **AIHA** is member, American Industrial Hygiene Assn.; **ALA** is member, Associated Locksmiths of America; **ALCM** is Associate in Loss Control Management; **ANSI** is member,

Continued on page 46

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UTICA MUTUAL INSURANCE CO.

ARKWRIGHT MUTUAL INSURANCE CO.
GRAPHIC ARTS MUTUAL INSURANCE CO.
LUMBER MUTUAL INSURANCE CO.

Continued from page 44

Clients: 20 total clients, 100% with gross revenues less than \$200 million.

Specialties: Real estate.

1987 gross revenues: \$130,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: George S. Bigget, pres./dent.

Ask Safety Consultants Inc.

8195 E. Isabella County Line Road,
Coleman, Mich. 48618;
517-465-6724

Year founded: 1976.

Services provided: Occasional fire prevention inspections, plant security inspections, hazard identification, legal and regulatory consulting, noise evaluations, loss prevention publications, loss prevention research, client training.

Staff: One staff member who is a PE.

Specialties: Construction, surface mining, cement industry, oil and gas well drilling.

1987 gross revenues: \$48,000 total; 20% from unbundled property loss control consulting and engineering; 80% from other services, including legal consulting and expert witness testimony.

Principal officers: Alpheus R. Klashak, president/chief executive officer.

Adjustco Inc.

2605 Maitland Center Parkway,
Maitland, Fla. 32751;
407-660-2611

Year founded: 1980.

Parent company: Leonard J. Russo Insurance Services Inc.

Services provided: Frequent hazard identification, safety program audits and consulting, client training; occasional fire prevention inspections, ergonomic program assistance, loss prevention publications.

Staff: 12 staff members assigned to property loss control engineering/consulting; eight professionals, including eight ASSEs, one CSP, one CSE.

Continued on page 48

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Directory guide

Continued from page 44

American National Standards Institute; ARM is Associate in Risk Management.

ASA is member, American Society of Appraisers; **ASCE** is member, American Society of Civil Engineers; **ASEE** is member, American Society of Electrical Engineers; **ASIE** is member, American Society of Industrial Engineers; **ASIS** is member, American Society for Industrial Safety; **ASME** is member, American Society of Mechanical Engineers; **ASP** is Associate Safety Professional; **ASQC** is member, American Society for Quality Control; **ASSE** is member, American Society of Safety Engineers; **ASTM** is member, American Society for Testing & Materials; **CCM** is Certified Consulting Meteorologist.

CET is Certified Engineering Technician; **CFEI** is Certified Fire & Explosion Investigator; **CFPS** is Certified Fire Protection Specialist; **CHCM** is Certified Hazard Control Manager; **CHMM** is Certified Hazardous Materials Manager; **CHSP** is Certified Healthcare Safety Professional; **CIC** is Certified Insurance Counselor; **CIH** is Certified Industrial Hygienist; **CIHT** is Certified Industrial Hygiene Technologist; **COC** is Certified Occupational Conservationist; **COHN** is Certified Occupational Health Nurse; **COST** is Certified Occupational Safety Technician; **CPC** is Certified Professional Chemist; **CPCU** is Certified Property/Casualty Underwriter.

CPP is Certified Protection Professional; **CPSM** is Certified Product Safety Manager; **CQE** is Certified Quality Engineer; **CRE** is Certified Reliability Engineer; **CSE** is Certified Safety Executive; **CSM** is Certified Safety Manager; **CSP** is Certified Safety Professional; **CSS** is Certified Safety Specialist; **CSSP** is Certified Safety & Security Professional; **CST** is Certified Safety Technician; **FCAS** is Fellow, Casualty Actuarial Society; **FIIC** is Fellow, Insurance Institute of Canada.

HPS is member, Health Physics Society; **IEC** is member, International Electric Technical Commission; **IEEE** is member, Institute of Electrical & Electronic Engineers; **IES** is member, Institute of Industrial Engineers; **IHA** is member, Industrial Hygiene Assn.; **IIE** is member, Institute of Industrial Engineers; **ILCI** is member, International Loss Control Institute; **IOSH** is member, Institute of Occupational Health & Safety; **ISASI** is member, International Society of Air Safety Investigators; **ISO** is member, International Standards Organization; **NAFE** is member, National Academy of Forensic Sciences; **NBBM** is member, National Board of Boilers & Pressure Vessels; **NFPA** is member, National Fire Protection Assn.

NFSA is member, National Fire Sprinkler Assn.; **NICET** is member, National Institute for Certification in Engineering Technologies; **NSC** is member, National Safety Council; **NSMS** is member, National Safety Management Society; **NSPE** is member, National Society of Professional Engineer; **OSHT** is Occupational Health & Safety Technologist; **PE** is Professional Engineer; **PhD** is Doctor of Philosophy; **REA** is Registered Environmental Assessor; **RPWTPO** is Registered Public Water Treatment Plant Operator; **RSE** is Registered Structural Engineer; **SFPE** is member, Society of Fire Protection Engineers; **SSA** is member, Semiconductor Safety Assn.; **SSS** is member, System Safety Society; **WSO** is member, World Safety Organization. ■



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Continued from page 46
Clients: 3,200 total clients.
Branch offices: Baton Rouge, La.; Jackson, Miss.
1987 gross revenues: Not reported.
Principal officers: Leonard J. Russo, president/chief executive officer; Jack D. Holton, executive vp; David B. Crosby, vp/national sales manager; F.I. Hughes, senior vp/southeast regional manager; Robert W. Lowry Sr., vp/southwest regional manager.

Paul Alamar, P.E., C.S.P.
P.O. Box 134, Scranton, Pa.
18501; 717-347-8665

Year founded: 1972.
Services provided: Occasional hazard identification, building plan reviews, client training, product safety reviews.
Staff: One staff member who holds ASSE, CSP and PE designations.
Clients: 18 total clients.
Specialties: Industry, hospitals, nursing homes, construction.

1987 gross revenues: Not reported.
Principal officers: Paul Alamar, president.

Alexander & Alexander Services Inc.- Loss Prevention & Claims Services
1185 Ave. of the Americas, New York, N.Y. 10036; 212-575-8000

Parent company: Alexander & Alexander Services Inc.

Services provided: Frequent fire prevention inspections, hazard identification, analysis of sprinkler and fire protection systems, water supply testing and analysis, estimation of loss potentials, business interruption studies, building plan reviews, loss prevention publications, loss prevention research, client training, development of emergency plans, boiler and machinery surveys and consulting, evaluation of loss control programs; occasional plant security inspections.

Staff: 215 total staff members; 140 professionals, including 18 ARMs, two ALCMs, 57 ASSEs, 31 CSPs, 28 PEs, 40 SFPEs, five CHCMs, three CPSMs, 55 NFPA's, 11 NSMSs.

Clients: Not reported.
Branch offices: Locations in the U.S. and worldwide.

Principal officers: Tinsley H. Irvin, chairman/chief executive officer; Michael K. White, executive vp.

Alexis Risk Management Services
41000 W. Seven Mile Road, Northville, Mich. 48167; 313-348-2202

Year founded: 1932.
Parent company: Alexander & Alexander Services Inc.

Services provided: Frequent fire prevention inspections, hazard identification; occasional building plan reviews, loss prevention publications, client training.

Staff: 704 total staff members; nine professionals assigned to property loss control consulting/engineering, including one ARM, nine ASSEs, four CSPs, one CFPS, one CPCU.

Clients: 14 total clients; 79% with gross revenues less than \$200 million, 7% with \$200 million-\$500 million, 7% with \$500 million-\$1 billion, 7% with \$1 billion-\$3.5 billion.

Branch offices: Livonia, Bay City and Grand Rapids, Mich.; Philadelphia; Louisville, Ky.; Hartford, Conn.

1987 gross revenues: \$60 million total; 1% from unbundled property loss control consulting and engineering; 99% from other services, including claims administration, excess insurance placement, bundled loss control services.

Principal officers: John A. Malasky, chairman; M. Ollie Parker, senior vp; R.F. Proffer, president-corporate service division; Josepha A. Giampetro, executive vp-eastern division; Ernest C. Fackler, executive vp-western division.

Anti Fire/P.E. Phillips & Associates
1963 Sycamore Trail, Las Vegas, Nev. 89108; 702-295-0907

Year founded: 1972.
Services provided: Frequent fire prevention inspections, hazard identification, fire protection system inspections, consulting on conformance with codes and standards, building plan reviews, expert witness testimony; occasional loss prevention research, client training.

Staff: One staff member who has CSP, PE, SFPE, SSS and NFPA designations.

Clients: Not reported.
1987 gross revenues: Not reported.

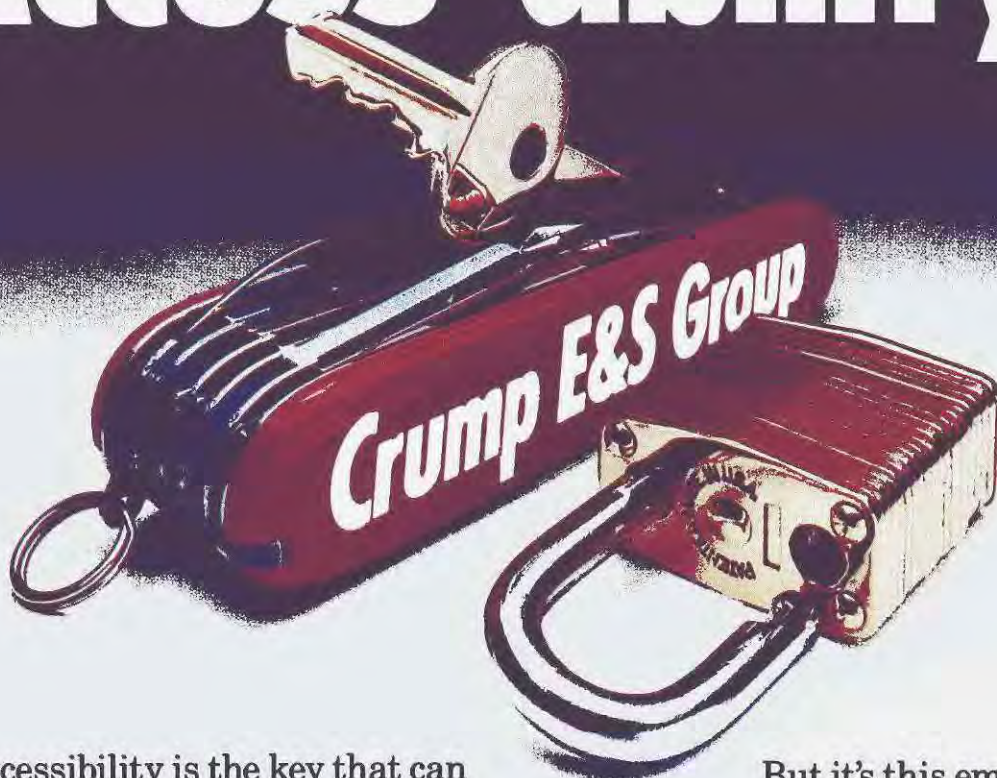
Principal officers: Patrick E. Phillips, owner.

Applied Risk Control Corp.
100 Dutch Hill Road, Suite 214, Orangeburg, N.Y. 10962; 914-365-2444

Year founded: 1985.
Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification; occasional building plan reviews, loss prevention publications.

Continued on page 55

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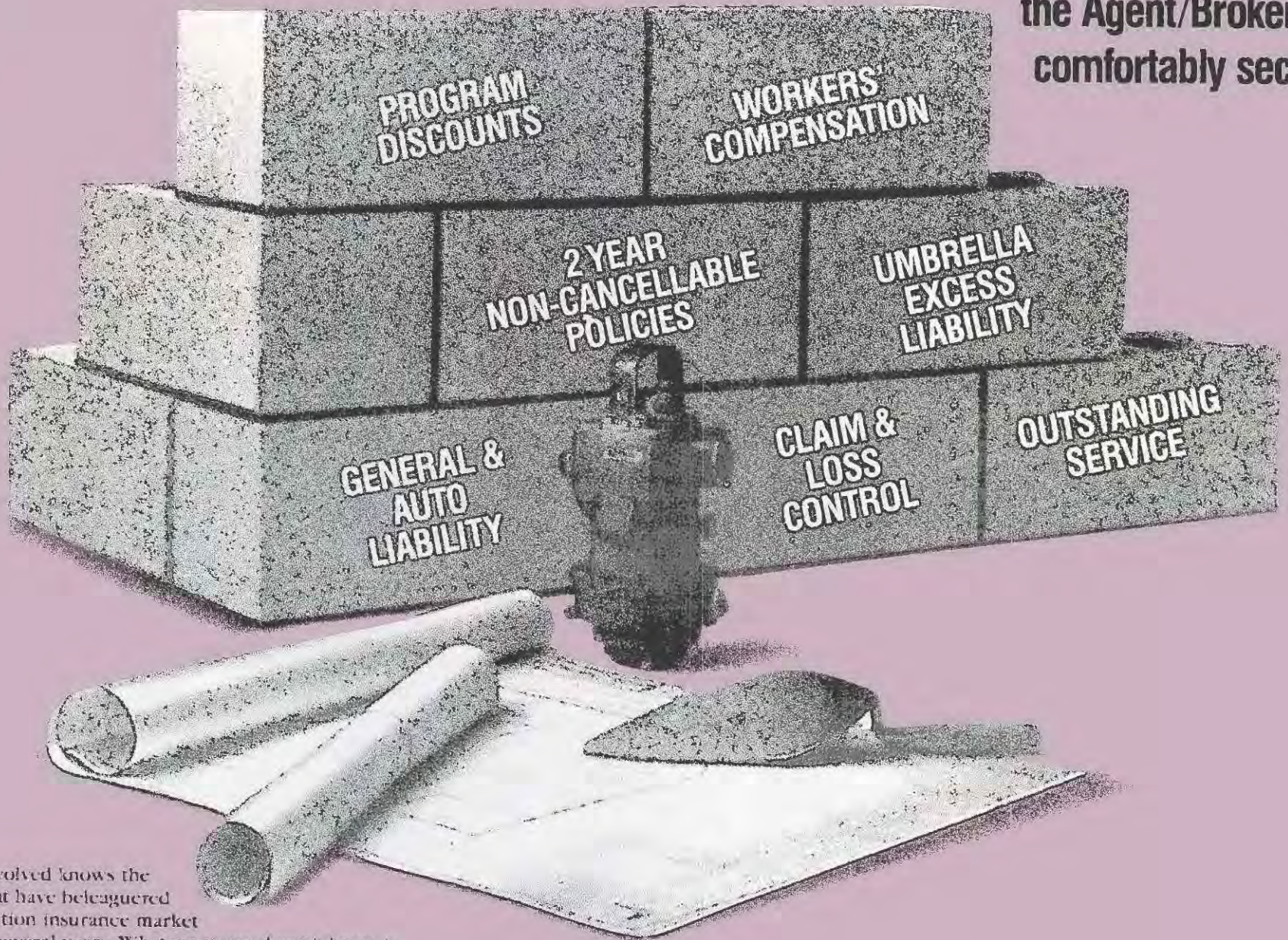
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As Program Managers, CISCO works closely with contractor's agent or broker. This ensures, among many things, a close liaison between the policyholder, the agent/broker and the underwriter. Also, CISCO conducts an in-depth analysis of all submissions for eligibility in keeping with underwriting criteria.

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Workers' Compensation written selectively on guaranteed cost, deviations, dividend and retention plans

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1. Each contractor is subject to individual underwriting and rating sensitive to the contractor's exposure and loss experience.
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Wrap Up Programs

Primary and excess markets for term of project including... total service package... individual policy issuance... Claim and Loss Control... statistical data... for Wrap Up participants.

KEY SERVICES PROVIDED

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1. Provide underwriting evaluation, guidelines and loss analysis.
2. Issuance of policies, endorsements and certificates of insurance and collection of premiums.

Claim Control

Monitor specialized Claim Service to ensure quality handling... submit an analysis of claims to each participant.

Cost-of-Risk Management

Provide the policyholder with up-to-date loss information.

Loss Control

1. Review services provided by insurance companies Loss Control operations.
2. Design a Loss Control schedule of service, sensitive to the contractor's exposure and needs.
3. Ongoing review of accident experience to measure effectiveness of Loss Control activities and the need for remedial action.

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300 Old Country Road, Suite 31
Mineola, New York 11501

ASK A RISK MANAGER

Keeping workplace safe key to low comp costs

Q

Workers compensation costs are increasingly difficult to manage. What are your thoughts on ways to control claim frequency and expenses?

A

You are correct in stating that workers compensation costs are difficult to manage! Every risk manager has his or her own story to tell about a specific case.

The prevalent feeling shared by risk managers is one of helplessness in attempting to operate within a

system that appears to work against the employer.

I am certain you agree work comp benefits should be provided to employees who suffer a work-related injury or illness. However, the pendulum has swung out of control in too many instances where benefits are awarded "carte blanche" for pre-existing conditions and incidents for which no specific accident or exposure has been identified. We find ourselves bargaining with physicians and attorneys on degrees of permanency, perhaps losing our perspective as to what workers compensation was originally intended to provide.

The risk management function is one concerned with the identification, evaluation, control and, as appropriate, the transfer of risk. The effective management of workers compensation exposures in any organization requires the first three of these processes. Your decision whether to transfer risk takes certain financial considerations into account as well.

Risk identification is a crucial step since it sets

the parameters of an accident prevention program. You must know and understand your business environment before establishing safety guidelines. Use of a risk management information system is vital in identifying the types of accidents/incidents most likely to result in claims. If you do not subscribe to an automated system, a review of loss runs will provide statistics on accident types and claims costs. Visiting your operations and talking with employees will afford you a valid picture of what goes on in the workplace.

The evaluation of risk provides an analysis of the magnitude of exposure. This process is necessary for

In too many instances benefits are awarded "carte blanche" for pre-existing conditions and incidents where no specific accident or exposure has been identified.

determining if retention or transfer of risk appears most logical for the organization. It will also dictate which types of risk control programs are best suited to dealing with occupational hazards.

In addition to these two processes, a risk manager must establish certain controls to minimize the financial and human relations impact that a workers compensation case has on an organization.

For example:

- Determine the impact of pre-employment physicals in identifying employees who are not suited for a particular type of occupation. Not all employees would require this form of screening but those involved in strenuous activity are likely candidates.
- Make certain employees are well-trained and thoroughly understand safety requirements associated with their occupations.
- Evaluate the benefits of a light duty program as an incentive to keep employees in the workplace while

they recuperate from workplace injuries.

- Establish and direct a claims management program that mirrors your risk management philosophy. To expound on this subject further, your claims administrator should follow your directions regarding claims management practices. Pre-establish authority levels so your claims administrator understands what cases are reportable to the risk manager and when. You will find a "hands-on" risk management approach to claims administration is the most effective arrangement.

Continued on next page

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

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



Ms. Werner

This month's column on risk management issues is written by Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C. Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J., answers benefits management questions. William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. And, Richard E. Sherman, a principal with

Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field.

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

Ms. Werner's next column will appear in December. Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.

New D&O text is meaty reading

"Liability of Corporate Officers and Directors, Fourth Edition"
By William E. Knepper and Dan A. Bailey

The Michie Co., P.O. Box 7587,
Charlottesville, Va. 22906-7587;
800-446-3410

1988, 950 pages including
appendices and index, \$85.00

By Mark A. Hofmann

THE EXPLOSION of directors' and officers' legal exposures is graphically illustrated by the size of the recently published fourth edition of "Liability of Corporate Officers and Directors": The new volume packs half again the heft of its predecessor, and not a word is fat.

Messrs. Knepper and Bailey—partners in the Columbus, Ohio, law firm of Arter & Hadden—specialize in D&O law, and their expertise is manifest in this book. This edition represents a complete rewriting of the classic text on D&O liability, which was last revamped in 1978.

This volume is as much a how-to book as it is legal text. In addition to

Books & ideas

discussing the various components of D&O liability, the authors offer concrete advice on how directors and officers can protect themselves against D&O liability actions. The authors provide a 135-item checklist of potential liabilities, ranging from "acquiescence in conduct of fellow directors engaged in improper activity" to "willful wrongdoing," that underscores the scope of exposure. They then discuss specific actions that can be taken to minimize the impact of those exposures.

The authors also trace changes in the atmosphere surrounding D&O liability. According to Messrs. Knepper and Bailey, the most significant of the many recent changes in the legal climate buffeting directors and officers has been the enactment of state laws providing directors with some modicum of protection.

"The availability of D&O insurance serves to help directors insulate their personal assets from total risk, but it does not cure the uncertainty and hazards of exposure to personal

liability. Surveys and studies by several state bar associations, chambers of commerce, the National Assn. of Corporate Directors and others established the need for state legislation to alleviate the concern of corporate directors over the trend in the courts to second-guess them, not only as to the correctness of their decisions but also to the quality of their deliberative processes and the sufficiency of their preparation and homework.

"The enactment of such legislation in several states since 1986 has been the single most important development in the D&O area since the liability crisis surfaced in 1984," they write.

In a valuable demonstration of the variation in the relief granted by state statutes, the authors have reprinted eight state laws. They also have provided two charts—one explaining the limits of director liability and the other detailing indemnification laws—covering all applicable state statutes. The information is current to

April 30, 1988.

The volume also contains an up-to-date and extensive discussion of D&O liability insurance. Noting that the availability and affordability crunch of the mid-1980s "brought into focus the importance of D&O insurance in the nation's economy," the writers observe: "In this period, D&O insurance changed from being a minor coverage with very little cost to being a major issue and a major cost element in many corporations."

The authors explain in detail a series of decisions on the applicability of D&O liability insurance to specific exposures. Several actual sample insurance forms are included in an appendix. The authors also discuss the broad area of indemnification, pointing out how state statutes have affected this area.

With its up-to-date information and its rigorous attention to detail, the newest edition of "Liability of Corporate Officers and Directors" provides a clear and accurate map to guide risk managers, officers, directors and corporate counsel through the minefields of D&O liability.

Safe workplace key to lower comp claims

Continued from previous page

Much has been written recently concerning employee rehabilitation programs. Ideally, your claims administrator should provide this service as part of its total package. Rehabilitation is a logical step in restoring human productivity and personal independence to an out-of-work employee.

I would like to cite an example of how our use of these processes helped minimize a workers compensation exposure that was rapidly evolving out of control. Our food manufacturing division operates a meat processing facility involved with chicken boning. Employees who complained of aching wrists and similar forms of discomfort were unanimously diagnosed as having carpal tunnel syndrome. Many became candidates for surgery with little hope of improvement. We found ourselves continuously negotiating on disability ratings with attorneys and physicians.

Our claims administrator and

rehabilitation service provider felt the medical community would better understand and diagnose these cases if they had first-hand knowledge of the actual work environment.

Workers in the chicken boning department were videotaped and supervisors were interviewed,

Day" at our facility to which local medical professionals involved with treating these cases were invited for a presentation. They came away with a clear understanding of job tasks and provided us with meaningful recommendations on injury prevention measures. Instead of automatically

to reduce occupational health hazards and promote employee wellness.

More good news! Recently our claims administrator purchased a division that will offer medical cost-containment programs for workers compensation. While employee benefit insurers have provided this service for years, too little has been done to initiate medical cost-containment programs in the area of workers compensation. Hopefully, structured medical management programs will become a standard part of future claims administration packages.

Realistically, fighting the present workers compensation system continues to be an exasperating, uphill struggle.

The wise risk manager is one who focuses on the importance of employee wellness programs as a deterrent to occupational injury and illness and establishes stringent management controls to minimize related expenditures.

Fighting the present work comp system continues to be an exasperating, uphill struggle. The wise risk manager is one who focuses on the importance of employee wellness programs as a deterrent to occupational injury and illness and establishes stringent management controls to minimize related expenditures.

graphically explaining all phases of the operation. Next we evaluated each job from an ergonomics point of view. The risk control division of our claims administration company was requested to evaluate such items as the boning knives, wrist splints and individual workstations.

Finally, we arranged a "Physicians

establishing a disability rating, which keeps an employee out of work, we are now finding alternatives that allow the employee to return in a somewhat limited, yet productive, capacity. The physicians understand that we—the employer, our claims administrator, risk control and rehabilitation professionals—are working as a team

Coach's illness not compensable

In this case of first impression, the Supreme Court of South Dakota held that a mental disability produced solely by mental stimuli or stress was not compensable under the state workers compensation law.

Denis Lather signed a teaching contract with a high school, including the responsibility of coaching football in the fall. Two months later, a college offered him the position of head basketball coach.

It had been Mr. Lather's lifelong dream to coach a college basketball team. He discussed the offer with the high school officials and board members. Some were angered at his desire to leave and mentioned revoking his teaching certificate and taking him to court to honor his contract. Ultimately, an agreement was reached releasing him subject to his continuing duties until mid-September and finishing his season as head football coach.

Thus, he began undertaking both the college and high school duties, making four 100-mile round trips per week. Unfortunately, Mr. Lather found many problems at the college, including stolen gear and uniforms, and unqualified and ineligible players. He also encountered disciplinary problems with some of the remaining players. The facilities at the college also failed to meet his expectations.

Mr. Lather was under stress from these conditions and because of his feelings of guilt from leaving the high school post. He began developing a mental disorder and sought counseling. His condition deteriorated. He had suicidal thoughts. He was hospitalized and treated.

Thereafter, he became so distraught that he agreed to voluntary commitment. While two sheriff's deputies were escorting him to the Human Services Center, he opened the car door and jumped out while the vehicle was traveling at about 35 mph. He sustained severe physical injuries.

Mr. Lather filed for workers compensation benefits but was denied by the hearing officer. However, a trial court found his injuries compensable.

The appellate court, however, concluded that under South Dakota law, only injuries by accident arising out of and in the course of employment are compensable. The court said that they were not lawmakers nor policymakers and were bound by the Legislature's intent. Justice Henderson dissented, believing that Mr. Lather's physical injuries arose out of and in the course of his college employment because his mental injury

Legal briefs

and plight was the substantial cause of the attempted suicide. *Lather vs. Huron College*, Supreme Court of South Dakota, Sept. 30, 1987 (BI/01/Oct.-\$10).

'Fell dead' presumption

The Supreme Court of Mississippi held that when an employee is found dead at a place where his duties require him to be during working hours, there is a presumption that the accident arose out of and in the course of his employment if it cannot be proven that he was not engaged in his employer's business.

Horace Stampley, a 43-year-old man, died at his place of employment on Saturday, Jan. 28, 1984. At the time, he was engaged in the performance of his duties. Co-employees began cardiopulmonary resuscitation. He never regained consciousness. He was transported to a hospital where he was pronounced dead.

Mr. Stampley had a previous diagnosis of congestive heart failure and had been hospitalized for that complaint. His death certificate indicated "natural causes."

His widow sought benefits on her own behalf, as well as for their children and one grandchild. An award of benefits was affirmed by the trial court. The employer and its insurer appealed.

The appellate court said that the "fell dead" presumption applies regardless of whether the employee is "found dead" at his place of employment or "falls dead" in the presence of his fellow employees. According to the court, the presumption is sufficient to place upon the employer the burden of overcoming it by evidence in explanation of the cause of death. The court said that, where no proof is offered except that the employee died from unknown causes, the presumption is not overcome and will justify an award. The court concluded that the employer had not overcome the presumption. *U.S. Rubber Reclaim vs. Dependents of Stampley*, Supreme Court of Mississippi, June 3, 1987 (BI/02/May-\$10).

Widow's rights

A surviving spouse of a disabled worker whose death occurred other than as a result of a compensable injury

could not claim disability compensation payments that the worker had failed to claim during his lifetime, the Supreme Court of Wisconsin ruled.

James McKenzie, during the course of his employment with Wehr Corp., developed shortness of breath, asthma and bronchitis, which was diagnosed as pneumoconiosis. He became totally disabled as a result of his work in 1971 and had a compensable injury.

Despite that fact, Mr. McKenzie never filed a claim for workers compensation benefits.

Under the law, he had six years after retirement to file a claim. This expired in 1977. However, in 1975, the state Legislature provided for payment of otherwise barred claims, including that of Mr. McKenzie.

Again, however, he failed to apply, although he would have had a meritorious claim.

Mr. McKenzie died in 1979 from causes unrelated to his occupational injury. Thereafter, his widow, Olivia, filed a claim for benefits. The trial court ruled for Mrs. McKenzie.

The appellate court noted that no state law specifically conferred upon a surviving spouse the right to make a claim for total disability benefits not claimed by the deceased worker, nor did any section of the workers compensation act imply that a spouse can assert such a right not asserted by the deceased. The court said that this was not so surprising since the fundamental purpose of the compensation act is to compensate the injured employee. According to the court, the workers compensation law only provides for death benefits when the death results from injury and the deceased leaves a person dependent upon him for support.

Thus, the court said that it was clear that Mr. McKenzie was not entitled to make a claim for benefits that Mr. McKenzie could have recovered during his lifetime.

State vs. Labor and Industry Review Committee, Supreme Court of Wisconsin, March 9, 1987 (BI/04/April-\$10).

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

Continued from page 48
 loss prevention research, client training.
Staff: 10 total staff members; three professionals, including two ARMs, three CSPs, one PE.
Clients: 15 total clients; 50% with gross revenues less than \$200 million, 50% with \$200 million-\$500 million.
Branch offices: Atlanta.
1987 gross revenues: Not reported.

Principal officers: Harry P. Miri-janian, president; Leo Kiebal, vp; Tom DiMarino, vp/treasurer.

Aviation Resources Group Inc.

4600 Duke St., Suite 300, Alexandria, Va. 22304; 703-823-2533

Year founded: 1981.
Services provided: Frequent hazard identification, federal regulatory compliance surveys and consulting; occasional plant security inspections, accident investigation and analysis, loss prevention publications, loss prevention research, client training.
Staff: Eight total staff members; four professionals, including one ASSE, one PE, one CHCM, one AAFS, four ISASIs, two AIAs.

Clients: Eight total clients; 75% with gross revenues less than \$200 million, 25% exceeding \$3.5 billion.

Specialties: Aviation industry.
1987 gross revenues: \$250,000 total; 35% from unbundled property loss control consulting and engineering; 65% from other services, including federal regulatory compliance consulting.

Principal officers: James M. Vines, president; Ira J. Rimson, secretary; Stephen C. Matula, treasurer.

B

W.A. Bateman, P.E., C.S.P.
 P.O. Box 10196, Midland, Texas 79702; 915-697-1243

Year founded: 1979.
Services provided: Frequent forensic engineering services; occasional fire prevention inspections, hazard identification, safety and loss control program audits, client training.

Staff: One staff member who holds ARM, ASSE, CSP, PE and NAFE designations.

Clients: Not reported.
Specialties: Petroleum industry.
1987 gross revenues: Not reported; 10% from unbundled property loss control consulting and engineering; 90% from other services, including forensic engineering.

Principal officers: William A. Bateman, owner.

Biehl Engineering Inc.

N66W12659 Ravine Drive, Menomonee Falls, Wis. 53051; 414-251-8251

Year founded: 1960.
Services provided: Frequent hazard identification, casualty loss investigations, technical investigations for litigation, building plan reviews, building design engineering; occasional fire prevention inspections, plant security inspections, loss prevention research, client training.

Staff: Two staff members who are professionals, including one ASCE, one ASSE, one CSP, two PEs.

1987 gross revenues: Not reported.

Principal officers: Francis W. Biehl and Steven F. Biehl.

Biotechnics Inc.

Eastmark Center, 7607 Eastmark Drive, College Station, Texas 77840; 409-696-3871

Year founded: 1981.
Services provided: Frequent fire prevention inspections, hazard identification, industrial hygiene surveys, system safety analyses, environmental surveys, regulatory analyses, workers compensation insurance analyses, loss prevention publications, loss prevention research, client training, risk assessments, evaluation of loss control programs; occasional building plan reviews.

Staff: 11 professional staff members, including one ASCE, seven ASSEs, seven CSPs, six PEs, two SFPEs, three CIHs, four AAHs, three SSSs, two IIEs.

Clients: Four total clients.
1987 gross revenues: \$200,000 total; 70% from unbundled property loss control consulting and engineering; 30% from other services, including forensic services.

Principal officers: Ralph J. Vernon, president; Clyde M. Berry, executive vp; Lee Blank, director-technical services; Pat Clemens, director-system safety; Wes Wallace, director-marketing.

Bonatus & Associates Inc.

6292 Lambda Drive, San Diego, Calif. 92120-4606; 619-582-9429

Year founded: 1979.

Services provided: Frequent hazardous chemical inventories, loss prevention research, client training, hazard communication programs, expert witness testimony; occasional fire prevention inspections, hazard identification, building plan reviews, loss prevention publications.

Staff: One staff member who holds ASSE, CSP, PE, SFPE, CHCM and

Continued on next page

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<input checked="" type="checkbox"/>	Prompt, Efficient Quotes and Binding	<input type="checkbox"/>
<input checked="" type="checkbox"/>	\$10,000,000 Paid in Capital and Surplus	<input type="checkbox"/>
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Continued from previous page
 CEM designations.

Clients: Total clients not reported; 80% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million.

1987 gross revenues: 10% from unbundled property loss control consulting and engineering, 90% from other services.

Principal officers: Kenneth R. Bonatus, president.

**B. Gawain Bonner,
 Safety & Health
 Management Consultant**

Route 3, Box 458, Huntsville,
 Texas 77340; 409-594-3804

Year founded: 1986.

Services provided: Occasional

hazard identification, program development and review.

Staff: One staff member who holds ASSE, CSP and PE designations.

Clients: Total clients not reported, 100% with gross revenues less than \$200 million.

Specialties: Manufacturing.

1987 gross revenues: Not reported.

Principal officers: B. Gawain Bonner, owner.

**Joseph F. Boxmeyer,
 Safety Consultant**

P.O. Box 143 Laurelton, Pa.
 17835; 717-922-4216

Year founded: 1982.

Services provided: Frequent on-site plant loss prevention inspections, static electricity consulting and con-

trol, flammable liquids safety services, process safety services, client training; occasional fire prevention inspections, hazard identification.

Staff: One staff member who holds ASSE and CSP designations.

Clients: Six total clients.

Specialties: Tape, label and chemical industries.

1987 gross revenues: Not reported.

Principal officers: Joseph F. Boxmeyer, owner.

**Morley Brickman
 & Associates Ltd.**

5240 Galitz, Skokie, Ill. 60077;
 312-674-2664

Year founded: 1986.

Services provided: Occasional fire prevention inspections, hazard identification, loss prevention research, client training.

Staff: Two total staff members; one professional who holds PE and CSE designations.

Clients: Two total clients.

1987 gross revenues: Not reported.

Principal officers: Morley Brickman, president; Betty R. Brickman, secretary/treasurer.

Ken Buhler Associates Inc.

11 Erita Lane, Smithtown, N.Y.
 11787; 516-360-3770

Year founded: 1976.

Services provided: Frequent fire prevention inspections, plant secu-

ity inspections, hazard identification, building plan reviews, property appraisals, sprinkler system design and analysis; occasional expert witness testimony, client training.

Staff: Five total staff members; four professionals, including one ASSE, one PE and one SFPE.

Clients: Total clients not reported; 75% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion.

Specialties: Electronics and paper industries, warehouses.

1987 gross revenues: Not reported.

Principal officers: Kenneth S. Buhler, president; R. Buhler and S. Relkin, vps.

C

A V I A T I O N S A F E T Y S E R I E S N O . 1



IN A COCKPIT AT 41,000 FEET, AN ANTIHISTAMINE
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**Cohen & Associates-
 Safety & Human
 Factors Engineers**

4790 Mount Helix Drive, La Mesa,
 Calif. 92041; 619-464-4427

Year founded: 1974.

Services provided: Frequent hazard identification, loss prevention publications, loss prevention research, client training.

Staff: Five total staff members; three professionals, including three ASSEs, three CSPs, two PEs.

Clients: Total clients not reported; 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion, 20% exceeding \$3.5 billion.

1987 gross revenues: \$850,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: H. Harvey Cohen, principal.

Colburn & Associates

P.O. Box 340, Auburn, Wash.
 98002; 206-939-4709

Year founded: 1979.

Services provided: Frequent fire prevention inspections, plant security inspections, loss prevention publications, loss prevention research, expert witness testimony; occasional hazard identification, building plan reviews, client training.

Staff: Five total staff members; two professionals, including one Ph.D., one CIC.

Clients: Total clients not reported; 80% with gross revenues less than \$200 million, 20% with \$500 million-\$1 billion.

Specialties: Industry, government entities.

1987 gross revenues: \$259,000 total; 60% from unbundled property loss control consulting and engineering, 40% from other services.

Principal officers: Gene L. Colburn, owner/principal.

**Construction Technology
 Laboratories Inc.**

5420 Old Orchard Road, Skokie,
 Ill. 60077-4321; 312-965-7500

Year founded: 1910.

Parent company: Portland Cement Assn.

Services provided: Frequent hazard identification, engineering evaluation of fire, explosion, collapses, deterioration and defective construction, cost estimates of structural damage, preparation of design drawings and specification of repair, loss prevention research; occasional building plan reviews, testing for loss control during shipping, testing of construction materials for fire ratings.

Staff: 130 total staff members; including 23 ASCEs, 18 PEs, one SFPE, 21 ASTMs, 13 RSEs, 26 ACIs.

Clients: Not reported.

Specialties: Designers, owners and contractors in the construction industry.

Branch offices: Seattle; Los Angeles; Dallas; Tallahassee, Fla.

1987 gross revenues: \$10.5 million total; 40% from unbundled property loss control consulting and engineering; 60% from other services, including engineering and scientific research and development of construction materials and components.

Principal officers: W.E. Kunze, president; W.G. Corley, A.E. Fiorato

Continued on page 58



Ignoring the high price of aging in America is costing business a fortune.

The case for an employee-paid long-term care plan now.

Dealing with the cost of long-term care can no longer be postponed. It's an urgent problem requiring the best efforts of all of us. Business can't do it alone. Individuals can't do it alone. Government can't do it alone.

All too often, however, business ends up paying a disproportionate share. Why?

Because retirees requiring long-term care are an expensive drain on any benefits plan.

And because almost one third of current employees are now responsible for the care of elderly relatives. Leaving business to pick up the cost of absenteeism, inefficiency and increased medical claims due to depression and stress.

And there's another point to consider. Many of your employees will need long-term nursing care for themselves after they retire. But with smart management now, that prospect won't be as financially draining as it could be.

And that's precisely where we fit into the picture.

At John Hancock, we've developed a program that goes a long way toward solving all parts of the problem. It's called Group Long-Term Care. It's available to employees and their families,* either through payroll deduction or an option in a cafeteria benefits plan. Employees pay their own premiums and the only expense to employers is simple administration.

The concept is logical, pro-active management. It allows employers to protect themselves as well as their employees. And the costs are reasonable for both.

But perhaps even more important, business now has the opportunity to rewrite the future by meeting a need which has gone unanswered for years.

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Continued from previous page
1987 gross revenues: Not reported.
Principal officers: John J. Farnacci, president.

FIRECON

P.O. Box 4882, Lancaster, Pa.
 17604-4882; 717-354-2411

Year founded: 1980.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, emergency and crisis plan development; occasional plant security inspections, building plan reviews.

Staff: Two total staff members; one professional who holds a CHCM designation.

Clients: Not reported; 15% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 40% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion, 15% exceeding \$3.5 billion.

1987 gross revenues: Not reported.

Principal officers: R. Craig

Schroll, chief consultant/owner.

Fireman's Fund Insurance Cos.-Loss Control Department

777 San Marin Drive, Novato, Calif.
 94998; 415-899-2342

Year founded: 1863.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research, client training.

Staff: 280 total staff members; 260 professionals, including four ARMs, 17 ALCMs, 114 CSPs, 17 PEs, seven CPCUs, seven CIHs, 20 ASPs.

Clients: Total clients not reported; 90% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million.

Branch offices: Locations throughout the U.S.

1987 gross revenues: \$2 billion total; 1% from unbundled property loss control consulting and engi-

neering; 99% from other services.

Principal officers: William M. McCormick, president; John J. Byrne, chairman/chief executive officer; Joseph W. Brown Jr., vp/chief financial officer; Francis W. Benedict, vp/secretary; Robert T. Marto, vp/treasurer; Robert W. Bruce III, vp/chief investment officer.

Flagship Group

1299 Black Oaks Court, Plymouth, Minn. 55447; 612-475-0111

Year founded: 1986.

Services provided: Frequent hazard identification, accident investigation, safety presentations, client training and seminars; occasional fire prevention inspections, plant security inspections, ergonomic and industrial hygiene services, building plan reviews, loss prevention publications.

Staff: One staff member.

Clients: 20 total clients, 100% with gross revenues less than \$200 million.

1987 gross revenues: \$75,000 total; 50% from unbundled property loss control consulting and engineering, 50% from other services.

Principal officers: Peter W. Bergerson, president.

Flex Fire Protection Inc.

201 Naperville Road, First Floor E., Wheaton, Ill. 60187; 312-668-8998

Year founded: 1986.

Services provided: Frequent fire prevention inspections, sprinkler system design, hydraulic calculations; occasional building plan reviews, consultation on building codes.

Staff: Six total staff members; two professionals.

Clients: Not reported.

1987 gross revenues: Not reported; 15% from unbundled property loss control consulting and engineering, 85% from other services.

Principal officers: Mark Bromann, president.

Frenkel & Co. Inc.

123 William St., New York, N.Y. 10038; 212-267-2200

Year founded: 1878.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building plan reviews; occasional client training.

Staff: Four total staff members; three professionals.

Clients: Not reported.

1987 gross revenues: \$19.1 million total; 1% from unbundled property loss control consulting and engineering; 99% from other services, including insurance brokerage.

Principal officers: Charles Pachner, chairman; James Costa, vice chairman; Alan Samuels, president; Robert Shunk, senior executive vp; Harold Goldsmith, executive vp/treasurer.

Friedman, Eisenstein, Raemer & Schwartz

401 N. Michigan Ave., Suite 2600, Chicago, Ill. 60611-4240; 312-644-6000

Year founded: 1972.

Services provided: Frequent hazard identification, loss prevention management reviews; occasional loss prevention research, client training.

Staff: 250 total staff members; two professionals assigned to property loss control consulting/engineering, including one ARM.

Clients: 15 total clients, 100% with gross revenues less than \$200 million.

Branch offices: Rolling Meadows and Lincolnshire, Ill.

1987 gross revenues: Not reported; 15% from unbundled property loss control consulting and engineering; 85% from other services, including risk management and insurance consulting.

Principal officers: James F. Goodman, director.

Friedman, Fuller & Hudson Inc.

6120 Executive Blvd., Eighth Floor, Rockville, Md. 20852; 301-468-6946

Year founded: 1982.

Continued on page 62

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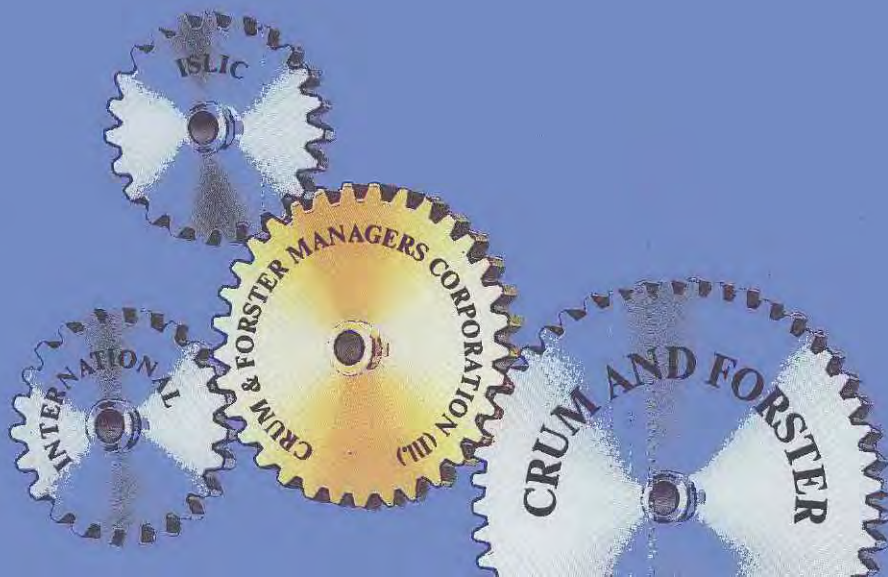
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■ GEORGIA ■ TENNESSEE ■

Continued from page 60

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, replacement cost appraisals, loss prevention publications, loss prevention research; occasional building plan reviews, client training.

Staff: 14 total staff members; two professionals, including one CST.

Clients: 55 total clients; 68% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 2% with \$1 billion-\$3.5 billion.

Specialties: Builders, developers, wholesalers and distributors.

Branch offices: Vienna, Va.

1987 gross revenues: Approximately \$700,000 total; 15% from unbundled property loss control consulting and engineering; 85% from other services, including insurance and risk management consulting.

Principal officers: Peter Hudson, president; Jeff Duncan, vp-loss/safety engineering; Art Methvin, vp-consulting; Pete Dec, senior consultant.

Fyrsafe Engineering Inc.

240 Howard Ave., Des Plaines, Ill. 60018; 312-397-7233

Year founded: 1986.

Services provided: Frequent fire prevention inspections, hazard identification, forensic investigations, product liability consulting, expert witness testimony, building code analysis, building plan reviews, loss prevention research, client training, fire protection and prevention training; occasional loss prevention publications.

Staff: Five total staff members; three professionals, including two ASSEs, two CSPs, one PE, three SFPEs.

Clients: 75 total clients; 40% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

1987 gross revenues: \$275,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: John M. Mer-

tens, president.

G

GAB Business Services Inc.

9 Campus Drive, Parsippany, N.J. 07054; 201-993-3400

Year founded: 1885.

Parent company: SGS North America.

Services provided: Frequent fire prevention inspections, hazard identification, value appraisals, loss control program audits, client training casualty surveys, safety consulting occasional plant security inspections, building plan reviews, loss prevention publications.

Staff: 3,612 total staff members; 15 professionals assigned to property loss control consulting/engineering, including three ARMs, six ASSEs, six CSPs, two PEs.

Clients: Not reported.

Branch offices: Los Angeles, Chicago, Dallas and Atlanta.

1987 gross revenues: Not reported.

Principal officers: Richard Simon, chairman; Joseph Rizzo, executive vp; Ray Auckerman, senior vp; Harvey S. Staple, national director.

Gage-Babcock Associates

135 Addison, Elmhurst, Ill. 60126; 312-530-1494

Year founded: 1952.

Services provided: Frequent fire prevention inspections, plant security inspections, risk improvement programs, safety and security program audits, building plan reviews, loss prevention research, fire suppression system design, fire detection and alarm system design, security system design; occasional hazard identification, loss prevention publications, client training.

Staff: 45 total staff members; 27 professionals, including one ARM, two ASCEs, two ASSEs, two CSPs, 22 PEs, 25 SFPEs, two CPPs, three ASISs.

Clients: Not reported.

Branch offices: San Francisco; Los Angeles; New York; Washington, D.C.; Atlanta.

1987 gross revenues: \$3.5 million total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Bert Cohn, president; Paul Smith and William Backes, vps; A.J. Longhitano and Thomas Jaeger, principals.

Gallagher Bassett Services Inc.

60 Gould Center, Rolling Meadows, Ill. 60008; 312-640-8555

Year founded: 1962.

Parent company: Arthur J. Gallagher & Co.

Services provided: Frequent fire prevention inspections, hazard identification, toxic substance control, industrial hygiene, hazard communication, OSHA compliance, loss prevention publications, loss prevention research, client training, ergonomics, safety evaluations; occasional plant security inspections, building plan reviews.

Staff: 57 total staff members; all professionals, including three ARMs, 49 ASSEs, 11 CSPs, two PEs, three SFPEs, one COC, three CFPS, one ASP.

Clients: 300 total clients.

Branch offices: 75 locations in the U.S.

1987 gross revenues: \$4.8 million total; 34% from unbundled property loss control consulting and engineering, 66% from other services.

Principal officers: Peter Durkalski, president; David A. North, executive vp; William C. Galvin, vp; Fred Potenza, area vp; Hugh E. Herbert, executive manager-engineering.

Dave Goodwin

P.O. Drawer 54-6661, Surfside, Fla. 33154; 305-531-0071

Year founded: 1963.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications; occasional loss prevention research; publication of

Continued on page 64

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New Hyde Park, NY 516-365-9000 Atlanta, GA 404-256-9666 San Francisco, CA 415-362-1987

Continued from page 62

disaster manuals.
Staff: Three total staff members, one professional.

Clients: Total clients not reported, 100% with gross revenues less than \$200 million.

1987 gross revenues: Not reported; 7% from unbundled property loss control consulting and engineering; 93% from other services, including risk management consulting.

Principal officers: Dave Goodwin, owner.

Gow Management Services Inc.

344 Delaware Ave., Buffalo, N.Y. 14202; 716-856-6148

Year founded: 1982.

Services provided: Frequent fire prevention inspections, hazard identification, industrial hygiene services, loss prevention publications, client training; occasional expert witness testimony, building plan reviews, loss prevention research.

Staff: Four total staff members;

three professionals, including one ASSE, one CSP, one SFPE, one CHCM, one CHMM.

Clients: 100 total clients; 90% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion.

Specialties: Heavy industry and construction.

Branch offices: Albany, Rochester and Syracuse, N.Y.

1987 gross revenues: \$400,000 total; 60% from unbundled property loss control consulting and engineering; 40% from other services, including safety consulting.

Principal officers: Jeffrey Gow, president; Michael Gow, senior vp; John Coniglio, manager.

Edwin P. Granberry Jr. & Associates

8358 Riesling Way, San Jose, Calif. 95135; 408-274-8361

Year founded: 1988.

Services provided: Fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention

research, client training.

Staff: Three total staff members; one professional, including one ASSE, one CPC, one COHST.

Clients: Not reported.

Specialties: Chemical, explosives and aviation industries.

1987 gross revenues: Not reported.

Principal officers: Edwin P. Granberry Jr., president.

Great Lakes Educational Consultants Inc.

3324 Olney St., Kalamazoo, Mich. 49007; 616-382-2314

Year founded: 1974.

Services provided: Frequent plant security inspections, hazard identification, loss prevention publications, client training; development of emergency plans.

Staff: Three total staff members; two professionals, including one CSE.

Clients: 22 total clients, 100% with gross revenues less than \$200 million.

Specialties: Educational institutions.

1987 gross revenues: \$110,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Robert Jonaitis, president.

H

The HDH Group Inc.

1 Oxford Centre, Suite 4400, Pittsburgh, Pa. 15219; 412-391-7300

Year founded: 1983.

Services provided: Frequent fire prevention inspections, loss prevention research, client training; occasional plant security inspections, hazard identification, building plan reviews, loss prevention publications.

Staff: 30 total staff members, one professional assigned to property loss control consulting/engineering who has a SFPE designation.

Clients: Total clients not reported, 100% with gross revenues less than \$200 million.

Specialties: Municipal governments, school districts.

1987 gross revenues: Not reported.

Principal officers: Bryan Hondru, president; Mark Horan and Joseph Deutsch, senior vps; Kathryn Turnbull, vp/secretary; Wallace Merrell, vp-engineering/loss control.

Harrington Group Inc.

3732 Highway 78, Suite 104, Snellville, Ga. 30278; 404-985-1272

Year founded: 1986.

Services provided: Frequent fire prevention inspections, hazard identification, water supply testing and analysis, evaluation of existing fire protection systems, building plan reviews, loss prevention research, evaluation of insurer recommendations, computerized fire modeling, fire protection system design, installation and testing.

Staff: Two total staff members, one professional who holds PE and SFPE designations.

Clients: Total clients not reported; 50% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 10% exceeding \$3.5 billion.

Specialties: Large industrial and commercial properties.

1987 gross revenues: Not reported, 100% from unbundled property loss control consulting and engineering.

Principal officers: Jeff L. Harrington, president/treasurer; Kathleen Harrington, vp/secretary.

The Hartford Steam Boiler Inspection & Insurance Co.

1 State St., Hartford, Conn. 06102; 203-722-1866

Year founded: 1866.

Services provided: Frequent fire prevention inspections, code inspections for boilers and vessels, asbestos

Continued on next page



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Continued from previous page
sampling and monitoring, indoor air quality and industrial hygiene services, environmental health and safety services, client training, materials science and equipment reliability, loss control automation services, non-destructive testing and inspection using acoustic emission and ultrasonics; occasional plant security inspections, hazard identification, loss prevention publications, loss prevention research.

Staff: 3,000 total staff members; 1,450 professionals assigned to property loss control engineering/consulting, including five ARMs, 19 ASCEs, two ASSEs, two CSPs, 112 PEs, 25 SFPEs and 16 CIHs.

Clients: 3,000 total clients; 60% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 5% with \$1 billion-\$3.5 billion, 5% exceeding \$3.5 billion.

Branch offices: Atlanta, Baltimore, Boston, Chicago, Cincinnati, Cleveland, Dallas, Denver, Detroit, Houston, Los Angeles, Minneapolis, New Orleans, New York, Philadelphia, Pittsburgh, St. Louis, San Francisco and Seattle.

Subsidiaries: Radian Corp.: Austin and Houston, Texas; Irvine, Los Angeles and Sacramento, Calif.; Milwaukee; Research Triangle Park, N.C.; Washington, D.C.; The Boiler Inspection & Insurance Co. of Canada: Toronto and Hamilton, Ontario; Montreal and Quebec City, Quebec; Vancouver, British Columbia; Halifax, Nova Scotia; Calgary, Alberta; Hartford Steam Boiler Inspection Technologies: Sacramento, Calif.; Hartford Steam Boiler Asia/Pacific: Hong Kong; HSB International: Lingen, West Germany; Professional Loss Control Inc.: Oak Ridge, Tenn.; Chicago; Philadelphia; Houston.

1987 gross revenues: \$421.7 million total; 24% from unbundled property loss control consulting and engineering; 76% from other services.

Principal officers: Wilson Wilde, president/chief executive officer; T. Skipwith Lewis, William Zindel and Donald K. Wilson Jr., senior vps; Kenneth J. Kelly, senior vp/general counsel; Robert W. Trainer, vp/treasurer/chief financial officer; John J. Kelley, corporate secretary; Donald M. Carlton, president/chief executive officer-Radian Corp.; T. Fred Cartwright, president/general manager-The Boiler Inspection & Insurance Co. of Canada; Kenneth Dungan, president-Professional Loss Control Inc.; Allen Green, president-Hartford Steam Boiler Inspection Technologies.

Daniel J. Hartwig Associates Inc.

P.O. Box 31, Oregon, Wis.
53575-0031; 608-835-5781

Year founded: 1978.

Services provided: Frequent hazard identification, asbestos inspections, client training; occasional fire prevention inspections, plant security inspections, building plan reviews, loss prevention publications, loss prevention research.

Staff: 20 total staff members; 11 professionals, including one CIH, one CHCM.

Clients: Total clients not reported; 40% with gross revenues less than \$200 million, 15% with \$200 million-\$500 million, 40% with \$500 million-\$1 billion, 5% with \$1 billion-\$3.5 billion.

Specialties: Schools, hospitals, public and privately owned buildings.

Branch offices: Phoenix, Ariz.

1987 gross revenues: \$1.1 million total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Daniel J. Hartwig, president; Diane E. Hartwig, vp.

Hewitt, Coleman & Associates Inc.

P.O. Box 3665, Greenville, S.C.
29608; 803-242-4350

Year founded: 1923.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training; occasional plant security inspections, building plan reviews.

Staff: 10 total staff members; one professional assigned to property loss control consulting/engineering, including one ASP, two CSMS and two CSSs.

Clients: Not reported.

Specialties: Municipalities, textiles, lumber, manufacturing, surface mining.

Branch offices: Raleigh, N.C.; Atlanta; Orlando, Fla.; Birmingham, Ala.; Denver.

1987 gross revenues: \$5 million total; 20% from unbundled property loss control consulting and engineering, 80% from other services.

Principal officers: Charles R. Warne, chairman/chief executive officer; Willard L. Quinn Jr., senior vp-operations; Stephen D. Milner, senior vp-finance; E.J. Kaminski, senior vp-marketing; J. Wesley Sexton, corporate director-loss control.

J.J. Hischar & Associates

P.O. Box 741, Woodbridge, N.J.
07095; 201-442-7221

Services provided: Frequent fire prevention inspections, hazard identification; occasional plant security inspections, loss prevention publications, loss prevention research, client training; computer security and disaster recovery services.

Staff: Eight total staff members; all professionals, including one ARM, two CPCUs.

Clients: Total clients not reported, 100% with gross revenues less than \$200 million.

Branch offices: New York; Westfield, N.J.

1987 gross revenues: \$175,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: J.J. Hischar, president; Joseph Lopez, executive vp; Deborah Higgins, vp/industrial hygienist.

Industrial Health & Safety

50 Sea Island, Newport Beach, Calif. 92660; 714-759-1707

Year founded: 1975.

Parent company: Xordium Inc.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, development of safety management programs, including fleet safety and property conservation; occasional plant security inspections, fire suppression system inspections, building plan reviews, loss prevention research.

Staff: Two total staff members, including one ALCM, one ASSE.

Clients: Total clients not reported, 100% with gross revenues less than \$200 million.

Principal officers: Karen Gillett, president; Fred C. Gillett, vp.

Inservco Insurance Services Inc.

3461 Market St., Suite 201, Camp Hill, Pa. 17011; 717-761-7735

Year founded: 1980.

Parent company: Pennsylvania National Mutual Casualty Insurance Co.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building valuations, safety management consulting, safety program

development, fire protection systems evaluations, client training; occasional building plan reviews, loss prevention publications.

Staff: 146 total staff members; 25 professionals assigned to property loss control consulting/engineering, including two ARMs, four ALCMs, four ASSEs, one CSP, one PE, two SFPEs and two CPCUs.

Clients: 37 total clients, 100% with gross revenues less than \$200 million.

Branch offices: Harrisburg and Pittsburgh, Pa.; Kansas City, Kan.; Greensboro, N.C.; Richmond, Va.; Baltimore; Birmingham, Ala.; Somerville, N.J.; Nashville, Tenn.

1987 gross revenues: Not reported; 20% from unbundled property loss control consulting and engineering; 80% from other services, including claims administration, actuarial and training services, data systems, underwriting, accounting and risk management.

Principal officers: Marlin T. Wilbert, president; Dennis C. Rowe, vp; Robert L. Conrad, executive vp; Ken-

Continued on next page

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Continued from previous page
neth R. Shutts, secretary; Kenneth L. Shaffer, treasurer.

Insurers Technical Services

P.O. Box 025276, Miami, Fla.
33102; 305-599-7410

Year founded: 1983.

Parent company: Ryder System Inc.

Services provided: Frequent fire prevention inspections, hazard identification, accident prevention programs, fleet safety; occasional building plan reviews, loss prevention research, client training.

Staff: Nine total staff members; seven professionals, including four CSPs, two PEs, two OHSTs and one CST.

Clients: 15 total clients; 10% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 30% with \$500 million-\$1 billion, 30% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Branch offices: Orlando, Fla.

1987 gross revenues: \$500,000 total, 100% from unbundled property

loss control consulting and engineering.

Principal officers: Martin R. Lerner, manager.

International Surplus Adjusting Services

3700 Wilshire Blvd., Suite 520, Los Angeles, Calif. 90010;
213-480-4630

Year founded: 1979.

Parent company: CIGNA Corp.

Services provided: Frequent hazard identification; occasional fire prevention inspections, building plan reviews.

Staff: 21 total staff members; four professionals, including one ASCE, one PE.

Clients: 11 total clients; 6% with gross revenues less than \$200 million, 85% with \$200 million-\$500 million, 9% exceeding \$3.5 billion.

1987 gross revenues: \$3.7 million total; 12% from unbundled property loss control consulting and engineering, 88% from other services.

Principal officers: Richard B. Piccinini, president; James F. Lee, vp.

J

William L. Jacobs Enterprises Inc.

P.O. Box 7472, Fort Lauderdale, Fla. 33338; 305-766-9910

Year founded: 1987.

Services provided: Frequent hazard identification, loss prevention research, client training; occasional fire prevention inspections, building plan reviews, loss prevention publications.

Staff: Two total staff members; one professional holding ASCE and CSP designations.

Clients: Total clients not reported; 100% with gross revenues less than \$200 million.

Specialties: Shopping centers, hotels and restaurants.

1987 gross revenues: Not reported, 100% from unbundled property loss control consulting and engineering.

Principal officers: William L. Jacobs, president.

Fred S. James & Co. Inc. (Risk Control Services)

830 Morris Turnpike, Short Hills, N.J. 07078; 1285 Ave. of the Americas, New York, N.Y. 10019;
201-564-7200; 212-333-8900

Year founded: 1858.

Parent company: Sedgwick Group P.L.C./Fred S. James & Co. Inc.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, client training, loss estimates, property valuations, rate analysis, emergency planning, building code review, computerized disaster recovery planning; occasional loss prevention research.

Staff: 110 total staff members; 92 professionals, including five ARMs, seven ASSEs, 23 CSPs, six PEs, 21 SFPEs, one CPCU, one CHCM, one NBBM.

Clients: 275 total clients.

Branch offices: Phoenix; Los Angeles; San Francisco; Fairfield and Greenwich, Conn.; Fort Lauderdale and Orlando, Fla.; Atlanta; Chicago; Boston; Portland, Maine; Detroit; Minneapolis; Kansas City and St. Louis, Mo.; Omaha, Neb.; Rochester, N.Y.; Portland, Ore.; Harrisburg, Philadelphia and Pittsburgh, Pa.; Columbia, S.C.; Memphis and Nashville, Tenn.; Dallas; Bellevue and Seattle, Wash.

1987 gross revenues: Not reported; 40% from unbundled property loss control consulting and engineering; 60% from other services, including liability exposure management; expert witness testimony, loss investigation and analysis.

Principal officers: William G. Laufer Jr., vp; Steven Galeotti, director-property.

Jardine Emett & Chandler

333 Bush St., Suite 1800, San Francisco, Calif. 94104-2878;
415-391-2600

Parent company: Jardine Insurance Brokers.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, boiler and machinery exposures, chemical safety reviews, business interruption reviews; occasional building plan reviews, loss prevention publications, loss prevention research, client training, property appraisals.

Staff: 1,000 total staff members; 10 professionals assigned to property loss control consulting/engineering, including four ASSEs, three PEs, two SFPEs, one AIHA, four NFPAs; three NSCs, three NSMS, one IES, one CHMM, two SPSMs, one CHCM, one ASP.

Clients: Not reported.

Branch offices: New York and Schenectady, N.Y.; Los Angeles and Orange County, Calif.; Boston; Houston.

1987 gross revenues: Not reported.

Principal officers: George W. Brown, president/chief executive officer; Richard A. Archer, chairman; Leonard P. Lawrence, executive vp.

Continued on page 68

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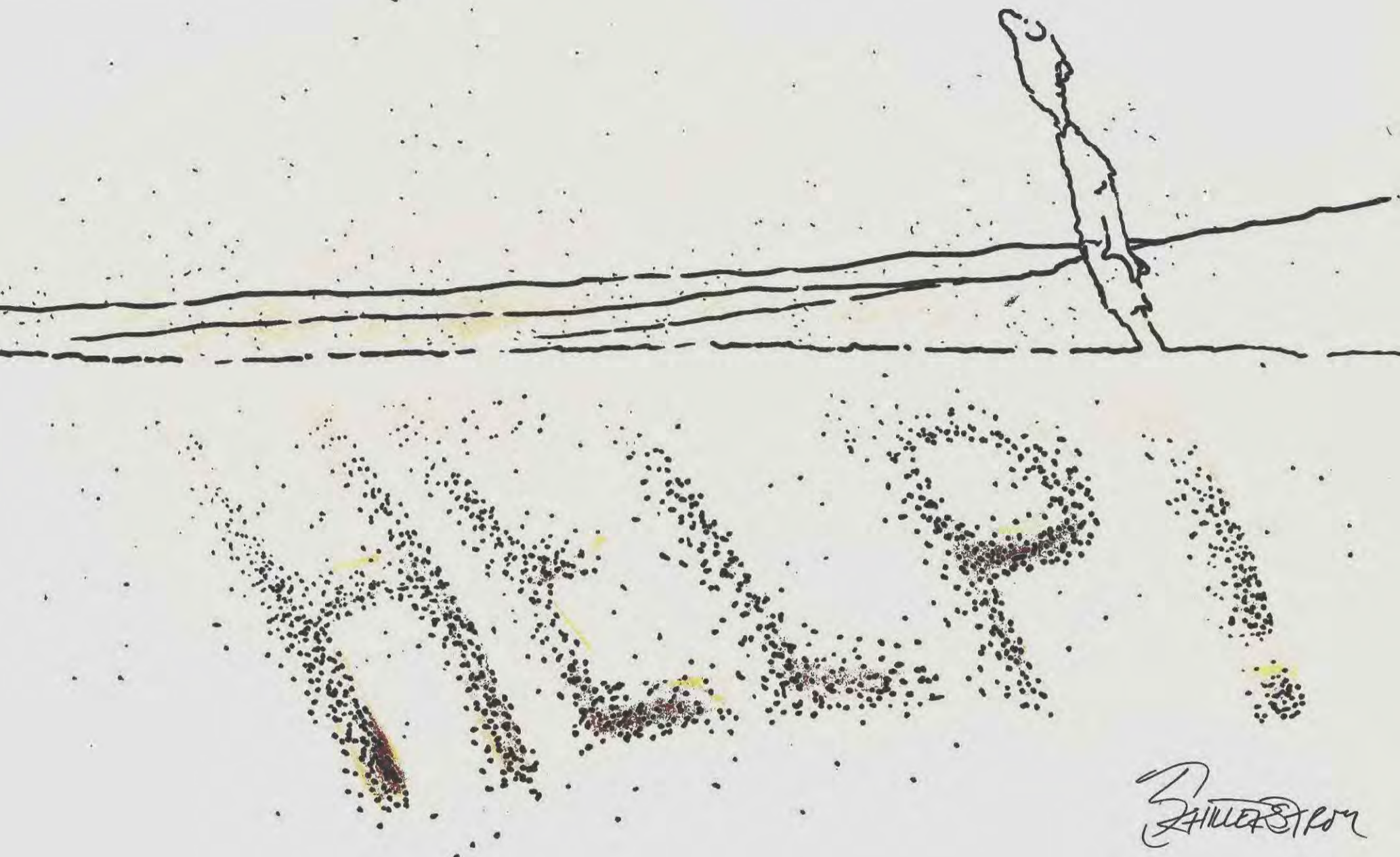
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Continued from page 66

Jarry Associates

108 Commonwealth Drive, Basking Ridge, N.J. 07920; 201-647-9031

Year founded: 1980.

Services provided: Frequent hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: Two total staff members; both professionals who hold ASSE, CSP and PE designations.

Clients: Total clients not reported; 85% with gross revenues less than \$200 million, 8% with \$200 million-\$500 million, 2% with \$500 million-\$1 billion, 5% with \$1 billion-\$3.5 billion.

Specialties: Paper, textile, manufacturing and food industries.

Branch offices: Center Conway, N.H.

1987 gross revenues: \$50,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Harry J. Eiermann, principal consultant.

Phil Jaynes & Associates

3375 Smoke Tree Drive, Suite 261, Sacramento, Calif. 95834; 916-922-0338

Year founded: 1982.

Services provided: Hazard identification, loss prevention publications, loss prevention research, client training.

Staff: One staff member with a CSP designation.

Clients: Not reported; 50% with gross revenues less than \$200 million, 50% with \$500 million-\$1 billion.

Specialties: Manufacturing.

1987 gross revenues: \$30,000 total; 20% from unbundled property loss control consulting and engineering, 80% from other services.

Principal officers: Phil Jaynes, president.

Johnson & Higgins-Property Loss Control

125 Broad St., New York, N.Y. 10004; 212-574-7000

Year founded: 1845.

Parent company: Johnson & Higgins.

Services provided: Frequent loss control program administration, database development, loss prevention program studies, business interruption studies, building plan reviews, loss prevention publications, client training; occasional fire prevention inspections, plant security inspections, hazard identification.

Staff: 67 total staff members in the U.S.; 59 professionals, including two ASCEs, 10 ASSEs, nine CSPs, 23 PEs, 42 SFPEs, nine AICHEs, one ASIE, two ASISs, three ASMEs, two IEEEes, 45 NFPAs, one ACS, one ASA, one CPCU, five NFSAs, four SSAs.

Clients: 1,400 total clients.

Branch offices: Atlanta; Baltimore; Boston; Charlotte, N.C.; Chicago; Cleveland; Costa Mesa, Los Angeles, San Diego and San Francisco, Calif.; Dallas; Houston; Detroit; Hartford and Stamford, Conn.; Honolulu; Minneapolis; Nashville, Tenn.; Parsippany, N.J.; Phoenix, Ariz.; Pittsburgh; Portland, Ore.; Richmond, Va.; St. Louis; Seattle.

1987 gross revenues: Not reported.

ported.

Principal officers: Richard J. Rice, director/senior vp; William F. Ramonas, national property loss control manager; Glenn H. Giles, J. Randall Fuss, Robert C. Ryan, Paul F. Helweg, E. Lee Marshall, James C. Deaton and Ralph P. Dellinger, regional managers.

K

Kendall Insurance Co. Inc.

90 S. Main St., Rochester, N.H. 03867; 603-332-5800

Year founded: 1867.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss prevention publications; occasional plant security inspections, loss prevention research, client training, fleet safety inspections, loss prevention audits.

Staff: Six total staff members; four professionals, including one ARM,

two PEs and one CPCU.

Clients: 30 total clients, 100% with gross revenues less than \$200 million.

Specialties: Ski industry, associations, tire dealers.

Branch offices: Midvale, Utah.

1987 gross revenues: Not reported.

Principal officers: Kennett R. Kendall Jr., president; David Hampson, Lawrence Cole, Roger Ervin and Everet Page, vps.

M. Kimbrell Associates Inc.

4024 Dunsmore St., Huntsville, Ala. 35802; 205-883-5473

Year founded: 1985.

Services provided: Frequent hazard identification, OSHA compliance surveys, expert witness testimony; occasional fire prevention inspections, loss prevention publications, client training, accident investigations.

Staff: Two total staff members; one professional with ASSE, CSE and WSO designations.

Clients: Two total clients, 100% with gross revenues less than \$200 million.

1987 gross revenues: \$15,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Murvin J. Kimbrell, president; Julia M. Kimbrell, vp.

Roy H. Kinslow, P.E.

9935 Coppedge Lane, Dallas, Texas 75220; 214-351-1446

Year founded: 1985.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, safety and health program audits; industrial hygiene and environmental sampling and monitoring, hazardous materials management and disposal, radiological health management; occasional plant security inspections, building plan reviews, loss prevention research, forensic engineering.

Staff: Three total staff members; two professionals, including two ASSEs, two CSPs, one SFPE, one HPS, one SSS, one AIHA, one AARST.

Clients: 15 total clients; 40% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion.

Specialties: High-technology and cosmetics manufacturing, food processing industry.

1987 gross revenues: \$300,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Roy H. Kinslow, president; Bill B. Turney and Jon Kinslow, vps; Harold McKay, secretary; Melissa Kinslow, treasurer.

Kleckner Enterprises Inc.

P.O. Box 357, Hibernia, N.J. 07842; 201-586-2620

Year founded: 1961.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research; occasional building plan reviews, client training.

Staff: Five total staff members, all professionals, including one ASSE, one CSP, one ALA.

Clients: Not reported; 75% with gross revenues less than \$200 million, 25% with \$200 million-\$500 million.

Branch offices: Whitehall, Pa.

1987 gross revenues: Not reported.

Principal officers: Willard R. Kleckner, president.

Raymond L. Kuhlman, C.S.P.

4640 Sharon Valley Court, Atlanta, Ga. 30360; 404-457-0687

Year founded: 1981.

Services provided: Frequent loss prevention publications, client training, loss control program management audits.

Staff: One staff member who holds ASSE, CSP, PE, CHCM and AcSA designations.

Clients: 15 total clients.

1987 gross revenues: \$65,000

Continued on next page



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Continued from previous page total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Raymond L. Kuhlman, consultant.

L

Las Vegas Audit & Inspection Service

1050 E. Flamingo, Suite 130, Las Vegas, Nev. 89119; 702-737-7166

Year founded: 1986.

Services provided: Frequent fire prevention inspections, general liability inspections, premium audits; occasional plant security inspections, hazard identification, building plan reviews, replacement cost analysis.

Staff: One total staff member.
Clients: Not reported; 15% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 30% with \$500 million-\$1 billion, 25% with \$1 billion-\$3.5 billion.

1987 gross revenues: Not reported; 85% from unbundled property loss control consulting and engineering, 15% from other services.

Principal officers: Brenda A. Atwood, K. Steven Kawa.

Loss Control Services Inc.

N. 3459 Tipperary Road, Poynett, Wis. 53955; 608-635-7766

Year founded: 1988.

Services provided: Frequent fire prevention inspections, hazard identification, waste management; occasional plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, pre-explosion surveys, claims and experience modification reviews.

Staff: Two total staff members, one professional.

Clients: 20% with gross revenues less than \$200 million, 80% with \$200 million-\$500 million.

Specialties: Construction, transportation, manufacturing.

Principal officers: Patricia E. Ash, president; Debra Peck and Joseph D. Ash Jr.

Loss Prevention Consultants Inc.

P.O. Box 54012; Jackson, Miss. 392-4012; 601-878-2138

Year founded: 1982.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss

prevention publications, loss prevention research, client training, accident investigations.

Staff: Two total staff members; one professional with an ASSE designation.

Clients: 20 total clients; 95% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million.

Specialties: Hazardous material transportation, manufacturing.

1987 gross revenues: \$100,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: John R. Eubanks Jr., president.

M

Robert G. McGarry, P.E., C.S.P.

11622 Greenwood Road, P.O. Box 9914, Kansas City, Mo. 64134; 816-765-0119

Year founded: 1977.

Services provided: Hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, accident investigation, forensic safety engineering.

Staff: One staff member with CSP and PE designations.

Clients: Not reported.

Specialties: Construction.

1987 gross revenues: Not reported.

Principal officers: Robert G. McGarry.

McNeary Insurance Consulting Services Inc.

6525 Morrison Blvd., Suite 301, Charlotte, N.C. 28211; 704-365-4150

Year founded: 1956.

Parent company: Booke & Co.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification; occasional loss prevention publications, client training; hazardous

materials management, health care loss prevention.

Staff: 26 total staff members; professionals designations held by staff include seven ARMs, one ASSE, one CSP, seven CPCUs.

Clients: Not reported, 100% with gross revenues less than \$200 million.

Specialties: Health care.

Branch offices: Atlanta; Columbia, S.C.

1987 gross revenues: Not reported.

Principal officers: W.C. Moore, chairman; T. Stephen Helms, president; R.G. Clarke, Carl W. Malmberg and William D. Yaeger, vps.

Mead Loss Control Consultants Inc.

Courthouse Plaza N.E., Dayton, Ohio 45463; 513-436-7200

Year founded: 1974.

Parent company: Mead Corp.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identifica-

tion, building plan reviews, client training, fire brigade training, infrared electrical and mechanical studies, plant diagram preparation; occasional loss prevention publications, loss prevention research.

Staff: 20 total staff members; 13 professionals including one ARM.

Clients: 11 total clients; 36% with \$500 million-\$1 billion, 36% with \$1 billion-\$3.5 billion, 28% exceeding \$3.5 billion.

Specialties: Electronics, metalworking, paper and aviation industries.

Branch offices: Buford, Ga.

1987 gross revenues: Not reported.

Principal officers: Walter P. Luker, senior vp/manager; Larry D. Jones, vp; Curtis A. Doyle, southeastern manager.

Michael A. Mentuck & Associates

23 Congress St., Salem, Mass., 01970; 508-744-7813

Year founded: 1983.

Continued on next page



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Continued from previous page

Services provided: Occasional loss prevention publications, pre-loss inspection to determine salvage potential of commodities, formulation of salvage procedures for clients.

Staff: Six total staff members.

Clients: Not reported.

1987 gross revenues: Not reported.

Principal officers: Michael A. Mentuck, president/treasurer.

Michigan Hospital Assn. Service Corp.

6215 W. St. Joseph Highway,
 Lansing, Mich. 48517;
 517-323-3443

Parent company: Michigan Hospital Assn.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, industrial hygiene monitoring, hazardous waste management, asbestos inspections and management plans, on-site videotaping, computerized incident trending.

Staff: 10 total staff members; eight professionals, including three PEs, one CST, one OHST.

Clients: 116 total clients.

Specialties: Hospitals and nursing homes.

Branch offices: Southfield, Mich.

1987 gross revenues: \$4.3 million total; 30% from unbundled property loss control consulting and engineering; 70% from other services, including consulting and insurance services.

Principal officers: Spencer Johnson, president/chief executive officer; Fritz Kellermann, senior vp/ chief operating officer; Gary Henriksen and Kathy Dickenson, vps; Heler Van Amburg, director-business/finance.

N

NATLSCO

Route 22, Kemper Drive, Long Grove, Ill. 60049-0075;
 312-540-2400

Year founded: 1968.

Parent company: Kemper Corp.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, safety audits and review of current programs, occupational health, safety and ergono-

mic assistance, industrial hygiene laboratory analysis; occasional loss prevention research.

Staff: 80 total staff members; 30 professionals, including four ARMs, 30 ASSEs, 22 CSPs, five PEs, 16 CIHs, two CIHTs, two CHCMs.

Clients: 560 total clients.

Specialties: Nuclear power generating stations.

Branch offices: Summit, N.J.; Akron, Ohio; Fairfax, Va.

1987 gross revenues: \$54 million total.

Principal officers: R.W. Satterfield, president; A.D. Odom, vp-safety; G.J. Krafcsin, vp-health services; F.G. Minchik, vp-risk management; D.F. Benevich, vp-management services.

NTS Engineering

6695 E. Pacific Coast Highway,
 Long Beach, Calif. 90803;
 213-493-6651

Year founded: 1982.

Parent company: National Technical Systems.

Services provided: Frequent building plan reviews, loss prevention research, seismic risk assessment and mitigation; occasional hazard identification, loss prevention publications, client training.

Staff: 40 total staff members; eight professionals, including five ASCEs, three PEs, two SFPEs, four Ph.D.s.

Clients: 10 total clients; 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 30% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

1987 gross revenues: \$7.3 million total; 15% from unbundled property loss control consulting and engineering; 85% from other services.

Principal officers: Jack Lin, chief executive officer; Lloyd Blonder, chief financial officer; John Brown, Paul Lieberman and Arthur Edelstein, vps.

National Safety Council-Loss Control Consulting

444 N. Michigan Ave., Chicago, Ill.
 60611; 312-527-4800

Year founded: 1913.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, industrial hygiene assessments and testing, product safety reviews, traffic and fleet safety programs; occasional plant security inspections, building plan reviews.

Staff: 274 total staff members; seven professionals assigned to prop-

erty loss control consulting/engineering, including three ASSEs, two CSPs, one PE.

Clients: Not reported; 70% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion, 10% exceeding \$3.5 billion.

1987 gross revenues: Not reported; 10% from unbundled property loss control consulting and engineering, 90% from other services.

Principal officers: James P. Kalletta, manager-loss control consulting.

Near North Insurance Agency Inc.

875 N. Michigan Ave., 23rd Floor,
 Chicago, Ill. 60611; 312-280-5600

Year founded: 1962.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, client training, sprinkler system testing, appraisals; occasional plant security inspections, loss prevention research.

Staff: Four professional staff members assigned to property loss control consulting/engineering.

Clients: Not reported; 30% with gross revenues less than \$200 million, 30% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion, 10% exceeding \$3.5 billion.

Specialties: Real estate, apartments and condominiums.

1987 gross revenues: Not reported; 5% from unbundled property loss control consulting and engineering, 95% from other services.

Principal officers: Michael Segal, president/chief executive officer; Joshua Band, executive vp; David Green and Claude LoPiccolo, senior vps; Kenneth Clark, vp.

Newman Safety Associates

P.O. Drawer 251, Middletown, Va.
 22645-0251; 703-869-2037

Year founded: 1974.

Services provided: Frequent on-site plant loss prevention inspections, building plan reviews; occasional loss prevention publications, loss prevention research, client training.

Staff: Two total staff members including one ASCE, two ASSEs, two CSPs and two PEs.

Clients: Not reported; 10% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 70% with \$1 billion-\$3.5 billion.

Specialties: Manufacturing.

1987 gross revenues: \$100,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Eugene L. Newman, principal.

O

Occupational & Environmental Health Consulting Services Inc.

635 Harding Road, Hinsdale, Ill.
 60521; 312-325-2080

Year founded: 1984.

Services provided: Frequent hazard identification, loss prevention publications, client training, industrial hygiene, right-to-know training, asbestos inspection and project management, environmental liability surveys of real estate; occasional fire prevention inspections, building plan reviews, loss prevention research.

Staff: Five total staff members; four professionals, including two ASSEs, two CSPs, one PE, one CIH, one REA.

Clients: Not reported; 14% with gross revenues less than \$200 million, 80% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion, 1% with \$1 billion-\$3.5 billion.

Specialties: Health care, manufacturing.

1987 gross revenues: \$150,000 total; 90% from unbundled property loss control consulting and engineering, 10% from other services.

Principal officers: Robert Brandys, president; Gail Brandys, secretary/treasurer.

Continued on next page

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Continued from previous page

Occupational Safety & Health Consultants

131 Isle of Cuba Road, Schriever, La. 70395; 504-446-1868

Year founded: 1984.

Services provided: Frequent fire prevention inspections, hazard identification, client training, OSHA compliance surveys, accident investigation and reconstruction, expert witness testimony; occasional plant security inspections, loss prevention publications, loss prevention research.

Staff: Three total staff members; two professionals, including two ASSEs, one CSP, one CSE, one CSM.

Clients: One client with gross revenues exceeding \$3.5 billion.

Specialties: Petroleum and maritime industries.

Branch offices: New Orleans.

1987 gross revenues: \$48,000 total; 40% from unbundled property loss control consulting and engineering, 60% from other services.

Principal officers: Donald G. Broussard, president.

Omni Tech International Ltd.

2715 Ashman St., Suite 100, Midland, Mich. 48640; 517-631-3377

Year founded: 1986.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, client training; safety, electrical and mechanical engineering, industrial hygiene and toxicology services, expert witness testimony, consulting on regulatory and environmental issues; occasional building plan reviews, loss prevention publications.

Staff: 18 total staff members, 10 professionals.

Clients: Not reported.

Branch offices: Lake Jackson, Texas.

1987 gross revenues: Not reported.

Principal officers: R.W. Belfit Jr., president; R.L. Heiny, vice chairman; J.H. Hanes, executive vp/general counsel; R.K. Aritabile, executive vp-marketing; R.L. Hotchkiss, executive vp-technology; W.C. Zacharias, executive vp-finance.

Organizational Safety Services Inc.

11831 Rothbury Drive, Richmond, Va., 23236; 804-794-0691

Year founded: 1987.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, accident investigation; occasional plant security inspections, building plan reviews, loss prevention research, expert witness testimony.

Staff: Four total staff members; three professionals, including one ARM, two ASSEs, two CSPs, two PEs.

Clients: 147 total clients; 50% with gross revenues less than \$200 million, 21% with \$200 million-\$500 million, 19% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion.

Specialties: Pulp, paper and chemical industries, heavy manufacturing, aviation.

1987 gross revenues: Not reported; 90% from unbundled property loss control consulting and engineering, 10% from other services.

Principal officers: Keith E. Barenklau, president; LeRoy V. Abbott, vp/treasurer; Linda C. Abbott, vp; Eric E. Barenklau, secretary.

P

Penrim Ltd.

16 Oaken Gateway, North York, Ontario M2P 2A1; 416-733-3100

Year founded: 1984.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification; occasional building plan reviews, loss prevention publications, loss prevention research, client training, disaster recovery planning.

Staff: Two total staff members; one professional with ARM, PE, FIIC and SFPE designations.

Clients: Six total clients; 100%

with gross revenues less than \$200 million.

Specialties: Chemical, pharmaceutical and textile industries, real estate.

1987 gross revenues: Not reported; 20% from unbundled property loss control consulting and engineering; 80% from other services, including risk and insurance management consulting.

Principal officers: Owen Kurin, president.

Marion E. Phelps-Consultant

33511 Watton Circle, 1000 Palms, Calif. 92276; 619-343-3771

Year founded: 1979.

Services provided: Fire preven-

tion inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: One staff member with CSP, PE and SFPE designations.

Specialties: Communications industry, manufacturing.

1987 gross revenues: \$30,000 total; 75% from unbundled property loss control consulting and engineering, 25% from other services.

Principal officers: Marion E. Phelps, president.

Professional Loss Control Inc.

P.O. Box 446, Oak Ridge, Tenn. 37831-0446; 615-482-3541

Year founded: 1976.

Continued on next page

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Continued from previous page
Parent company: Hartford Steam Boiler Inspection & Insurance Co.
Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, client training, code compliance studies, life safety reviews, fire protection design; occasional loss prevention research, expert witness testimony.

Staff: 40 total staff members; 28 professionals, including two ASSEs, 18 PEs, 27 SFPEs.

Clients: 175 total clients. 5% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion, 5% exceeding \$3.5 billion.

Branch offices: Philadelphia, Chicago and Houston.

1987 gross revenues: \$2.3 million total, 100% from unbundled property loss control consulting and engineering.

Principal officers: K.W. Dungan, president; M.E. Mowrer and J.M. Dewey, vps

Professional Safety Consultant Service Inc.

424 S.E. 30th Ave., Ocala, Fla. 32671; 904-694-4601; 800-329-7233 in Florida

Year founded: 1975.

Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, product liability consultation, accident investigation and reconstruction, safety labelings, expert witness testimony; occasional plant security inspections.

Staff: One professional staff member who holds ASSE, CSP, PE, CPSM, CHCM, CHSP, CHMM, CSE, CSM, CSS, C SSP, NSC, ASSE, NSMS, WSO, SSS, NAFI and ILCI designations.

Clients: Total clients not reported, 100% with gross revenues less than \$200 million.

Specialties: Construction, healthcare, transportation and agriculture industries.

1987 gross revenues: Not reported, 100% from unbundled property loss control consulting and engineering.

Principal officers: Herbert T. Bogert, president/treasurer/chairman; Nancy A. Bogert, vp/secretary.

Professional Safety & Management Consultants Inc.

1103 Harvard Ave., Bradenton, Fla. 34207; 813-756-6660

Year founded: 1984.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, surveys for insurance companies; occasional plant security inspections, building plan reviews.

Staff: 12 total staff members; 11 professionals, including eight ARMs, 11 ALCMs, 11 ASSEs, five CSPs, 11 CHCMs.

Clients: Not reported; 50% with gross revenues less than \$200 million, 45% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion.

1987 gross revenues: \$300,000 total; 50% from unbundled property

loss control consulting and engineering, 50% from other services.

Principal officers: James R. Hanamean Sr., president; Catherine M. Hanamean, vp.

R

RPF Associates

20 Leroy St., Dix Hills, N.Y. 11746; 516-586-0778

Year founded: 1985.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, fire loss prevention programs, flammable liquid storage and handling training, fuel oil plant and delivery surveys; occasional plant security inspections, building plan reviews, loss prevention research.

Staff: Three total staff members; two professionals, including one ARM, one CSP, one SFPE.

Clients: Not reported; 35% with gross revenues less than \$200 million, 25% with \$200 million-\$500 million, 25% with \$500 million-\$1 billion, 15% with \$1 billion-\$3.5 billion.

Specialties: Petroleum transportation and storage, printing, manufacturing, retail trade, electronics.

1987 gross revenues: \$150,000 total; 65% from unbundled property loss control consulting and engineering, 45% from other services.

Principal officers: Robert P. Firmbach, president.

Results Oriented Safety Services

517 Poplar St., South Charleston, W.Va. 25309-1418; 304-768-6910

Year founded: 1980.

Services provided: Frequent fire prevention inspections, hazard identification; occasional plant security inspections, building plan reviews, loss prevention publications, loss prevention research, client training.

Staff: Three total staff members; two professionals, including one

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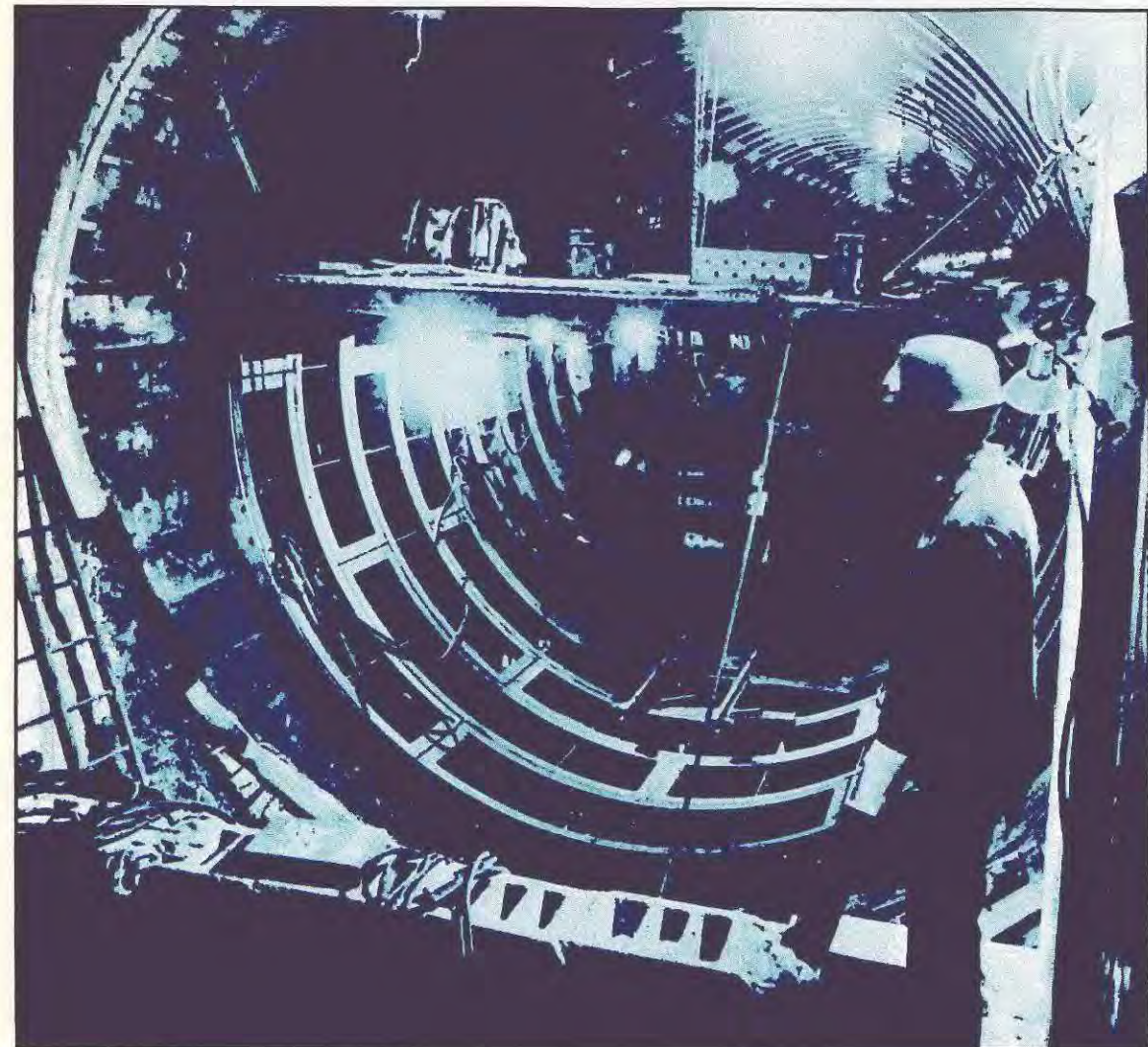
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Continued from previous page
ASCE, two ASSEs, one CSP, one PE
one CIH, one AIHA.

Clients: Not reported.
1987 gross revenues: Not reported, 100% from unbundled property loss control consulting and engineering.

Principal officers: Dudley L. Ross, consultant/manager.

Risk Engineering Inc.

2500 City West Blvd., Suite 2105,
Houston, Texas 77042;
713-952-3334

Year founded: 1985.
Services provided: Frequent fire prevention inspections, building plan reviews, underwriting risk analysis, business interruption assessments, water supply testing and analysis; occasional hazard identification, loss prevention publications, loss prevention research, client training.

Staff: Five total staff members; three professionals, including one ASSE, one CSP, one PE, two SFPEs, two NFPA, one ASME.

Clients: Not reported.

1987 gross revenues: Not reported.
Principal officers: Peter Rolinger, president.

**Rollins Burdick Hunter
of Missouri Inc.**

500 Washington Ave., Suite 1100,
St. Louis, Mo. 63102;
314-241-8081

Year founded: 1898.
Parent company: Aon Corp.
Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss pre-

vention publications, loss prevention research, client training, municipal fire suppression rating and disaster planning surveys; ergonomic services, water supply analysis.

Staff: Two total staff members; professional designations held by staff include one ASSE, one PE and two SFPEs.

Clients: Seven total clients; 60% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million.

1987 gross revenues: \$6 million total; 5% from unbundled property loss control consulting and engineering; 95% from other services, including claims management and insurance brokerage

Principal officers: Carroll J. Keane Sr., president; Louis O. Gys, executive vp.

**Royal Insurance Service
Corp. (RISC)**

150 William St., New York, N.Y.
10038; 212-553-3187

Year founded: 1979.
Parent company: The Royal Insurance Group.

Services provided: Frequent fire prevention inspections, hazard identification, boiler and machinery loss control; occasional plant security inspections, building plan reviews, client training, property loss prevention program audits, fire code consulting, fire suppression and alarm system evaluations, building replacement estimates.

Staff: 246 total staff members; 60 professionals, including four ARMs, one ALCM, 28 CSPs, nine PEs, three SFPEs, three CHCMs, one CFPS, one CET.

Clients: Not reported.
Branch offices: 50 offices in the

U.S.
1987 gross revenues: Not reported.

Principal officers: Arthur F.S. Evans, president; John E. Amico, vp; Arthur D. Perschetz, secretary/treasurer; Joseph C. Notaro, assistant vp; Richard W. Liersaph, director.

S

**S.I.S. Services
of New York Inc.**

135 Delaware Ave., Suite 300,
Buffalo, N.Y. 14202; 716-852-3065

Year founded: 1987.
Parent company: Rollins Burdick Hunter Co.

Services provided: Frequent fire prevention inspections, hazard identification, loss prevention research, client training; occasional fire protection blueprint drafting, building plan reviews, loss prevention publications, consulting on water supply testing.

Staff: 40 total staff members; two professionals assigned to property loss control consulting/engineering, including two ASSEs, one SFPE, one CHCM, one CPSM.

Clients: Not reported; 20% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million, 30% with \$500 million-\$1 billion, 10% with \$1 billion-\$3.5 billion.

Specialties: Health care, horticulture and mineral industries, government entities.

Branch offices: Syracuse and New York, N.Y.

1987 gross revenues: \$3 million total; 20% from unbundled property loss control consulting and engi-

neering, 80% from other services.
Principal officers: Wayne L. Salen, general manager; Daniel Conley Sr., loss control consultant.

Safety Consulting Inc.

1271 Harrison, P.O. Box 2789,
Topeka, Kan. 65601;
913-232-3887

Year founded: 1971.
Services provided: Frequent fire prevention inspections, hazard identification, loss prevention publications, client training, consulting on OSHA compliance, accident investigations; occasional plant security inspections, building plan reviews, loss prevention research.

Staff: Five total staff members; two professionals, including two ASSEs, two NSMSs, one AIHA, one NFPA.

Clients: Not reported; 98% with gross revenues less than \$200 million, 2% with \$200 million-\$500 million.

Specialties: Construction, service, retail and manufacturing industries.

Branch offices: Wichita and Lenexa, Kan.

1987 gross revenues: \$253,555 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Denzell B. Ekey, president; Philip W. Blake, vp; Sarah J. Ekey, secretary/treasurer.

Safety & Hazard Associates

P.O. Box 249, Annapolis, Md.
21404; 301-267-7171

Year founded: 1984.
Services provided: Occasional fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss pre-

vention publications, loss prevention research, client training.

Staff: Two total staff members who are professionals; including two ASSEs, one CPS, one PE.

Clients: Eight total clients; 87.5% with gross revenues less than \$200 million, 12.5% with \$200 million-\$500 million.

Specialties: Construction and manufacturing.

Branch offices: Falls Church, Va.

1987 gross revenues: \$70,000 total; 70% from unbundled property loss control consulting and engineering, 30% from other services.

Principal officers: Richard C. Knapp, president.

**Safety &
Health Management
Consultants Inc.**

161 William St., New York, N.Y.
10038; 212-349-1221

Year founded: 1984.

Services provided: Frequent hazard identification, loss prevention publications, loss prevention research, client training, industrial safety and hygiene services, environmental loss control services; occasional fire prevention inspections, plant security inspections.

Staff: Eight total staff members; seven professionals, including seven ASSEs, four CSPs, one PE.

Clients: 400 total clients; 85% with gross revenues less than \$200 million, 15% with \$200 million-\$500 million.

Branch offices: Albany and Rochester, N.Y.

1987 gross revenues: More than \$1 million total, 100% from unbundled property loss control consulting and engineering.

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Principal officers: S.J. Lovell, president; Richard F. Andree, executive vp; G.L. Baril, senior engineering consultant.

Safety & Loss Control Associates
 P.O. Box 440, Prospect Heights, Ill. 60070; 312-296-5989

Year founded: 1984.
Services provided: Frequent plant security inspections, hazard identification, loss prevention publications, client training; occasional fire prevention inspections, building plan reviews, loss prevention research.

Staff: Two total staff members; one professional with a CSE designation.
Clients: Not reported, 100% with gross revenues less than \$200 million.

Specialties: Heavy industry, construction.
1987 gross revenues: Not reported, 100% from unbundled property loss control consulting and engineering.

Principal officers: Donald A Neslund, owner.

Safety Management Associates
 P.O. Box 693, Springfield, Va. 22150-0693; 703-455-0511

Year founded: 1981.
Services provided: Frequent fire prevention inspections, hazard identification, building plan reviews, loss prevention research, forensic safety services, accident reconstruction, occupational noise measurement and abatement, product safety analysis, ergonomic analysis; occasional loss prevention publications, client training.

Staff: Three total staff members; two professionals, including two CSPs, one CHCM.

Clients: 10 total clients, 100% with gross revenues less than \$200 million.

1987 gross revenues: Not reported.

ported; 30% from unbundled property loss control consulting and engineering; 70% from other services, including occupational safety and health services.

Principal officers: Neil R. Temple, president.

Safety Management Services Inc.
 126 Heymann Blvd., P.O. Box 51927, Lafayette, La. 70503; 518-235-6524

Year founded: 1981.
Services provided: Fire prevention inspections, hazard identification, loss prevention publications, loss prevention research, client training, safety consulting.

Staff: One staff member with ASSE and CSP designations.
Clients: 46 total clients; 20% with gross revenues less than \$200 million, 40% with \$1 billion-\$3.5 billion, 40% exceeding \$3.5 billion.

1987 gross revenues: Not reported.
Principal officers: Jack R. Barnidge, president.

Safety Management Systems
 250 Honey Jane Drive, Beaver Creek, Ohio 45385; 513-429-2943

Year founded: 1985.
Services provided: Frequent hazard identification, loss prevention publications, loss prevention research, client training, safety consulting services; occasional fire prevention inspections, plant security inspections, building plan reviews.

Staff: One staff member with ASSE, CSP and CHCM designations.
Clients: 40 total clients; 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion, 20% with \$1 billion-\$3.5 billion, 20% exceeding \$3.5 billion.

1987 gross revenues: Not reported.
Principal officers: Jack Truitt, president.

E. St. John Holt & Associates Ltd.
 Rowhams House, Rowhams, Southampton, England SO1 8AF; 0-70-373-7222

Year founded: 1962.
Services provided: Frequent hazard identification, client training, health and safety audits and compliance surveys; occasional loss prevention publications.

Staff: 30 total staff members; 16 professionals, including two ASSEs, 14 IOSHs.

Clients: 210 total clients; 91% with gross revenues less than \$200 million, 5% with \$200 million-\$500 million, 2% with \$500 million-\$1 billion, 1% with \$1 billion-\$3.5 billion, 1% exceeding \$3.5 billion.

Specialties: Construction.
1987 gross revenues: \$1.2 million total; 100% from unbundled property loss control consulting and engineering.

Principal officers: Allan St. John Holt, managing director; Claudette Allen, secretary; James L. Allen, services director; Geoff Hill, property loss control director.

Schaible Associates
 900 Center St., Mount Joy, Pa. 17552; 717-684-6045

Year founded: 1981.
Services provided: Hazard identification, client training.

Staff: Three staff members; including two ASSEs, two CSPs, one PE, two CIHs, one CPSM, one CHMM and one CHCM.

Clients: Not reported; 90% with gross revenues less than \$200 million, 10% with \$200 million-\$500 million.

1987 gross revenues: Not reported, 100% from unbundled property loss control consulting and engineering.

Principal officers: Ronald C. Schaible, president/principal.

Schirmer Engineering Corp.
 707 Lake Cook Road, Deerfield, Ill. 60015; 312-272-8340

Year founded: 1939.

Services provided: Frequent fire prevention inspections, building plan reviews, client training; occasional plant security inspections, hazard identification, loss prevention publications, loss prevention research.

Staff: 102 total staff members; 62 professionals; designations held by staff include three ARMs, nine CSPs, 30 PEs, 51 SFPEs.

Clients: Not reported.
Branch offices: San Francisco; Dallas; Falls Church, Va.

1987 gross revenues: \$7.5 million total; 50% from unbundled property loss control consulting and engineering, 50% from other services.

Principal officers: Chester Schirmer, president; Ray Weigand and Richard Osman, vps; Gary Jordan, administrative manager; Paul Harar, director-marketing.

Sigma Associates Ltd.
 105 Royal Oak Blvd., Pass Christian, Miss. 39571; 601-452-4866

Year founded: 1975.
Services provided: Frequent loss prevention publications, loss prevention research, client training, fire analysis and suppression, asbestos inspection, forensic investigations, underwriting appraisals and adjusting, fire and accident reconstruction; occasional building plan reviews, noise surveys with octave band analysis, heat stress analysis.

Staff: Seven total staff members; three professionals, including one CSP, one SFPE, one CHCM, one CFEI, one CSSP, one AAFS.

Clients: Not reported; 80% with gross revenues less than \$200 million, 7% with \$200 million-\$500 million, 5% with \$500 million-\$1 billion, 3% with \$1 billion-\$3.5 billion, 5% exceeding \$3.5 billion.

Specialties: Construction and petroleum industries.

1987 gross revenues: Not reported.

Principal officers: A.J. Scardino Jr., president; Donald Godlewski, Ned Boudreaux.

L.G. Suarez & Associates
 P.O. Box 11426, Santurce, Puerto Rico 00910; 809-727-4071

Year founded: 1972.
Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building plan reviews; occasional loss prevention publications, client training.

Staff: 10 total staff members; seven professionals, including two ASCEs, two ASSEs, one CSP, six PEs.

Clients: Not reported, 100% with gross revenues less than \$200 million.

1987 gross revenues: \$500,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Luis G. Suarez, principal; Victor Vargas, Jose A. Ayuso and Jorge A. Garcia, associates.

System Engineering & Laboratories Corp.
 Route 7, P.O. Box 917, Tyler, Texas 75707; 214-566-1980

Year founded: 1980.
Services provided: Hazard identification, loss prevention publications, client training, forensic engineering.

Staff: 21 total staff members; eight professionals, including three CSPs, six PEs.

Clients: Not reported.
Branch offices: San Marcos, Amarillo, Lubbock, Houston and Dallas, Texas; New Orleans.

1987 gross revenues: \$1 million total.

Principal officers: Frank Johnson and Dixie Johnson.

System Safety Associates Ltd.
 P.O. Box 1015, Springfield, Va. 22151; 703-978-2944

Year founded: 1977.
Services provided: Frequent accident investigation and analysis; occasional hazard identification, loss prevention research, client training.

Staff: Two total staff members; two professionals, including one ASSE, one PE, one CHCM, one AAFS, two ISASIs.

Clients: 15 total clients, 100% with gross revenues less than \$200 million.

Specialties: Aviation industry.
1987 gross revenues: \$100,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Ira J. Rimson, president; Arlene F. Rimson, secretary/treasurer.

F.J. Szymanski Safety Services
 5258 Forest Circle S., Stephens Point, Wis. 54481; 715-344-4127

Year founded: 1984.
Services provided: Frequent hazard identification, loss prevention publications, loss prevention research, client training; occasional fire prevention inspections, plant security inspections.

Staff: Two total staff members, one professional.

Clients: Not reported; 80% with

Continued on facing page

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Continued from previous page
gross revenues less than \$200 million, 10% with \$200 million-\$500 million, 10% with \$500 million-\$1 billion.

1987 gross revenues: \$50,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: Frank J. Szymanski.

T

Tiller Consulting Group Inc.

2833 N. Geyer Road, St. Louis, Mo. 63131; 314-567-7480

Year founded: 1982.

Services provided: Frequent hazard identification; occasional plant security inspections, building plan reviews, loss prevention publications, loss prevention research, client training, environmental loss control services.

Staff: Two total staff members; professional designations held by staff include two ARMs, one ASCE, one FCAS, one CPCU.

Clients: Not reported.

1987 gross revenues: Not reported.

Principal officers: Margaret W. Tiller, president; Michael H. Tiller, principal.

U

United States Associates Inc.

4035 Tulane Ave., New Orleans, La. 70119; 504-488-6662

Year founded: 1960.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, building plan reviews, loss prevention publications, loss prevention research, client training, fleet safety services, traffic engineering.

Staff: 22 total staff members; 18 professionals who hold ASSE, CSP and PE designations.

Clients: Total clients not reported; 20% with gross revenues less than \$200 million, 20% with \$200 million-\$500 million, 60% with \$500 million-\$1 billion.

1987 gross revenues: Not reported; 85% from unbundled property loss control consulting and engineering, 15% from other services.

Principal officers: Jake J. DiMaggio, Patrick Villemarette, J.C. Frantz, David Munson and Philip Millacon.

W

Scott Wetzel Services Inc.

500 Pacific Ave., Suite 700, Bremerton, Wash. 98310; 206-479-0200

Year founded: 1941.

Services provided: Frequent fire prevention inspections, plant security inspections, hazard identification, loss prevention publications, loss prevention research, client training, safety program development, occupational health program assistance, OSHA and state compliance surveys; occasional building plan reviews, industrial hygiene and asbestos management, accident investigations.

Staff: 335 total staff members; nine professionals assigned to property loss control consulting/engineering, including three CSPs, three PEs, one CHCM.

Clients: 107 total clients; 80% with gross revenues less than \$200 million, 15% with \$200 million-\$500 million, 4% with \$500 million-\$1 billion, 1% with \$1 billion-\$3.5 billion.

Specialties: Municipalities, healthcare, retail trade, construction and manufacturing.

Branch offices: Chicago; Orange and Concord, Calif.; Dallas; Denver; Salt Lake City; Seattle and Spokane, Wash.; Portland, Ore.

1987 gross revenues: Not reported.

Principal officers: John Harrold, president/chief executive officer; Robert Spratt, executive vp; Terry Neal, executive vp-finance; Warren Zimmerman, vp-corporate services; Victor Teti, vp-information systems.

John Williams & Associates

15221 N.E. Schuyler Court, Portland, Ore. 97230; 503-255-5285

Year founded: 1985.

Services provided: Frequent fire prevention inspections, hazard identification, fire pump, dry pipe valve trip and flow tests; occasional building plan reviews, loss prevention publications, loss prevention research, client training, plant and crew firefighter training.

Staff: One staff member with PE and SFPE designations.

Clients: Five total clients; 40% with gross revenues less than \$200 million, 40% with \$200 million-\$500 million, 20% with \$500 million-\$1 billion.

Specialties: Wood products industry and paper plants.

1987 gross revenues: \$30,000 total, 100% from unbundled property loss control consulting and engineering.

Principal officers: John W. Williams, proprietor.

OCT. 16-18. Risk Retention Act Conference in Washington, D.C., sponsored by the National Risk Retention Assn.; \$295 for NRRA members; \$200 for additional registrants from member companies; \$375 for non-members. NRRA, 3299 K St. N.W., Seventh Floor, Washington, D.C. 20007; 202-965-7510.

OCT. 17. Health Care Cost Management seminar in Long Beach, Calif., sponsored by the Government Finance Officers Assn.; \$150 for GFOA members; \$200 for non-members. Rosemary Buckley, Government Finance Officers Assn., 180 N. Michigan Ave., Suite 800, Chicago, Ill. 60601; 312-977-9700.

OCT. 17. Confronting the Complexities of Section 89 Non-discrimination Rules for Welfare Plans seminar in New York City, sponsored by the International Foundation of Employee Benefit Plans; \$185 for IFEBP members; \$210 for non-members. **Also Oct. 18** in Chicago and **Oct. 19** in Los Angeles. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 17-18. Second Annual National Disability Management Conference: Strategies

for Effective Cost Control in Washington, co-sponsored by the Washington Business Group on Health's Institute for Rehabilitation & Disability Management and Thomas L. Jacobs & Associates; \$300 for WBGH members; \$300 for non-members. Institute for Rehabilitation & Disability Management, 102 Irving St. N.W., Washington, D.C. 20010; 202-877-1196.

OCT. 17-18. Annual Statistical/Data Quality Conference in Chicago, sponsored by the Insurance Services Office Inc.; \$390 for ISO members; \$500 for non-members. **Also Oct. 31-Nov. 1** in New York City. Sal Aurora, Manager-Statistical Division, Insurance Services Office Inc., 160 Water St., New York, N.Y. 10038; 212-487-5150.

OCT. 17-18. Managing the Costs of Health Care and Employee Benefits conference in Green Bay, Wis., sponsored by Wisconsin Manufacturers & Commerce; \$150. Teresa Lemens, Wisconsin Manufacturers & Commerce, P.O. Box 352, Madison, Wis. 53701.

OCT. 18. Loss Control for Cranes, Motor Truck Cargo and Innovations in Robotics seminar in Atlanta, sponsored by the Southeast Advisory Committee of the Inland Marine Underwriters Assn.; \$45. W. David Smith, Wm. H.

McGee & Co., 100 Peachtree St. N.W., Atlanta, Ga. 30303; 404-577-7450.

OCT. 18. Insurance Industry Seminar: The View From the Top in Los Angeles; \$100. **Also Oct. 19** in New York City, **Oct. 20** in Chicago and **Oct. 21** in Atlanta. Jeanne Saffer, Coopers & Lybrand, 212-536-2210.

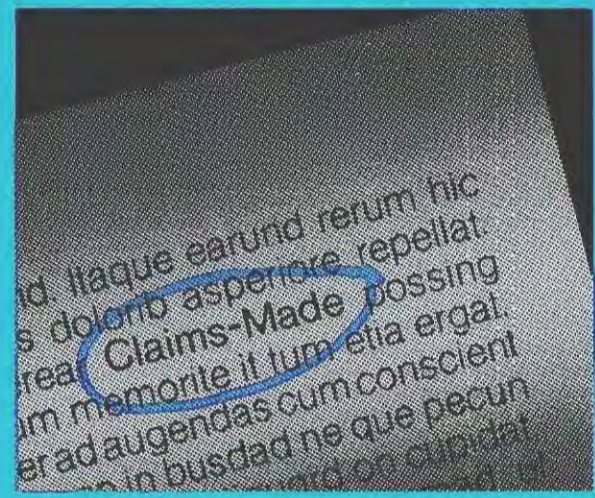
OCT. 19. Ocean Marine Insurance course in New York City, sponsored by The College of Insurance; \$195 for college sponsors; \$245 for non-sponsors. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

OCT. 19-21. Structuring HMO Drug Benefit Programs conference in Atlanta, sponsored by the Group Health Assn. of America Inc.; \$550 for GHAA members, \$650 for non-members. Registrar, GHAA, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3228.

OCT. 20. The Insurance Information Institute's 13th Annual Research Seminar in New York City, co-sponsored with the National Assn. of Insurance Brokers; \$145. Carlet Incontro, Insurance Information Institute, 110 William St.,

Continued on next page

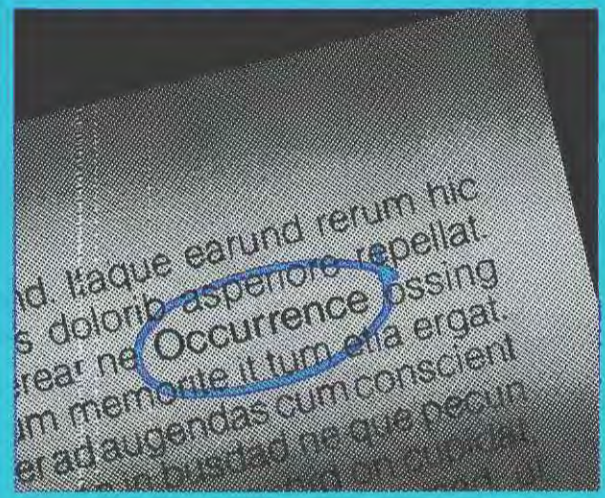
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Continued from previous page
New York, N.Y. 10038; 212-669-9200

OCT. 20-21. Municipal Liability: Money Damages for Municipal Activities and Regulations course in Chicago, sponsored by the American Law Institute-American Bar Assn., Committee on Continuing Professional Education; \$375. Registrar, ALI-ABA, 4025 Chestnut St., Philadelphia, Pa. 19104; 800-253-6397; 215-243-1666; within Pennsylvania.

OCT. 20-21. Advanced Safety Management seminar in Salt Lake City, sponsored by Organizational Safety Services; \$285; \$250 each for three or more attendees from the same organization. Also **Nov. 21-22** in Herndon, Va. Organizational Safety Service, 11831 Rothbury Drive, Richmond, Va. 23236; 804-794-0691.

OCT. 20-21. Hospital Law: A Program for Attorneys, Physicians, Insurers and Risk Managers in Chicago, sponsored by the Defense Research Institute; \$370 for DRI members; \$395 for non-members. Defense Research Institute, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

OCT. 20-21. Managing Intergovernmental Pools seminar in San Diego, sponsored by the Public Risk Management Assn.; \$175 for PRIMA members; \$275 for non-members. Public Risk Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-6550.

OCT. 20-22. Key Decision Points for HMOs conference in Seattle, sponsored by the Group Health Assn. of America Inc.; \$450 for GHAA members; \$550 for non-members. Registrar, GHAA, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3228.

OCT. 21. Effective Administration of Workers Compensation Cases conference in Novi, Mich., sponsored by the Michigan Self-Insurers' Assn.; before Oct. 14: \$60 for MSIA members, \$85 for non-members; after Oct. 14: \$70 for MSIA members, \$95 for non-members. Michigan Self-Insurers' Assn., % Karmazir, Procucers Corp., P.O. Box 126, Wyandotte, Mich. 48192; 313-282-3776.

OCT. 21. Claim Management '88 seminar in New York City, sponsored by Intracorp; \$125. Intracorp, 701 Westchester Ave., Suite 315W, White Plains, N.Y. 10604; 914-328-0335.

OCT. 23-26. The Society of Actuaries and American Academy of Actuaries Annual Meeting in Boston; \$250 for FSA, ASA and MAAA members; \$265 for CAP, CAS, CIA, American Statistical Assn. and local actuarial club members; \$125 for retired SOA members; \$300 for others. Society of Actuaries, P.O. Box 71293, Chicago, Ill. 60694.

OCT. 23-28. First World Congress on Risk and Insurance Management in Brisbane, Australia, co-sponsored by the International Federation of Risk & Insurance Management Associations and the Australian Risk & Insurance Management Assn.; \$700 Australian (\$546) for IFRIMA members; \$750 Australian (\$585) for non-members; \$420 Australian (\$328) for spouses/guests. Risk & Insurance Management Congress Secretariat, P.O. Box 731, Toowoomba QLD 4666 Australia; phone: 07-57-7900; fax: 07-371-4876.

OCT. 24-25. Annual American Assn. of Insurance Services conference in St. Louis; \$250 for first registrant; \$175 for each additional registrant from the same organization; \$130 for spouses. American Assn. of Insurance Services, 1335 S. York Road, Bensenville, Ill. 30106; 312-

595-3225.

OCT. 24-26. Industrial Hygiene Sampling Strategies course in Los Angeles, sponsored by the University of Southern California, Institute of Safety and Systems Management; \$460. Institute of Safety and Systems Management, Professional Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 24-27. Loss Control Management course in Calgary, Alberta, sponsored by the International Loss Control Institute; \$625.50 for ILCI members; \$695 for non-members. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

OCT. 24-27. Insurer Solvency Assessment seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; £95 pounds (\$394) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 24-28. Accredited Safety Auditor course in Atlanta, sponsored by the International Loss Control Institute; \$750 for ILCI members; \$950 for non-members. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

OCT. 24-28. Developing and Managing a Basic Safety and Health Program course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; \$750. National Loss Control Service Corp., K-3, Long Grove Ill. 60045-0075.

OCT. 25. Making Your EAP More Effective seminar in Richmond, Va., sponsored by Health Management Corp.; \$35. Health Management Corp., P.O. Box 26016, Richmond, Va. 23260; 804-342-4084.

OCT. 25. Risk Management and Safety Techniques for Public Agency Recreation Programs, School Playgrounds, Parks and Facilities seminar in Sacramento, Calif., sponsored by Risk Management Seminars; \$150. Also **Oct. 26** in Pleasanton, Calif. Risk Management Seminars, P.O. Box 1601, Sonoma, Calif. 95476-1601; 415-943-1556.

OCT. 25. Directors and Officers Liability workshop in Indianapolis, sponsored by the Society of Chartered Property & Casualty Underwriters; \$130 for Society of CPCJ members; \$160 for non-members. Also **Nov. 9** in Boston and **Dec. 6** in Stamford, Conn. Mari Jennings, Professional Services Coordinator, Society of Chartered Property & Casualty Underwriters, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

OCT. 25-26. Quantitative Techniques for Risk Management seminar in Washington, D.C., sponsored by Tillinghast, a division of Towers, Perrin, Forster & Crosby; \$750. Also **Nov. 16-17** in Marina Del Rey, Calif. Conference Director, Tillinghast/TPF&C, 722 Post Road, Darien, Conn. 06820; 203-855-3791.

OCT. 25-26. Inside Superfund conference in Arlington, Va., co-sponsored by Inside EPA's Superfund Report and Risk Management Technologies Inc.; \$650. Inside EPA Weekly Report, P.O. Box 7167, Ben Franklin Station, Washington, D.C. 20044; 703-892-8504 800-424-9068.

OCT. 25-26. Second Annual Illinois and Region V Environmental Regulation Conference in Chicago, sponsored by the California Business Law Institute; \$595. California Business Law Institute, Dept. E, P.O. Box 3727, Santa Monica, Calif. 90403; 213-450-0500.

OCT. 26. Philly I-Day: Insurance '89—Elect to Serve the Public conference in Philadel-

phia, co-sponsored by the Independent Insurance Agents of Philadelphia and Suburbs, the Insurance Society of Philadelphia, The Philadelphia Chapter of the Society of Chartered Property & Casualty Underwriters and the Delaware Valley chapter of the Risk & Insurance Management Society; \$45. Philly I-Day, 737 Public Ledger Building, Philadelphia, Pa. 19106.

OCT. 26-27. Risk Retention Groups—What Makes Them Work? seminar in Washington, D.C., sponsored by Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc.; \$500. Conference Director, Tillinghast/TPF&C, Financial Center, 695 E. Main St., Suite 600, Stamford, Conn. 06901-2138; 203-326-5400.

OCT. 26-27. Accounting for Income Taxes: Insurance Company Implementation seminar in New York City, sponsored by Executive Enterprises Inc.; \$990; \$895 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

OCT. 27. Questions on the CGL and CP Policies? Ask the Claims Department workshop in Elmhurst, Ill., sponsored by The Society of Chartered Property & Casualty Underwriters; \$130 for Society of CPCU members; \$160 for non-members. Mari Jennings, Professional Services Coordinator, Society of Chartered Property & Casualty Underwriters, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

OCT. 27-28. Developing and Managing a Medical Surveillance Program course in Los Angeles, sponsored by the University of Southern California, Institute of Safety and Systems Management; \$300. Institute of Safety and Systems Management, Professional Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 27-28. Health and Welfare Benefit Plans seminar in Washington, D.C., sponsored by the American Bar Assn.; \$450 for ABA members; \$475 for non-members; \$275 for government employees. American Bar Assn., Division for Professional Education, Dept. N1513, 750 N. Lake Shore Drive, Chicago, Ill. 60611; 312-988-8200.

OCT. 27-29. Asbestos Trial Techniques and Asbestos Medicine seminar in Miami, sponsored by the Defense Research Institute Inc.; \$410 for DRI members; \$435 for non-members. Defense Research Institute, 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

OCT. 30-Nov. 3. 43rd Annual National Assn. of Independent Insurers Meeting in Boston; \$250 for NAII members; \$350 for subscribers and guests; \$100 for spouses. National Assn. of Independent Insurers, 333 N. Michigan Ave., Suite 1600, Chicago, Ill. 60601; 312-782-2958.

OCT. 31. Reinsurance Practice seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 725 pounds (\$1,211) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 31-NOV. 1. The Property-Casualty Reinsurance Accounting course in New York City, sponsored by Executive Enterprises Inc.; \$990; \$895 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

OCT. 31-NOV. 1. Environmental Insurance Litigation Institute in Chicago, sponsored by
Continued on next page



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Continued from previous page

Executive Enterprises Inc.; \$990; \$895 for each additional registrant from the same organization. Also Dec. 12-13 in New York City. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

OCT. 31-NOV. 2. Conference of Actuaries in Public Practice's 39th Annual Meeting in San Francisco; \$495 for CAPP members; \$595 for non-members; \$75 for spouses/guests. Conference of Actuaries in Public Practice, 475 N. Martingdale Road, Schaumburg, Ill. 60973.

OCT. 31-NOV. 2. Intermediate Employee Benefits Management course in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; \$540. Registration Department, International Foundation of Employee Benefit Plans, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

NOV. 1. CAOHC Approved Recertification Course in Occupational Hearing Conservation in Milwaukee, sponsored by Impact Hearing Conservation Inc.; \$150. Also Dec. 1 in Kansas City, Mo. Impact Hearing Conservation Inc., 406 W. 34th St., Suite 400, Kansas City, Mo. 64111; 800-346-2139; 816-531-4848.

NOV. 2-4. CAOHC Approved Training Course in Hearing Conservation in Milwaukee, sponsored by Impact Hearing Conservation Inc.; \$325. Impact Hearing Conservation Inc., 406 W. 34th St., Suite 400, Kansas City, Mo. 64111; 800-346-2139; 816-531-4848.

NOV. 2-4. Public Risk Management Assn. Government Risk Management Seminar in Washington, D.C.; \$350 for PRIMA members; \$295 for additional PRIMA member from same organization; \$400 for non-members; \$345 for additional non-member from same organization. Public Risk Management Assn., 1120 G. St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

NOV. 3. Designing and Administering Pension Plans to Meet the New Regulatory Requirements satellite conference nationwide, sponsored by the American Law Institute-American Bar Assn. Committee on Continuing Professional Education; \$135; \$200 for videotape of conference. For locations and registration information contact: Registrar, ALI-ABA, 4025 Chestnut St., Philadelphia, Pa. 19104; 800-253-6397; 215-243-1661 within Pennsylvania.

NOV. 3-4. Financial Analysis For Risk Management seminar in Atlanta, sponsored by The College of Insurance; \$595 for College of Insurance sponsors and Insurance Services Office Inc. members; \$895 for non-sponsors and non-members of ISO. Also Dec. 8-9 in San Francisco. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111, extension 201.

NOV. 3-4. Reinsurance Disputes and Arbitration course in San Francisco, sponsored by The College of Insurance; \$595 for college sponsors; \$695 for non-sponsors; less \$100 for subsequent registrants from the same organization. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

NOV. 4. FOJP Service Corp.'s Sixth Annual Conference on Medical Malpractice Insurance Issues in New York City; \$215 for non-FOJP members. FOJP Service Corp., 130 E. 59th St., New York, N.Y. 10022; 212-891-0700.

NOV. 5. How to Handle Workers Compensation Medical Bills and Liens seminar in Universal City, Calif., sponsored by The Workers Compensation Co.; \$225; 10% discount for two or more persons from the same organization. Workers Compensation Institute, P.O. Box 11448, Glendale, Calif. 91206; 818-247-8224.

NOV. 8-10. 1988 Casualty Actuarial Society Fall Meeting in Montreal; \$250 for members of the American Academy of Actuaries; \$300 for non-members of the AAA. Kathy Spicer, Casualty Actuarial Society, 1 Penn Plaza, 250 W. 34th St., New York, N.Y. 10019; 212-560-1901.

NOV. 9. Electronic Networks in Insurance seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; \$190 pounds (\$317) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

NOV. 9. Controlling Your Workers' Compensation Costs workshop in Chicago, sponsored by the Illinois State Chamber of Commerce; \$100 for ISCC members, \$150 for non-members. Also Nov. 15 in Springfield. ISCC, 20 N. Wacker Drive, Chicago, Ill. 60606-3083; 312-372-7373.

NOV. 9-10. Managing Risk Communications seminar in Baltimore, sponsored by E.I. du Pont de Nemours & Co.; \$925; \$795 each for two or more registrants from same company. Also Dec. 1-2 in Wilmington, Del.; Jan. 25-26 in New Orleans; Feb. 15-16 in Denver; March 30-31 in Houston; and April 26-27 in Philadelphia. Du Pont, Room X51430, P.O. Box 4500, Greenville, Del. 19807; 800-532-7233; 302-999-6982 within Delaware.

NOV. 9-10. Illinois Captive Conference: The Domicile of Choice in Chicago, sponsored by the Tillinghast division of Towers, Perrin, Forster & Crosby; \$50 for Basics of Captives seminar; \$550 for Illinois Captive Conference. Conference Director, Tillinghast/TPF&C, Financial Centre, Suite 600, 695 E. Main St., Stamford, Conn. 06901-2138; 203-326-5400.

NOV. 10. Expert Systems seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; \$190 pounds (\$317) plus VAT. Caroline Atkinson, Insurance & Reinsurance

Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

NOV. 10-11. Occupational Health Nursing Principles and Certification Review course in San Rafael, Calif., sponsored by Fireman's Fund Risk Management Services Inc.'s Occupational Health Consulting & Ergonomics division; \$295. Also Dec. 1-2 in Schaumburg, Ill.; Jan. 12-13 in Atlanta; Feb. 9-10 in Torrance, Calif.; Feb. 23-24 in Denver; March 9-10 in Cambridge, Mass.; and March 30-31 in Arlington, Va. Annette B. Haag, Director, Occupational Health Consulting, Fireman's Fund Risk Management Services Inc., P.O. Box 777, Novato, Calif. 94998-9002; 415-899-2423.

NOV. 11-12. Non-profit Sector Risk & Insurance Forum in Chicago, sponsored by the Non-profit Sector Risk & Insurance Task Force; \$70. Mari Crispin, University of Nebraska College of Law, 402-472-1258.

NOV. 14-16. Environmental Regulation course in Washington, D.C., sponsored by Exec-

utive Enterprises Inc.; \$995 for first registrant; \$895 for each additional registrant from the same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

NOV. 14-17. Eighth Annual Construction Insurance Conference in Dallas, sponsored by the International Risk Management Institute Inc.; \$630; \$235 for Nov. 14 only; \$498 for Nov. 15-17 only. International Risk Management Institute, 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 214-960-7693.

NOV. 14-18. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500. National Loss Control Service Corp., K-3, Long Grove, Ill. 60049-0075.

NOV. 14-18. Practical Risk Management course in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 725 pounds (\$1,211). Joy Bambrough, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, EC4V 4DD; phone:

01-236-2175; fax: 01-489-1487.

NOV. 15. The Second Annual International Reinsurance Forum: Reinsurance Security, Solvency and Insolvency in Hamilton, Bermuda, co-sponsored by Hawksmere Ltd. and Coopers & Lybrand; \$600 for Bermuda residents; \$650 for non-Bermuda residents; 360 pounds (\$601) for U.K. residents. Hawksmere Ltd., 12-18 Grosvenor Gardens, London, England SW1W 0DH; 01-824-8257.

NOV. 16-17. 3rd Annual Employers Council on Flexible Compensation Conference in Boston; \$535 for ECFC members, \$585 for non-members. Sarah Fleming, Employers Council on Flexible Compensation, 927 15th St. N.W., Suite 1000, Washington, D.C. 20005; 202-659-4300.

NOV. 16-18. Workshops for a New Age of Retirement Planning in New York City, sponsored by Retirement Advisors; \$495. Retirement Advisors, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

NOV. 16-18. Claims Management course in

Atlanta, sponsored by the Risk & Insurance Management Society Inc.; \$595 for RIMS members; \$695 for non-members. Risk & Insurance Management Society Inc., 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

NOV. 21-22. Reinsurance Accounting Workshop in London, sponsored by Insurance & Reinsurance Research Group Ltd.; \$380 pounds (\$635) plus VAT. Joy Bambrough, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.

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The result? You'll enjoy the two-fold advantage of reducing costs and improving claims service to your employees.

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Self-Insurance Institute of America

Self-insurers winning regulatory battles

By MICHAEL BRADFORD

PHOENIX, Ariz.—Employers that self-insure their health care benefit plans have fared well against attempts at increased federal regulation but continue to face pressures on several fronts, warns the Washington counsel for the Self-Insurance Institute of America.

"A lot of political pressure was exerted in the nation's capital by certain groups whose objectives were to impose regulatory control over self-insurance, particularly in the group health area," during the past year, said George J. Pantos, the SIIA's counsel and a partner in the Washington law firm of Vedder, Price, Kaufman, Kammholz & Day.

But, efforts in Washington to amend provisions of the Employee Retirement Income Security Act during the past year to allow state regulation of self-insured benefit plans have been fruitless, Mr. Pantos pointed out during a luncheon at the SIIA's Eighth Annual Conference, held in Phoenix Sept. 27-30.

"The proponents of these views call it a leveling of the playing field with insured plans," he remarked. "This effort never really got off the ground this year because of certain legislative priorities in other areas that emerged.

"Subsequently, we saw a push to amend the ERISA pre-emption provisions on a different tack: this time, to amend the act to exempt insured plans from regulation by the states so

that they enjoyed the same status enjoyed by self-insurance. Again, this was termed 'evening the playing field.'"

No action was taken on that effort either, Mr. Pantos noted.

Mr. Pantos then rattled off a list of health care-related issues on which Congress focused this year, which he said reflects several concerns that have emerged in recent years regarding self-insured programs. Those issues include the

landmark expansion of the federal Medicare program; the Section 89 non-discrimination tests for welfare plans; mandated benefits; risk pools for the uninsured; amendments to the Consolidated Omnibus Budget Reconciliation Act of 1985 that would allow COBRA beneficiaries to be covered simultaneously under two different employers' health care plans; and retiree health care and long-term care health insurance, "to name a few," Mr. Pantos said.

Congress' increased attention to those issues reflects four concerns, he said.

"First, the huge budget deficit focused attention on fringe benefits as a major source of tax revenue reduction. This is due to the revenue loss because of the tax deductibility of benefit costs. In other words, the search for tax revenue losers, if you

will, has led Congress in the direction of employee benefits."

And, in its increasing scrutiny of employee benefits, Congress has developed a perception that benefits represent a tax dodge that particularly serves higher-paid workers, Mr. Pantos said. "This provides a rationale for passage of Section 89-type legislation, which provides for comparable benefits for higher- and lower-paid employees."

A third congressional concern is that health care must be made available to millions of Americans that have no or inadequate insurance, according to Mr. Pantos.

The lack of health care insurance for many Americans "has developed into a major national issue that has driven the search for a solution through federal legislation," Mr. Pantos said. "And this accounts for the emergence in Washington of the newest M word: 'mandatory.'"

The fourth concern is that the private health care system must shoulder a greater burden of the national health care bill, Mr. Pantos observed. The concern is reflected in proposals to shift some of the cost for retiree health care from federal to private programs, he pointed out.

"Taken together, all of these concerns have influenced recent actions which have made benefits a happy hunting ground for Congress," Mr. Pantos said. "More and more, we see evidence of government seeking to dictate the terms of private health plans. This reflects...the national,

congressional urge to legislate, to thrust the government more and more into the private, voluntary health care system."

Mr. Pantos said that Congress is becoming increasingly concerned about the potential funding shortfalls of employer-sponsored health care benefits for retirees, an issue he termed as alarming.

He cited a recent report by the General Accounting Office that says private employers' liability for health care benefits for active and future retirees may total as much as \$402 billion.

"For plans in existence today, GAO estimates annual benefit payments

will be \$10 billion this year and will grow to \$25 billion in the year 2008," Mr. Pantos said.

"Legislators are beginning to look to ways of providing a stronger private sector financial base for retiree health benefit plans. And it's not beyond the scope of possibility that some form of mandatory pre-funding of retiree benefit schemes will emerge."

The current practice by employers to promise retiree benefits with little or no advance funding of those benefits "represents a ticking time bomb in Washington and one which will be of utmost, high priority in 1989," Mr. Pantos predicted. ■



SIIA conference draws 700

PHOENIX, Ariz.—About 700 attendees sought refuge from the 98-degree Arizona heat in two downtown Phoenix hotels late last month as the Self-Insurance Institute of America held its Eighth Annual Educational Conference.

Conference participants—and apparently most people in downtown Phoenix—were content to stay indoors during the event. Those who registered for the conference, which was held Sept. 27-30, rarely forayed outside during the day except to walk to meetings in the neighboring Hyatt Regency and Sheraton hotels.

The chilly, air-conditioned ballroom of the Sheraton was the site for general sessions that covered a range of topics.

The economy got top billing on the first day of the conference, with NBC News Correspondent Irving R. Levine kicking off the day's speeches. Mr. Levine was followed by Edward Guay, CIGNA Corp.'s chief economist.

Institute members then heard the SIIA's Washington counsel discuss legislative challenges facing the self-insurance industry during a luncheon speech (see related story), after which they scattered for workshops at the Hyatt Regency Hotel next door.

Two days of afternoon workshops were categorized as basic, intermediate and advanced discussions of self-insurance topics.

The second day of general sessions featured Stephen F. Coady, president and chief executive officer of Dallas-based Health Economics Corp. (see story, page 23) and Richard Shaw, second vp of Genesis Underwriting Management Corp. in New York.

The social agenda for the conference included an evening trip to Rawhide, a replica of an Old West town. After arriving in air-conditioned motorcoaches, SIIA Chairman James W. Duff and President Steven P. Stucky were promptly arrested by the Rawhide marshal and imprisoned while conference attendees snapped photographs.

They were released unharmed, but hungry. More information on the SIIA is available at P.O. Box 15466, Santa Ana, Calif. 92705; 714-261-2553.

—By Michael Bradford

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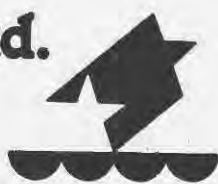
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Aging public driving health care costs up

By MICHAEL BRADFORD

PHOENIX, Ariz.—The aging of the U.S. population will continue to drive up health care costs, while employers struggle to fund their retiree health care benefits, an expert predicts.

"If you think (the cost of health care in America is) bad now, just wait a while," said Stephen F. Coady, president and CEO of Dallas-based third-party administrator Health Economics Corp.

"There is no way that health care is going to become less expensive, simply because of the inevitable aging of the population and the increase of utilization associated with" that, Mr. Coady warned.

Speaking before a group at the Eighth Annual National Educational Conference of the Self-Insurance Institute of America held Sept. 27-30 in Phoenix, Mr. Coady said the relationship between age and utilization is often "poorly appreciated."

He said it is evident that health maintenance organizations skim the healthy workers from an employer's workforce, with older employees participating in indemnity plans.

"If any managed-care plan concentrates its marketing techniques on extracting these younger employees, the self-insured (indem-

Programs are available to plot the likely amount of health care an aging workforce will use, he said.

There are a couple of critical variables that employers will have to consider when implementing the FASB requirements, Mr. Coady said.

Current drafts of the FASB regulations call for companies to show in a footnote on financial statements the effect of a 1% variation in their assumption of health care inflation in the calculation of retiree health care liabilities.

Mr. Coady noted that "another critical variable out there is 'what happens to the Medicare program?'"

He warned that "if you have any expectation of the government decreasing its current commitment to the retiree population," that assumption also has to be considered.

Mr. Coady pointed out that companies have begun changing their retiree health care benefit philosophies because of the large liabilities that are looming.

"See, you find a lot of attention these days on plan documents and summary plan documents, with very little promulgation of what you used to hear; statements such as: 'If you retire from this company, we'll take care of you for life, etc.," Mr. Coady said.

"Frankly, there's not enough money being made by most large companies to accommodate those sort of promises," he added.

Health care cost management increasingly is depending on "data-dependent" approaches, said Mr.

Coady.

"I think the day is coming in the not-too-distant future when people will do claims processing almost for free... as a mechanism to collect the information," Mr. Coady continued.

Mr. Coady predicted that "the value of the information regarding where and how and why we're paying health care is going to become so critical to the management of this liability... that we're going to find a fascination on the analytical side of our business." ■

It has come to light that health care costs are increasing with the age of workers, Mr. Coady says.

nity) plan is left typically with a smaller, sicker, older population," Mr. Coady pointed out.

"And that older population is an extremely important consideration," he continued.

The median age of workers at most companies is currently just under 40, Mr. Coady pointed out, and the median age in the United States is around 33.

And, Mr. Coady continued, at a time when a large percentage of the American workforce is heading into its 40s, most companies have grossly underestimated their funding obligations for retiree health care benefits.

But proposed accounting regulations are making employers sit up and take notice, according to Mr. Coady.

"One of the interesting challenges coming up in the next several years will be the accommodation of the new FASB requirements," he said.

Those Financial Accounting Standards Board rules, which are expected to be released soon, will force companies to report retiree health care liabilities on their balance sheets.

"You're going to have to show what the expected liability is and fund for that liability," he observed.

Mr. Coady said employers have underestimated the magnitude of those future liabilities because "for years we've assumed there's a linear relationship between the age of the population and its health care cost."

But it has now come to light that health care costs are increasing with the age of workers.

Not only do older people use more health care services, he pointed out, but their care is generally more expensive.

Mr. Coady told his audience that adhering to the FASB rules can be accomplished on a "souped-up microcomputer."



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Workers comp cost controls stop expenses from spiraling

By MICHAEL BRADFORD

PHOENIX, Ariz.—Employers that are not using the latest techniques to control workers compensation costs are in danger of seeing those costs spiral out of control, workers comp experts say.

Among cost-containment measures growing in popularity are establishing a workers comp medical data base, auditing health care bills, providing injured employees a lightened workload to bring them back to work as soon as possible and arranging structured settlements.

"If you have a workers comp program that doesn't have some of these new programs in it, I would say you are falling ever further behind," said Gordon Clemons, senior vp of Fortis Corp., an Irvine, Calif.-based medical rehabilitation and cost-containment service.

Some cost control programs that "were originally designed for group health have migrated quite well over into workers comp," he observed.

"I think it's safe to say that there is a lot going on in workers comp that is new," Mr. Clemons said during the panel discussion, "Techniques for Controlling Worker's Compensation Claim

Costs," at the Eighth Annual National Educational Conference of the Self-Insurance Institute of America Inc., held Sept. 27-30 in Phoenix, Ariz.

Controlling costs is important because workers compensation medical expenses are escalating, said John H. Potter, assistant vp and national sales manager with claims administrator Crawford & Co. of Atlanta.

Mr. Potter quoted statistics gathered by the National Council on Compensation Insurance that show medical costs in lost-time workers comp cases currently account for around 40% of the total claims cost, with indemnity payments making up the remaining 60%.

But, by year-end 1989, the costs are expected to be about equal, and eventually medical costs may even exceed indemnity payments, he said.

Mr. Clemons noted that in an effort to control workers comp costs, several large employers are establishing workers comp health care claims data bases to more objectively pinpoint the causes of workplace injuries.

"Certainly, you can get much more directed input back into a safety program if you're really reviewing a good data base," Mr. Clemons said.

"Without that, you find that you tend to get adjusters or employers who have had a bad experience with a back or a bad experience with a fracture, and that biases their view of where they ought to spend their preventive dollars.

"When you have a data base, you can become much more objective and take a real true, full look at where the costs are coming from."

Mr. Clemons also noted that more employers also are analyzing employees' medical bills to determine, among other things, how they should intervene in a claim.

The analysis often provides "flags for early intervention, for instance. You really want to get involved with the very severe injuries very early on and provide a cost-effective means of making sure that the treatment goes in the right direction on those high-cost cases," Mr. Clemons said.

Mr. Potter also recommended auditing medical bills to ensure that provider charges are correct.

"Provider bill audits have come in vogue" in states where they are allowed, Mr. Potter agreed.

But, he warned, "in doing a provider bill audit, it is not only important to match the particular treatment to the fee schedule, but it's also important to conduct a utilization review. Is the treatment that is being provided to that particular person associated with a compensable injury, and is the frequency and duration of the amount of treatment appropriate to that particular compensable injury?"

"We are moving to a time when you send all of the medical bills to a vendor for incorporation into a data base," Mr. Clemons said. "This allows there to be a very medically oriented data base built that is in addition to the claims data."

One technique that is often overlooked in reducing lost work time and indemnity payments to workers comp claimants is getting injured employees back to work as soon as possible by providing them a lighter workload, Mr. Potter said.

He pointed out that "significant money can be saved by employers through the institution of a light-duty, return-to-work program. It's never ceased to amaze me how many employers take on an attitude of 'I'll take the guy back when he's 100%.'"

Structured settlements also are an effective workers comp cost-cutting technique, according to Charles A. Conwell, assistant vp in the claims department at Employers Reinsurance Corp. in Overland Park, Kansas.

Structured settlements generally involve purchasing an annuity that makes regular payments to a claimant, Mr. Conwell explained. The advantage of such a settlement is that "it reduces the ultimate cost, and it also eliminates the administration of the claim."

"Once that type of settlement is made, the employee is pretty much on his own to look after his own finances," Mr. Conwell said.

"However, there is that degree of protection in that they don't receive all of the money in a lump sum but rather over a period of years, usually once a month."

The panel discussion was moderated by Sam P. Cannon, chairman and chief executive officer of Management Services Inc., an Oak Brook, Ill., firm that plans and implements self-insured and insured programs for companies and associations. ■

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Alternative market grows in stature

By MICHAEL BRADFORD

PHOENIX, Ariz.—The alternative insurance market has grown to such stature that it is attracting increased attention from excess insurers and from reinsurers, an expert points out.

Richard C. Shaw, second vp at Genesis Underwriting Management Co. in New York, a unit of the General Re Corp. that provides insurance and reinsurance services to alternative risk financing vehicles, noted that businesses are continuing to accept more risk in exchange for greater control of their insurance destiny.

Excess insurers and reinsurers, faced with declining demand for their products partly because of the increase in self-funding, would be foolish to ignore such a large chunk of potential business, Mr. Shaw explained in a speech at the annual conference of the Self-Insurance Institute of America.

"The excess/reinsurance market... has exhibited a consistency of interest over the evolution of the alternative market," said Mr. Shaw. "And we have evolved along the way ourselves."

Excess insurance underwriters, he pointed out, are holding managers of self-insured programs to higher standards of risk management than in previous years. "On the other hand, you probably expect, rightfully, a more consistent response from that underwriter."

Mr. Shaw said, "Gone are the days when a haphazard approach to self-insurance would be met by an equally glib response from the excess market. Even as you have developed standards of evaluation from your peer group, so have the excess/reinsurance underwriters tightened up the evaluation pro-

cess to better select those relationships which will survive.

"A part of my charge today was to predict the future, particularly with reference to the excess/reinsurance market for self-insureds," Mr. Shaw acknowledged. "Even allowing for the vagaries of the marketplace, the softening of which appears to be evoking images of 1982, I can't help but believe the future is bright for those self-insureds which have long-term objectives for increased capacity and greater control of their cost of risk."

Mr. Shaw added: "The equation is pretty straightforward. A better risk is reflected by the management thereof, which is the standard of measure for the excess underwriter. I see a greater commitment to the alternative

Reinsurers have an 'interest over the evolution of the alternative market,' says Richard C. Shaw.

market by the long-term excess facility based upon our perception that that market is actually made up of better risks, more motivated, more knowledgeable, more aware of their exposures to loss and therefore better able to control those losses."

The market for excess coverage, he told the group, "is going in your direction."

Reinsurance underwriters are

forced to look to the alternative market for business in part because of bleak forecasts for reinsurers in the traditional market, Mr. Shaw remarked.

"Consider that the Reinsurance Assn. of America's results for the largest part of the reinsurance market display only one year with an industry combined ratio under 100% in the last 10. And the average for those 10 (years) is over 110%," he pointed out.

"Moreover, the prospects in that arena are in question," said Mr. Shaw. "The traditional market is retaining more of the layers formerly ceded and in the right spots, I might add."

There are signs that things could get worse for reinsurers before they get better, Mr. Shaw noted.

"If we believe the reports from

Monaco... we will continue to lose volume rather than join in the rate discounting of the primary companies," he said, referring to comments made at the recent Rendez-Vous de Septembre in Monte Carlo (BI, Sept. 19).

Mr. Shaw said reinsurers continue to deal with an "unsettled legal environment" that often rewrites contracts to create coverage where none was intended and rewards accident victims rather than indemnifying them.

"Latent injury considerations and environmental liabilities are not eased by tort reform," he said.

Reinsurers, Mr. Shaw pointed out, will be paying more taxes because of tax law changes passed in 1986. "And the ultimate impact of that change mandates a certain price increase just to stay even." ■

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New Aetna unit offers unbundled services

A new unit of Hartford, Conn.-based Aetna Life & Casualty Co. will provide unbundled insurance-related services to self-insured companies, risk retention groups and pools.

The new company, Axia Services Inc., will offer a wide range of services, including claims administration, loss control engineering and consulting.

Axia—which is the ancient Greek word for value and worth—will be operational by January 1989.

"Axia will be a full-service company providing the same quality support services that Aetna has always provided, but without the associated risk transfer," explained Robert V. Toppi, president of Axia. Previously, Mr. Toppi was vp-commercial insurance operations for Aetna's Western region.

"Traditionally, an account receives these services in conjunction with insurance coverage," Mr. Toppi noted. "However, the growth of self-insurance and other alternatives has created the need for professional claim, engineering, consulting and related services that are unbundled from risk transfer."

Among the claims-related services Axia plans to offer are investigation, evaluation, negotiation, medical cost control, regulatory reporting, litigation case management and subrogation.

The loss control services that the company's safety engineers plan to provide include industrial hygiene

Markets

and occupational health, environmental health, analytical laboratory testing, safety training, fire protection, fleet safety and product loss control.

Consulting services will include actuarial analysis and valuation, engineering, risk management information systems and training and education.

For more information, contact Mr. Toppi, Axia Services Inc., 410 Capitol Ave., Hartford, Conn. 06156; 203-273-0123.

Financial institutions

Three U.S. insurance brokerages have created units targeting financial institutions and services industries.

Chicago-based Rollins Burdick Hunter Inc. has established a subsidiary that exclusively will arrange insurance programs for all types of financial institutions nationwide.

The new unit Rollins Financial Services Co., consists of Scarborough & Co. and Bankers Insurance Service Corp.—two operating units of RBH—and Rollins Financial Brokers Inc., a newly created unit of RBH financial institution specialists.

Scarborough & Co. arranges insurance and provides insurance-related services to savings institutions and commercial banks.

Among the insurance programs arranged by Scarborough are bankers blanket bonds, directors and officers liability insurance, property/casualty insurance, trust operations insurance and employee benefits programs.

Bankers Insurance Service Corp. focuses on the mortgage banking community, as well as other segments of the financial institutions marketplace. The financial institutions places bankers bonds, errors and omissions coverage, mortgage impairment insurance, directors and officers liability coverage, insurance agents errors and omissions coverage and other coverages to the mortgage banking industry.

"Although newly created, Rollins Financial Brokers Inc. represents an extension of the original concept of Rollins Wrightson Co.," said Frank Beranek, president of Rollins Financial Services. Previously, Mr. Beranek was president of Scarborough & Co.

Rollins Wrightson was a joint venture that RBH and London-based Stewart Wrightson Holdings P.L.C. established in the early 1980s. That relationship was terminated following the acquisition of Stewart Wrightson by Willis Faber Dumas Ltd. last year.

"The Rollins Financial Brokers' team is especially well-placed to draw upon all of Aon's resources in realizing that objective," said Mr. Beranek, referring to Aon Corp., RBH's parent company.

The creation of Rollins Financial Services Co. immediately creates "the nation's second-largest broker/producer of financial institution insurance-related business," said Michael Rice, senior vp of RBH and chairman of the newly formed subsidiary.

"More importantly, it enables us to prepare for tremendous growth opportunities in responding to the considerable problems facing financial institutions in the 1990s," Mr. Rice said.

For more information contact Mr. Beranek at Rollins Financial Services Co. 123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4000.

In addition, Briarcliff Manor, N.Y.-based Frank B. Hall & Co. Inc. has formed a Financial Institutions Department specializing in arranging in bankers blanket bonds, D&O coverage, E&O coverage and other coverages for large financial institutions.

The new department will be based in New York and headed by Executive Vp Charles M. Mulle and Senior Vp James Maher.

Prior to his recent appointment at Hall, Mr. Mulle was responsible for the production and marketing of financial institution clients at Rollins Wrightson for four years.

Mr. Maher also comes to Hall from Rollins Wrightson, where he was the company's marketing manager for bonds and related lines of insurance.

The Financial Institutions Department is located at Wall Street Plaza, New York, N.Y., 10005; 212-952-1200.

Meanwhile, Houston-based brokerage Energy Insurance International is forming a financial services department.

The new department will place insurance for directors and officers liability, general partners liability, financial errors and omissions, fiduciary liability, commercial crime, kidnap and ransom and financial institutions blanket bonds.

The new department will be run by Vps Mary C. Jones and Thomas L. Nygren, who were previously vps at Alexander & Alexander Services Inc. in Houston.

For more information contact Mr. Dawley at Energy Insurance International, P.O. Box 36429, Houston, Texas, 77236-6429; 713-783-6640.

Jardine unit expands

Jardine Emmett & Chandler Pennsylvania Inc. has formed a new division specializing in placing insurance for health care professionals.

The new Philadelphia-based division, Jardine HealthCare Services, will design, implement and manage liability programs, including self-insurance programs and alternative risk financing programs.

The division also performs risk

purchasing group feasibility and design studies and risk management/quality assurance consulting and research.

Tom Gaudiosi, president of the new division, comes to Jardine with 12 years risk management consulting experience in connection with physicians, hospitals and other health care facilities. Most recently, Mr. Gaudiosi was a senior vp at Glenn, Nyhan & Associates, a San Francisco-based insurance brokerage.

Jardine HealthCare Services is located at 1800 John F. Kennedy Blvd., Philadelphia, Pa. 19103; 215-587-1200.

St. Louis PPO expands

Northwestern National Life Insurance Co. of Minneapolis has begun offering its St. Louis group health insurance customers the option of joining St. Louis Preferred Care, a preferred provider organization.

Through a joint marketing arrangement, Northwestern National Life will be able to offer another product to its customers and St. Louis Preferred Care will be able to take advantage of Northwestern National Life's expanded marketing capabilities.

Currently, 800 physicians serve more than 6,000 subscribers to St. Louis Preferred Care PPO.

For more information contact Carol Hosmer, executive director St. Louis Preferred Care, 5615 Pershing, Suite 20, St. Louis, Mo. 63112; 314-361-2900.

RFC reorganizes

RFC Intermediaries Inc. of Atlanta has reorganized its management structure.

RFC, the reinsurance brokerage subsidiary of The St. Paul Cos. Inc. of St. Paul, Minn., will now report to Minet Reinsurance Brokers Ltd., also a unit of St. Paul. Previously, RFC reported directly to St. Paul Cos.

The change in management structure results from St. Paul's acquisition of Minet earlier this year (BI, Feb. 8; Feb. 1; Dec. 14, 1987).

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Continued from previous page

RFC maintains nine branch offices throughout the United States.

For more information contact Nancy Lawton, RFC Intermediaries Inc., 1117 Perimeter Center West, Suite N-500, Atlanta, Ga. 30338; 404-392-3708.

EBI consolidates

The workers compensation insurance division of New York-based Orion Capital Corp., led by Employee Benefits Insurance Co. of San Jose, Calif., has formed a new Eastern division in Itasca, Ill.

EBI formed the new division by consolidating its Eastern, Midwestern and Southwestern field divisions. The new Eastern Division will serve as the headquarters for the workers compensation offices in Illinois, Indiana, Missouri, Wisconsin, Texas, Pennsylvania and Connecticut.

In 1987, EBI reported \$85.1 million in net written premiums in these states. Total net written premiums for the Orion group of companies last year exceeded \$442 million.

"A consolidation of these three field divisions will help us achieve a new efficiency and profitability in the workers compensation arena," explained Robert B. Sanborn, president of Orion Capital.

The Eastern Division will be headed by President Larry D. Hollen, a senior vp of Orion Capital.

For more information contact Ellen R. Musante, Orion Group, 9 Farm Springs Drive, Farmington, Conn., 06032; 203-674-6750.

Recruiting firm

Richard Meyers, formerly executive vp and principal with Logic Associates, a New York-based recruitment firm, has opened his own recruiting firm specializing in placing risk management personnel nationwide.

The new executive search firm, Richard Meyers & Associates Inc., also helps place safety, loss prevention, fire protection, claims management, employee benefits and pension personnel.

The company began operations on Sept. 26.

Richard Meyers & Associates Inc. is located at 573 Springfield Ave., Summit, N.J. 07901; 201-522-9444.

Medical joint venture

Republic RSB Cos. Inc. and Resource Information Management Systems Inc., both of Naperville, Ill., and Miami-based John Alden Risk Management Services have formed a company to provide employers with one-stop shopping for claims payment software packages, medical cost management services and stop-loss insurance.

The basic strength of the new company, Re-FOCUS, "lies in the concept of relieving insurers and TPAs of time-consuming shopping excursions to locate the most cost-efficient programs," said Richard E. Mandel, president and chief executive officer of Republic-RSB Cos.

Republic provides a full range of medical cost management services ranging from inpatient and outpatient utilization review through hospital bill auditing under the Re-FOCUS program.

Its utilization review services are integrated with Resource Information's state-of-the-art software package that focuses on claims reimbursement methods designed to guard against duplicate payments.

Stop-loss reinsurance is placed by John Alden Risk Management Services, a division of John Alden Life Insurance Co., which specializes in providing stop-loss insurance products.

For more information contact Pat Campola, John Alden Risk Management Services, P.O. Box

52-7750, Miami, Fla. 33152-9938; 305-263-8632.

Group benefits unit

Fountain Valley, Calif.-based Pacific Mutual Life Insurance Co. has spun-off its group benefits operations into a separate company.

The new company, PM Group Life Insurance Co., will give Pacific Mutual more flexibility in competing in the group benefits insurance market, according to Harry Bubbs, Pacific Mutual's chairman and chief executive officer.

The PM Group, which is licensed in 27 states, offers a variety of group benefit plans including flexible benefits packages and preferred provider organizations.

G.W. (Kim) Kimmerle has been appointed chairman and chief executive officer of PM Group Life, and William L. Ferris has been appointed president and chief operating officer. Previously, both

held similar positions in Pacific Mutual's employee benefits division.

All employees from Pacific Mutual's group operations have been transferred to PM Group Life.

"Other than a new name for the carrier, there will be no effect on clients, contracts or coverages," Mr. Ferris explained. "Full coverage will continue, with no interruption of benefits, no new waiting periods and no new deductibles to satisfy. Accounting and experience rating practices will also remain unchanged."

For more information contact Mr. Ferris or Mr. Kimmerle at the PM Group Life Insurance Co., 17360 Brookhurst St., Fountain Valley, Calif. 92708.

Self-insurance trust

The Florida Insurance Department has approved a self-insurance trust designed by and for the state's practicing physicians.

The SPL Self-Insurance Trust Fund was developed by Alexander & Alexander Services Inc. and Florida doctors, who have been paying high medical malpractice insurance premiums as a result of large jury awards in the state (BI, July 13, 1987).

The trust already has almost 100 member physicians, each of which is required to contribute a \$2,500 initial capitalization fee, said Bill Traurig, A&A account executive.

The trust is operated through a physician-controlled board of trustees that will screen members as well as set underwriting guidelines.

Although he would not reveal the amount of capital raised so far, Mr. Traurig said the minimum state requirement of \$1.5 million has nearly been achieved.

Claims-made coverage limits of up to \$1 million will be available to participants of the trust, who will retain the first \$250,000 of each exposure and reinsure the remain-

der.

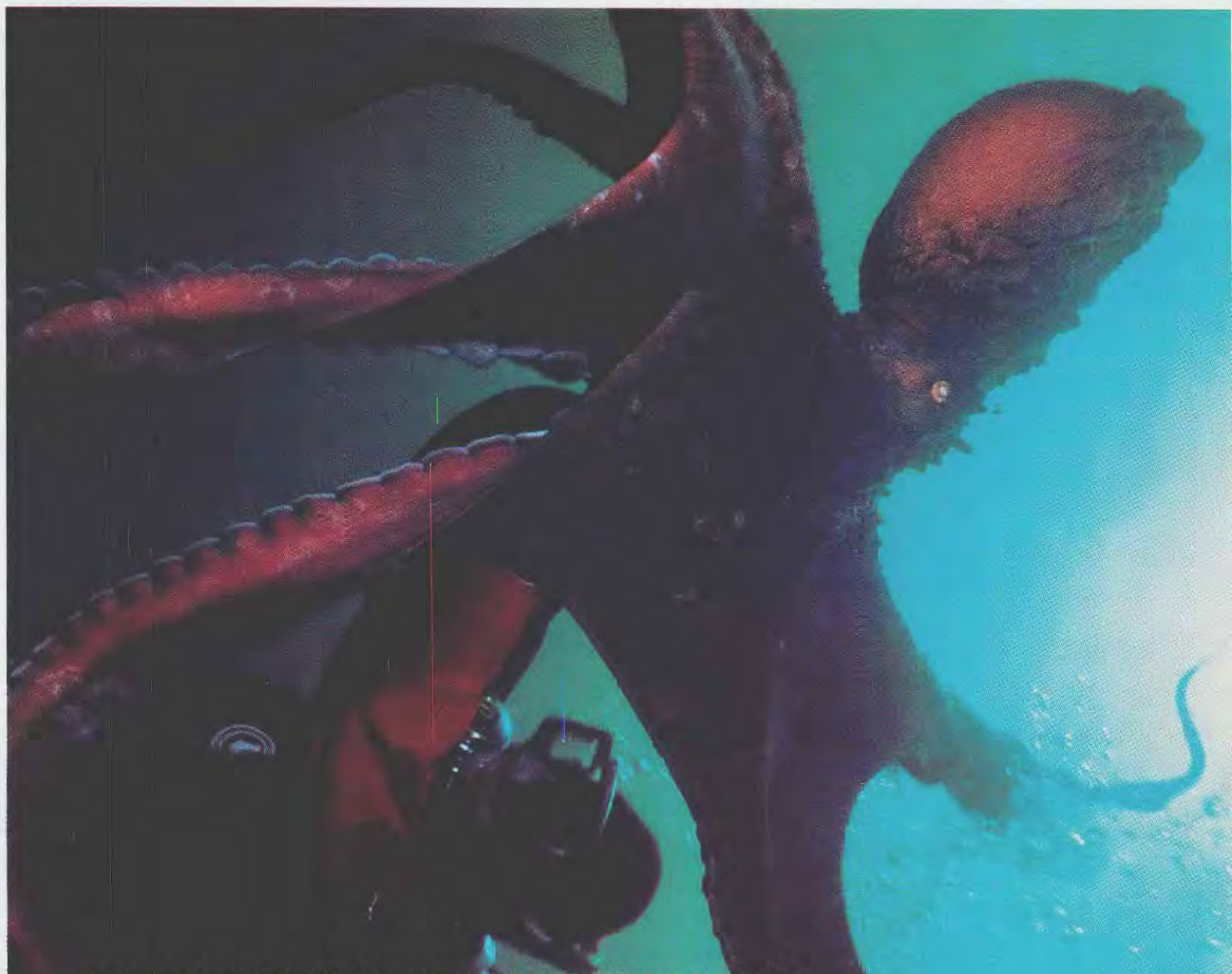
Physicians' premiums will vary based on their practice class and their liability limits. Physicians are categorized by five classes, from Class 1, which are general practitioners, to Class 5, which are neurosurgeons.

Other variables include the amount of tail coverage required, up to a maximum of five years; whether or not the physician is affiliated with a hospital; and the Florida county in which the physician practices—rates are higher for the more populous Dade and Broward counties, for example.

A&A initially approached the physicians last year with a plan to institute the medical malpractice insurance program, which is based on a similar trust program the brokerage administered for anesthesiologists in the state four years ago.

Mr. Traurig hopes that physicians will join the trust at a rate of 300 to 500 new members per year.

Continued on next page



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Markets

Mergers/acquisitions

Fort Wayne, Ind.-based **Lincoln National Life Insurance Co.** has acquired the **HealthPlus HMO**, a health maintenance organization in Indianapolis that serves 35,000 subscribers.

Lincoln National Life also has signed a letter of intent to acquire **Peak Health Care Inc.** of Colorado Springs, Colo., from **United HealthCare Corp.** of Minnetonka, Minn., for \$37 million in cash. Lincoln National also will transfer to United HealthCare its 49% of Share Nebraska, a health maintenance organization jointly owned by Lincoln National and United HealthCare.

Arthur J. Gallagher & Co., the nation's eighth-largest brokerage, has acquired **Braniff & Braniff Inc.**, a Houston brokerage.

Richmond, Va.-based **Hilb, Rogal & Hamilton Co.**, the nation's 12th-largest broker, has sold **Hilb, Rogal & Hamilton Co.** of Goldsboro Inc. in North Carolina to the **East Coast Federal Savings Bank**. HRH also has acquired **Maher Springer Insurance Agency Inc.** of Dallas, **SIR-CO** of Richmond, Va., and **Jones, Hill & Mercer Inc.** of Savannah, Ga.

Jardine Emett & Chandler New England Inc. in Boston has acquired **Dietrich Insurance Agency** of Boston.

William M. Mercer Campbell Cook & Knight Pty. Ltd., the Australian subsidiary of William M. Mercer Inc., has acquired **Busi-**

ness Compensation Australia Pty. Ltd.

Name changes

HealthWin HMO Inc. has changed its name to **Lincoln National Health Plan Inc.** The health maintenance organization has more 1,000 physicians in its provider network, which serves 7,000 subscribers in Washington, D.C. and Baltimore.

New offices

The Stamford, Conn., office of **TPF&C**, the benefits and actuarial consulting division of Towers, Perrin, Forster & Crosby Inc., and the Darien, Conn., office of **Tillinghast**, the risk management consulting division of Towers, Perrin, Forster and Crosby, have relocated to Financial Center, Suite 600, 695 E. Main St., Stamford, Conn., 06901-2138; 203-326-5400.

TPF&C also has opened a new office in Milan, Italy at Corso Sempione 77, 20149, Milano, Italy; 39-2-349-0547 or 39-2-349-6398.

Tower Associates Ltd., a risk management and insurance consulting firm, has opened an office at 1520 Locust St., Philadelphia, Pa. 19102; 215-735-6622.

Health Risk Management Inc. of Minneapolis opened an office at 621 Shrewsbury Ave., Shrewsbury, N.J. 07701; 201-758-9049.

TCS Insurance Services has opened a new branch at 1215 W. Imperial Highway, Suite 202, Brea, Calif., 92621; 714-680-8376. ■

Litigation over ERAS losses to be heard by London court

By **CAROLYN ALDRED**

LONDON—The first round of litigation stemming from a loss-plagued London-based environmental impairment liability reinsurance facility is due to start trial today in London's High Court.

EIL insurance policies reinsured by the facility—known as the ERAS pool—already have produced more than \$70 million in claims and a spate of lawsuits (*BI*, Dec. 7, 1987).

West German reinsurers Bavarian Reinsurance Co., Zurich Reinsurance Co. and Alpina Reinsurance Co. are claiming unspecified damages for breach of contract and duty from the program's former manager, Environmental Risk Assessment Service (International) Ltd.; the manager's former parent, Clarkson Puckle Group Ltd.; and Lloyd's of London broker Bain Clarkson Ltd.

The trial is expected to take about eight weeks, said a court spokesman.

The trial will be watched closely by others that participated on the program's excess layers or as retrocessionaires of Paris-based Societe Commerciale de Reassurance, which led the facility. Most of the program's participants, including SCOR, have filed lawsuits against ERAS and Clarkson Puckle. Some participants also named SCOR as a defendant.

Oil rig safety

The British Department of En-

ergy has issued an immediate safety checklist to oil and gas companies operating in the North Sea following the July Piper Alpha rig explosion, which killed 167 people and caused about \$1.5 billion in losses (*BI*, July 11).

The checklist was issued Sept. 29 in a letter sent to the U.K. Offshore Operators Assn., the British Rig Owners' Assn. and the International Assn. of Drilling Contractors.

The checklist was accompanied by an interim technical report on the Piper Alpha tragedy prepared by the Department of Energy's safety inspectorate.

Jim Petrie, the department's director of safety, identified six areas companies should examine:

- That existing systems are adequate to ensure all supervisory staff are aware of all maintenance work that is in progress on a rig, and that systems "include physical securing of valves and switches to isolate relevant components."

- Investigators probing the Piper Alpha tragedy believe the explosion may have been caused by a breakdown in communications when a safety valve was removed for repair. Evidence suggests that the night shift operators were unaware that the valve had been removed, the investigators say.

- The automatic initiation of firefighting systems. "To minimize the results of any fire, it is necessary that fire water be supplied without delay. Companies should therefore review the operation of fire pumps," the letter states.

The Piper Alpha "fire pumps did not start automatically because they were on manual control," according to the interim report.

- The operability of life rafts. "It is essential that life rafts should be capable of being launched and inflated with the minimum effort," according to Mr. Petrie.

According to the interim report, the two inflatable life rafts

launched from the Piper Alpha failed to inflate.

- Evacuation routes. "Companies should assess the adequacy of routes from accommodation and muster points to survival craft," Mr. Petrie says in the letter.

- Emergency systems. "Companies should reassess the ability of their emergency control systems to survive accidents," he notes.

- Venting of explosions. He advises reassessment of the adequacy of venting to minimize damage in the event of explosions.

An official public inquiry into the Piper Alpha disaster is scheduled to begin in Aberdeen, Scotland, Nov. 11.

Stop-loss coverage

London-based mutual insurance club manager Charles Taylor & Co. is conducting an "urgent study to assess the practical viability" of the formation of a new mutual insurer that would write stop-loss insurance for members of Lloyd's of London.

Many Lloyd's members carry stop-loss cover, which limits their liability on underwriting losses they may sustain through their membership in Lloyd's syndicates. Most of the stop-loss protection itself is underwritten by a small number of Lloyd's syndicates.

However, "there has been concern for some time within Lloyd's circles at the limited availability, extent and high cost of stop-loss cover available to members of Lloyd's," according to a statement from Charles Taylor.

In addition, several underwriters currently are reconsidering their involvement in the stop-loss market, according to John Rowe, a Charles Taylor director.

Charles Taylor already has held preliminary discussions with the British Department of Trade and Industry and the Assn. of Lloyd's Members regarding the proposed mutual insurance club. ■



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Public entities embrace pooling: Study

By ALISON KITRELL

The relationship between public entities and risk pooling began as a marriage of convenience, but it apparently has blossomed into true love, a new study concludes.

While many public entities first turned to intergovernmental risk pools when commercial insurance coverage became unaffordable or unavailable, governments are finding new reasons to turn to pooling even in a soft commercial insurance market, the study says.

"Unquestionably, local government pooling is the most significant public risk management phenomenon of the 1980s," says Peter C. Young, author of "Risk Pooling: Scope and Practices 1987-88."

"Governmental entities of all forms are organizing into various types of 'joint loss control' or 'joint financing' mechanisms, and the story of their problems and successes is an important one," says Mr. Young, a professor in the College of Business at St. Cloud State University in St. Cloud, Minn.

The study, conducted for the Washington-based Public Risk Management Assn., queried 68 public entities nationwide to attempt to tell the story of those problems and successes.

Pool participants not only received what they were looking for when they formed the pools—mostly better coverage at a better price—but they also received risk management help, loss control advice and, most importantly, a more intimate understanding of the risks of public entities, the study says. As a result, Mr. Young says, "It is quite possible that their membership by and large is a clientele 'lost forever' to the commercial insurance market."

Based on the responses, the survey concludes that about 200 pools were operating nationwide in late 1987, and that up to 20,000 local government entities—or about one-fourth of all the U.S. local governments—were pool members.

Another survey released last month by PRIMA revealed that 39.8% of responding public entities were pool members, compared with only 25.1% of respondents in a 1981 survey conducted by the International City Management Assn. (BI, Sept. 19).

Most of the pool participants are small entities, according to the latest PRIMA study.

Pooling activity is influenced by conditions in the commercial insurance market, the study shows. Pool "formation seems to have crested twice: 1979-80 and 1986 (and 1987). This finding reflects the fact that insurance unavailability and unaffordability were important issues during these periods," Mr. Young says.

Indeed, 60.3% of the respondents said that one of their principal motivations for forming a pool was insurance unavailability and unaffordability. In addition, 42.6% said they formed a pool to achieve cost savings and stability through pooling.

But, 36.8% said they believed forming a pool would give them better control over risks than they could exert through conventional insurance. Mr. Young explains, "The cited reasons for this included the effect of peer pressure to practice loss control and a more obvious linkage between loss control and loss costs. Loss control, the pools argue, must be clearly and obviously linked with loss charges (premiums, contributions and so on) to motivate local governments to practice loss control."

Other major motivations for pooling included obtaining better and more comprehensive coverage, cited by 10.3%, and poor insurer services, cited by 8.8%.

The most common type of pool was the risk-sharing pool, in which local governments pool risks and

and share in loss costs. Some 88.1% of the respondents said they participate in a risk-sharing pool. Of these, 74.6% pool primary risks and 50.8% pool excess risks.

In addition, 53.7% of the respondents participate in a group insurance purchasing pool, in which members pool funds to buy commercial insurance coverage. Of these, 36.1% purchase primary insurance, 69.4% buy excess insurance and 13.9% buy reinsurance.

Finally, 43.3% of the respondents participate in a risk management pool, in which the pool provides risk management services for its participants.

As indicated by these responses, the pools provide a wide range of coverages and services for their participants. Many—though by no means all—pools began as a means of providing workers compensation coverage for their members, and 71.2% of the respondents to the PRIMA survey said their pool provides work comp coverage.

But, as liability insurance problems for public entities grew during the 1980s, so did the number of pools adding liability coverage. In the 1987-88 survey, 95.2% of the pools provided general liability coverage, 89.4% provided auto liability coverage, 74.2% provided public officials liability coverage, 54.5% provided law enforcement professional liability coverage, 42.4% offered umbrella liability coverage, 15.2% offered hospital liability coverage, and many offered more-specialized liability coverages, such as mass transit liability, liquor legal liability and airport liability coverage.

Other types of coverages provided by the pools included building and contents, 63.6%; auto property damage, 57.6%; employee dishonesty, 51.5%; crime, 50%; boiler and machinery, 45.4%; inland marine, 43.9%; reinsurance, 31.8%; unemployment compensation, 10.6%; and mass transit property damage, 10.6%.

And, pools are showing what Mr. Young calls, "a cautious entry into the realm of employee benefits." Some 22.7% provide medical benefits, the same percentage provide dental benefits, 12.1% provide vision benefits, 10.6% provide life insurance, 4.5% provide disability benefits and 3% each provide accidental death and dismemberment and dependent life insurance benefits.

Mr. Young says this lack of interest in employee benefits among pools may be "because employee benefits have not been subject to unavailability pressures, which have been the real engine of pool formation."

In addition to providing coverage to members, pools offer a wide variety of other services, often through a third-party administrator.

For example, 98.5% of the pools offer claims adjusting and auditing, 74.5% through a TPA. And, 92.6% offer risk management and insurance consulting, 65.1% through a TPA.

Some 85.3% of the pools offer financial audits, 85.3% offer legal counsel, 83.8% offer safety and loss control services, 75% offer actuarial audits, 72% offer insurance brokering, 57.3% offer litigation management and 41.2% offer risk management information systems.

Apparently, the wide range of services and coverages offered by pools has convinced most public entity pool members that pooling is not only cheaper and easier than buying commercial insurance—it is better. A stunning 92.1% of the respondents agreed with the statement: "Pools have, on the whole, done a much better job of underwriting and managing risks than private insurers."

Mr. Young explains, "The most common response"—cited by 43.1% of the respondents who believe pools do a better job—"was that pools were closer to the risk, they understood it better and were more sensitive to the

nature of local government and its effect on risk. Implicit in many of these comments was a belief that private insurers, by comparison, do not possess the same degree of understanding."

In addition, 31% of the respondents mentioned the sense of ownership as a reason pools do a better job. "That is, the pools believed that members took a much more active involvement because the costs of risk (premiums or contributions) were more clearly associated with actions, behaviors and loss control," Mr. Young said.

And, 25.9% said pools were better because they were better able to practice formal loss control and to control their programs generally.

"No respondents indicated why they believed this to be so, and the reader is left to speculate," Mr. Young said.

In other survey findings:

- The majority—75%—of the respondents said their pool was organized under some form of intergovernmental cooperative arrangement, rather than some other form of organization like a trust arrangement, non-profit corporation or insurer.

"From these responses, it is clear that the 'government entity' form of legal organization is preferred to an 'insurance entity' form. Perhaps there is a conscious or subconscious effort to distance pooling from the 'insurance milieu,'" Mr. Young said.

- The total amount of premium contributions paid to the respondents' pools during the most-recent 12-month period was \$660.4 million. Some 39.3% of the respondents said their pools' premiums

totalled \$1 million to \$5 million, while 26.8% reported annual premiums between \$10 million and \$25 million. The smallest annual premium collected by one of the respondents' pools was \$365,000; the largest was \$102.4 million.

- Almost one-third—63.2%—of the pools have a surplus fund. Most of these funds are financed at least partly by allocating a portion of premium.

- About 72% of the respondents said their pool allows assessments

against members during periods of poor loss experience, and 71% of those respondents said their pools allow unlimited assessments. However, only 22.4% of the respondents say their pools have actually levied assessments.

Copies of the survey, "Risk Pooling: Scope and Practices 1987-88," are available for \$25 for PRIMA members and \$40 for non-members from PRIMA, 1120 G. St. N.W., Suite 400, Washington, D.C. 20005

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Nader to speak at '89 RIMS conference

NEW YORK—Controversial consumer advocate Ralph Nader will be one of the feature attractions at the 27th annual Risk & Insurance Management Society conference, to be held April 9-14 in Atlanta.

Mr. Nader, who in July released a report that alleged that Lloyd's of London was a driving force behind the liability insurance crisis of the mid-1980s and should be subject to increased U.S. regulation, will appear at the conference's special session on Wednesday, April 12.

Mr. Nader and a yet-unnamed member of the insurance industry will discuss issues affecting risk managers at the special session, which will be moderated by Bill Monroe, former host of NBC-TV's "Meet the Press."

Besides the special session, the

1989 RIMS conference will feature common interest groups, industry sessions and conference seminars, as well as the popular RIMS exhibition hall.

Common interest groups are designed as small workshops in which participants can discuss common concerns relating to their respective fields and industries. The sessions, introduced at the 1986 RIMS conference in Toronto, follow a roundtable format with little formal presentation.

CIGs already scheduled for the Atlanta conference include:

- Corporate aircraft exposures.
- Advanced international risk management.
- Minorities in risk management.
- New risk managers.
- Part-time risk managers.

The RIMS exhibition, featuring more than 200 vendors, will be held at the Atlanta Merchandise Mart.

• Risk management at small to medium-sized companies.

• Women in risk management and benefits.

Industry sessions, a mainstay of past RIMS conferences, will also be part of the 1989 program. More than 35 of these sessions will be held. Industry sessions allow risk managers from companies in a particular industry to discuss solutions to common problems.

Among the industries for which sessions are planned are: advertising; amusement parks; banking; colleges and universities; drugs, chemicals and pharmaceuticals; farm cooperatives; hazardous waste; hospitals and health care management; oil, gas and drilling; publishing, printing and broadcasting; retailers; and telecommunications.

Subjects of other RIMS conference seminars include:

• Basics. Sessions will focus on problems faced by beginning risk and benefit managers.

• Employee benefits. Sessions will examine retiree medical benefits; Section 89 non-discrimination rules; and managed care for mental health care.

• Finance. Seminars will include discussions of tax improve-

ments in the 1990s; the advantages of risk retention groups; and the pitfalls of captives that are designed as profit centers.

• General. Seminars will examine how to get the best from brokers, underwriters and agents; cost allocation; and electronic spreadsheets.

• Insurance. Sessions will focus on 50 common—but often unknown—coverage gaps; excess liability insurance programs; and owner-controlled insurance programs.

• International. Seminars will discuss introductory international risk management; the export of U.S. tort laws and practices overseas; and the effect of the elimination of European trade barriers on the multinational risk manager.

• Legal/legislative. Session will examine what to do when an adjuster rejects a claim; management of legal costs; and proactive approaches to nuisance claims.

• Loss Control. One session will examine "Are your environmental elephants stampeding?"

• Workers compensation. One of the seminars will discuss what steps to take in the first 24 hours after a worker injury.

The RIMS exhibition hall will be held at the Atlanta Merchandise Mart, which is located near all the

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AGENTS AND BROKERS	Agent/Broker Profiles	Jun 20	Jun 7
RISK MGMT INFO SYSTEMS	Risk Mgmt Systems	Jul 18	Jul 5
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RIMS conference hotels. More than 200 vendors will participate in the exhibition, at which the latest risk management and employee benefits products and services will be displayed and demonstrated.

A special exhibition hall reception will be held between 5-6 p.m. on Monday, April 10 to welcome all conference registrants.

Besides Mr. Nader, other featured speakers at the Atlanta conference include journalist Jack Anderson, whose "Washington Merry-Go-Round" column appears in newspapers across the country. Mr. Anderson will speak at a luncheon on Tuesday, April 11.

The luncheon speaker on Thursday, April 13 will be Michael Mescon, dean of the college of business at Georgia State University in Atlanta and chairman of The Mescon Group, a consulting firm specializing in creating competitive advantages through the use of organization design and development.

As usual, the conference will kick off with a reception benefiting the Robert S. Spencer Memorial Foundation, which provides scholarships to students of risk management. This year's reception, to be held from 7-9 p.m. on Sunday, April 9 at the Atlanta Marriott Marquis, will use the 1895 Cotton States Exposition as a theme.

Registration for the full conference costs \$595 for RIMS members and \$695 for non-members. A partial week registration (Monday through Wednesday or Wednesday through Friday) costs \$475 for members and \$575 for non-members.

These registration fees will increase by \$100 after Feb. 10.

In addition, one-day registrations are available for \$195 for members and non-members.

For more information, including hotel information and a registration form, contact the RIMS Conference Department/Registration, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

Fight against auto insurance costs proposed

By MARK A. HOFMANN

CHICAGO—The Kemper Group is offering to spearhead a national effort to cut automobile insurance costs as a means of restoring public trust in the property/casualty insurance industry.

Gerald L. Maatman, president of Long Grove, Ill.-based Kemper's national property/casualty companies, told the 140th annual meeting of the Chicago Board of Underwriters late last month that the insurance industry must "mount a coordinated and comprehensive assault on the cost of automobile insurance" if it wishes to regain consumers' confidence.



Mr. Maatman

Although no efforts will be aimed solely at the commercial automobile insurance marketplace, Mr. Maatman said after the presentation that "almost anything we can do on a piece of the problem" will help all lines of insurance.

The campaign's emphasis on improving highway safety would ideally reduce the accident frequency for all vehicles, thus improving the prices for insuring commercial as well as personal automobiles, he said.

Rapidly increasing automobile insurance rates have led consumers to think insurers are "ripping them off," Mr. Maatman said. The result has been a public outcry for increased rate regulation of all lines of property/casualty insurance.

"We're getting very frustrated with what appears to be a very strong negative public image," he said in an interview after his speech. "We can't just keep trying to explain why it's everybody else's fault—we're running out of time."

Mr. Maatman recommended launching a pilot effort in Illinois. He pointed out that auto insurance premiums in the state through 1986 have increased more slowly than in the nation as a whole, even though Illinois ranks among the most heavily industrialized states in the union.

That could change, however, when a mandatory automobile insurance law takes effect in 1990, because states with compulsory insurance laws tend to have higher rates than other states, Mr. Maatman said.

Because of historically lower-than-average rates, the introduction of a compulsory insurance law and the fact that several national auto insurers are domiciled within its borders, Illinois could prove to be an ideal laboratory for testing the results of cost-containment efforts, he said.

Although he said the initiative would have to begin with the insurance industry, Mr. Maatman stressed that participants should include consumer organizations, trade associations, business groups and

The industry must 'mount a coordinated and comprehensive assault on the cost of automobile insurance' if it wishes to regain consumers' confidence, says Gerald L. Maatman, president of Kemper's national property/casualty companies.

law enforcement agencies. According to Mr. Maatman, the groups would coalesce into a National Auto Insurance Cost Containment Council.

The group could be expected to examine medical cost-containment programs; cut litigation costs through continued efforts at tort law changes and heightened emphasis on alternative dispute resolution mechanisms; push for strengthened federal standards for auto manufacturers, such as a return to a requirement that all car bumpers withstand a 5-mph impact without damage; and promote effective no-fault laws.

Mr. Maatman said that Kemper plans to begin discussing the pilot proposal and the probable shape of the national effort with other Illinois-based insurers in the next few weeks. At the same time, attempts will be made to bring groups outside the insurance industry into the national cost-containment program by the end of the year.

"There's no sense getting something started in Illinois if there's no interest in other parts of the country," he said.

"By the end of the year, we'll know if we've got something going," Mr. Maatman said. He added that he expected sufficient interest in the idea to start a national campaign by early 1989.

Pursuit of no-fault laws could cause Kemper to break with tradition and support federal intrusion into what is a state prerogative, he pointed out. "As strongly as we favor state regulation of insurance, it may well be necessary to push for federal standards for state no-fault laws," he said.

Mr. Maatman freely admitted that getting such a program under way will not be cheap. He noted, however, that insurers are already committed to spending more than \$40 million—\$750,000 of it from Kemper—to promote a proposition establishing no-fault auto insurance in California while simultaneously seeking to defeat propositions aimed at rolling back insurance rates by government fiat (BI, June 6).

"Wouldn't you rather spend \$50 million on those kind of (safety) efforts than on fighting the kind of total political war our industry is waging today in California? I think the return on our investment would be much higher," he said.

If the program proves to be effective, other funds might be available through such philanthropic groups as the Ford and Carnegie foundations, Mr. Maatman said.

As Mr. Maatman envisions it, the council would fund transportation

safety research; provide grants to cities and states to study traffic safety systems; pay for demonstration projects in urban areas to test new approaches for the reduction of loss costs; push for more effective traffic laws, enforcement and better roads; and coordinate programs with organizations such as the Washington, D.C.-based Insurance Institute for Highway Safety and the Santa Barbara, Calif.-based Institute for Civil Justice.

Mr. Maatman said the idea of launching a national cost-containment program stemmed in large part from the insurance industry's problems in California and Massachusetts.

In Massachusetts, the government mandated a auto insurance rate structure that insurers consider inadequate. In addition, insurers faced stiff assessments to cover the cost of a deficit-ridden assigned risk pool that now covers more than half of the state's drivers.

Those moves led several companies, including Kemper, to cease writing personal lines auto coverage in Massachusetts even though they risked losing all of their property/casualty licenses by doing so. Kemper retained its other property/casualty licenses after it agreed to spend as much as \$140 million to

create a new, personal lines-only insurance company to take over its Massachusetts automobile policies (BI, April 18).

In California, dissatisfaction with soaring personal auto rates put several insurance-related propositions on the November ballot. Polls show propositions backed by the plaintiffs' bar and a consumer activist organization affiliated with Ralph

Nader garnering far more support than one backed by the insurance industry.

Both the consumer- and attorney-backed propositions would subject insurers to mandatory rate roll-backs and stiffer regulation. The trailing insurer proposition would roll back personal auto rates and establish a no-fault automobile insurance system.

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Connecticut appoints regulator

HARTFORD, Conn.—Peter Francis Kelly has been named interim commissioner of the Connecticut Insurance Department by Gov. William O'Neill.

Mr. Kelly is expected to be confirmed by the General Assembly when it reconvenes in January.

The 59-year-old Insurance Department employee fills a vacancy created by the resignation of Peter Gillies, who left in July to open a Hartford office for the New York-based law firm of LeBeouf, Lamb, Leiby & MacRae (BI, Aug. 1).

The unexpired portion of the four-year term ends Feb. 28, 1991.

Mr. Kelly, who joined the Connecticut department in 1954, most recently was director of financial and regulated affairs. He previously served as insurance examiner, assistant actuary, chief of actuarial analysis and chief of the Examination Division.

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Most HMOs require copayments: Study

By ALISON KITTRELL

Copayments are becoming more common among health maintenance organizations trying to cut back on costs, according to a survey.

More than half—56.4%—of the HMOs studied reported a majority of their members pay a copayment for office visits, according to InterStudy, an Excelsior, Minn.-based health maintenance organization research organization.

And while the growth in traditional, or pure, HMOs appears to be slowing, the growth in non-traditional, or open-ended, HMOs is flourishing, continuing a trend noted in InterStudy's last report (BI, June 13).

The study authors report that "large increases in expenditures for outpatient care and the size of premium increases in the past year have rekindled interest in the use of consumer copayments as a method for controlling utilization.

"While generally a cost control method associated with indemnity insurance, HMOs may be responding to employers and other com-

petitive pressures to do more about reducing ambulatory costs," the authors report.

Certain types of HMOs are much more likely to require a copayment for office visits, according to the survey.

For example, copayments are required by only 28.9% of the staff HMOs, in which services are delivered at one or more locations through physicians who are employees of the HMO.

Group HMOs, where a group of physicians provides care to patients at one or more locations, require a copayment only 27.5% of the time, and network HMOs, where an HMO contracts with two or more group practices to provide care, require copayments in 37.4% of the cases.

But, a full 70% of independent practice association HMOs—in which care is provided through physicians in the community who practice out of their own offices—require a copayment.

The amount of the copayment also is based on the type of HMO and varies considerably. Among staff HMOs that require a copy-

ment, 83.3% require \$1 to \$3 per visit, and the remaining 16.7% require \$4 to \$6.

Three-fourths of group HMOs that require a copayment charge \$1 to \$3 per visit, while the other 25% require \$4 to \$6.

Among the network HMOs that require copayments, 46.7% seek \$1 to \$3 per visit, 50% require \$4 to \$6 and 3.3% require \$7 to \$10.

And only 33.5% of the IPA HMOs that require a copayment demand \$1 to \$3 per visit, while 59.5% require \$4 to \$6 and 7% require \$7 to \$10.

Although HMO enrollment nationwide topped 31 million in the first quarter of this year, growth was slower when compared to the same quarter last year, according to the study.

As of March 31, 1988, a total of 31,015 million people were enrolled in HMOs, an increase of 1.7 million, or 5.9%, since Dec. 31, 1987.

In the first quarter of 1987, however, HMOs reported 1.9 million new members, for a growth rate of 7.6%, the report noted.

In comparison, during the first

three months of 1988, open-ended HMOs grew at a rate of 46.2% over the previous quarter, and Prudential Plus—an HMO product that is virtually identical to an open-ended HMO that was introduced by Prudential Health Care Plans Inc. in 1987—experienced a growth rate of 44.5%.

In these open-ended HMOs, members have two or sometimes three choices of providers from whom they receive services, although typically the coverage for care received from these other providers is less comprehensive than that for care received within the HMO.

There now are almost 1.1 million people in these non-traditional plans: 543,690 in open-ended HMOs and 551,594 in Prudential Plus. As of March 31, there were 47 open-ended HMOs operating in 23 states nationwide, according to the study.

"The open-ended plan enhances HMOs' ability to broaden their market," says Lynn Gruber, InterStudy's vp for managed care research. "Since it can completely replace an employer's indemnity plan, the open-ended HMO also improves HMOs' ability to compete with insurance companies."

InterStudy notes that these hybrid products appeal to both employers and employees. Employers who want to simplify their benefits options by dealing with only one vendor find them appealing, as do employees who are put off by the traditional HMO requirement that they remain within the HMO network.

The survey authors explain, "Removing the 'lock-in' feature may encourage more reluctant employees to try the HMO while retaining the 'safety net' of opting out of the

HMO whenever the employee chooses to do so."

The problem for the open-ended HMOs, however, is to keep enrollees from opting out of the HMO too often. Ms. Gruber says, "We continue to stress... that the success of an open-ended HMO depends on the plan's ability to control out-of-network utilization and truly manage the health care of its members."

Other study findings include:

- A significant amount of the growth in HMO enrollment occurred in smaller plans. HMOs with individual enrollments of fewer than 15,000 people gained a total of 525,976 members in the first quarter of 1988, which was more than the 522,548 new members reported by plans with more than 100,000 enrollees during the same period.

- The most rapid HMO growth in the first quarter occurred in the Northeast, South and West. For example, enrollment in most Northeastern states grew by more than 8%. But enrollment in several Midwestern states—which had experienced growth of more than 10% in the first quarter of 1987—grew by less than 3% during this year's first quarter.

- IPA model HMOs accounted for 1.1 million of the 1.7 million new members of pure HMOs in the first quarter of 1988.

The study on the growth in HMO enrollment during the first quarter of 1988 appeared in the Summer 1988 issue of *The InterStudy Edge*, which is published quarterly by InterStudy. Annual subscriptions are \$160, and single issues are \$45. For information, contact InterStudy, P.O. Box 458, Excelsior, Minn. 55331.

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Provider payment in HMOs changing

Health maintenance organizations are moving away from compensating providers with salaries and increasingly are paying them on a capitation basis, according to a recent study.

"Provider payment arrangements are becoming increasingly complex, diverse and more controversial," reports InterStudy, an Excelsior, Minn.-based HMO research organization.

In the beginning, the authors explain, physicians worked directly for the HMO or for a group that contracted with the HMO, and they were paid on a salary basis. Then, as individual practice association model HMOs became more prevalent, providers were paid on a capitation basis or on a discounted fee-for-service basis.

The study data show that provider payment methods vary widely according to the type and age of an HMO. For example, among staff model HMOs—in which services are delivered at one or more locations through physicians who are employees of the HMO—83% of the plans use a salary payment, 1.9% use capitation, 3.8% use a modified fee-for-service, and 11.3% use a combination of methods to pay providers.

But among the group and network model HMOs, capitation is the most popular method of payment. Among group HMOs—in which a group of physicians provides care to patients at one or more locations—10% use a salary method, 67.5% use capitation, 12.5% use a modified fee-for-service, 7.5% use a combination of those methods and 2.5% use some other method. Among network HMOs—where an HMO contracts with two or more group practices to provide care—3.2% use salary, 77.4% use capitation, 11.8% use modified fee-for-service and 7.5% use a combination.

And, among IPA model HMOs, only 0.3% use salary, 46.3% use capitation, 50.6% use modified fee-for-service, 1.2% use a combination and 1.6% use some other method.

Overall, capitation is the most common form of provider payment, used by 49% of all HMOs. But, information gathered on provider payment methods based on the age of the HMO show "a mixed picture for capitation," according to the authors.

For example, among HMOs that are less than 1 year old, none bases payment on a salary, 45% use capitation, 45% use a modified fee-for-service method and 10% use a combination. But among HMOs that are 3 to 5 years old, 8.3% use salary, 57.9% use capitation, 28.9% use a modified fee-for-service method, 3.3% use a combination and 1.7% use some other method.

And among the oldest HMOs—those that are 10 years old or older—34.1% use salary as the basis for provider payment, 39.6% use capitation, 19.8% use a modified fee-for-service method and 6.6% use a combination.

—By Alison Kittrell

FSA reforms

Continued from page 1

ees use FSAs to fund child-care expenditures, those that do often defer thousands of dollars to their accounts.

In addition, the offset rule will cause major administrative problems for employers with flexible benefit plans, benefit experts point out.

Aside from the offset rule, the legislation makes several other changes that affect child care expenses.

Those changes, which also go into effect next January, include:

- Pretax FSA contributions for dependent care expenses—as well as the tax credit—cannot be used for children older than 12. Under current law, dependent care expenses for children under 15 can be funded through FSAs or be eligible for the federal tax credit.

- Employees will have to provide on their tax returns the name, address and taxpayer identification number of the facility providing child-care services.

The changes, especially the offset rule, have stunned and angered benefit experts, who say it will reduce tax breaks for working parents at a time when legislators have been almost falling over themselves saying they want to do more to help families.

"It is yet another swipe at benefits for the middle class. This really will hit two-wage-earner families with major child-care expenses," said Sue Velleman, a principal in the Boston office of William M. Mercer-Meindinger-Hansen Inc.

"It is total hypocrisy. Legislators say one thing and they do another," said Jim Waters, a vp with TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby Inc. in New York.

The child-care tax changes are yet another example of Congress tacking benefit legislation onto an unrelated bill without holding hearings and then giving employers almost no time to comply with the new law.

"There is no thorough analysis, no hearings. That does not strike me as fair," said Ms. Velleman.

Interestingly, no legislator is admitting responsibility for the child care tax changes.

Washington observers say the proposal was almost certainly drawn from lists maintained by congressional tax committee staffers that show how much revenue can be gained by cutting back tax breaks for employee benefits.

The offset rule, lowering the age of children for whom dependent care expenses can be claimed and forcing employees to provide more information about day-care centers to verify their child-care expenditures will raise about \$950 million in new revenues over the next five years, according to estimates by congressional tax committee staffers.

That new revenue will help pay for the \$3.3 billion cost of other provisions in the welfare reform law.

"When major new social programs are considered, Congress increasingly looks at benefits for revenue because the dollars involved are so large," said Frank McArdle, a consultant with Lincolnshire, Ill.-based Hewitt Associates.

The timing of the offset rule could not be much worse for employers.

Many employers with flexible benefit arrangements—including FSAs—now are mailing and distributing benefit election forms for 1989. When filling out these forms, employees must decide how much salary they want to defer to spending accounts to pay for 1989 benefit expenses like child care.

In addition, in arrangements where employers offer "flex dollars" or "flex credits" to pay for uncovered benefit expenses, employees must decide how they want those dollars or credits allocated.

But those forms already are outdated if they do not explain to employees, among other things, that contributing to an FSA for child-care expenses will reduce their potential

tax credits and that pretax contributions no longer can be made for dependent care expenses of 13- and 14-year-olds.

Few employers know about the provisions because they were hidden in the massive welfare legislation, consultants say.

Employers that offer FSAs for dependent care expenses almost certainly will have to prepare new election forms to explain how the tax changes will work and give employees another opportunity to make new selections.

"How will employers explain all this? It will be a major communications challenge. There will have to be a lot of scrambling to get the word out in time to employees," said Tom Butterworth, a consultant in Hewitt's Rowayton, Conn., office.

"Many employers are in the middle of the enrollment process for 1989. The timing of the tax changes is very awkward," said Laurie Keenan, an attorney with the law firm of Ivins, Phillips & Barker in

Washington.

In fact, some employers already have completed their flexible benefit enrollment process for 1989 and, thus, almost certainly will have to reopen the selection process.

"This is very upsetting to us," said Catherine Corse, assistant vp-employee benefits at Barnett Banks Inc. in Jacksonville, Fla., where employees already have completed flexible benefit selections for 1989.

"This will cause a lot of confusion. It certainly isn't fair. Presumably, employees would have made different choices if they knew that the rules were changing. Fairness would have dictated that Congress would have provided reasonable notice," Ms. Corse said.

While employers still have time to reopen the enrollment process and mail new enrollment forms for calendar-year plans that begin on or after Jan. 1, little—if anything—can be done to change the tax consequences for employees covered by plans whose accounting years began on

July 1.

Such employees already have decided how much to contribute to their FSAs to cover various benefit expenses. And, under 1984 Internal Revenue Service "use-it-or-lose-it" rules, employees generally cannot change benefit selections or contribution amounts once the plan year begins (*BI*, May 14, 1984).

Thus, unless Congress grants some sort of relief, such employees will lose tax breaks through no fault of their own.

"This is par for the course. Legislators don't care about the implications of their actions," said TPF&C's Mr. Waters.

For employees who still can alter benefit selections and contributions, consultants say it is difficult to draw up examples to advise employees whether to continue FSA contributions or make maximum use of the tax credit. Variables like income levels and other available tax deductions complicate general examples for all employees.

Generally, though, employees earning between \$19,000 and \$24,000 have been able to gain more tax relief through the tax credit than through salary reduction to pay for child care expenses, consultants say.

"This will be very confusing to employees," said Ms. Velleman.

Although few employees make contributions to FSAs to fund child care expenses, the funds contributed are large. For example, Hewitt Associates found in a 1987 survey that just 3% of eligible employees used FSAs or other flexible benefit plan arrangements to fund child care expenses. However, the average contribution, including amounts funded through salary reduction and through contributions of flex dollars or credits, exceeded \$2,000 per eligible employee.

"For those who use an FSA to fund child care, it is a very valuable benefit," said Lance Tane, chairman of The Wyatt Co.'s group and flexible compensation practice in New York.



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NACSA/NACSE meeting

Continued from page 1

the joint NACSA/NACSE meeting at The Greenbrier may start to lose its importance.

Executives of The St. Paul Cos. Inc. of St. Paul, Minn., and Reliance Insurance Cos. of Philadelphia did not attend the meeting, which this year attracted more than 1,200 registrants, including spouses.

But the continuing competitive market—how long it will last and how low rates will go—was clearly of concern to most executives attending the meeting.

"How do you cope in a market where prices are less than adequate, with huge infrastructures? How do you manage the expense ratio, morale and the distribution system?" were the important concerns to underwriters, said Michael Goldberg, vp of Berkshire Hathaway Inc. in Omaha, Neb.

For agents and brokers, the important concerns were how to control their expenses and attract new business to maintain profits as commissions fall on lower premiums, as well as when insurers would slow the rate slide.

Cost cutting by agents and brokers was exemplified in the decisions by New York-based brokers Fred S. James & Co. Inc. and Alexander & Alexander Services Inc. to cancel their traditional receptions at The Greenbrier.

"We're asking people to economize and we at the senior level have to do the same," said Richard M. Page, chairman and chief executive officer of James, the nation's fourth-largest broker.

"Right now there is no question there is rate deterioration

of 15% to 20% except for surety, personal lines and workers compensation," said Mr. Page. "And we're planning for that to continue in 1989," he said.

"The industry has tremendous surplus—\$110 billion," which has to be put out to work, he explained. Supply of capacity simply exceeds demand.

William H. Bolinder, president of Zurich-American Insurance Group in Schaumburg, Ill., is especially concerned about rating for small commercial accounts. "A lot of competition is looking for that business. That's an indication that rates will come down," he said.

Casualty insurance rates being charged generally "have some room left" for price reductions before they will become unprofitable, he said.

High excess liability insurance rating also is "starting to be more of a problem," Mr. Bolinder said.

The umbrella layer, the first layer above the primary, is being written by primary insurers along with the primary program, he observed. In addition, excess insurers are dropping down to write the umbrella, putting an additional competitive squeeze on rates for this layer.

Property rates are "below where we can make a profit," says Mr. Bolinder.

Primary property products "do not have a catastrophe rate in them," he explained. "If we return to normal levels of catastrophes, those rates will prove to be unprofitable.

"Excess property is a different product. As far as we are concerned as an individual company, we are still able to get our prices. It might be because we have more limits available," he said.

The "biggest line of concern is workers compensation," Mr. Bolinder said. "It is so politicized that adequate rate levels are hard to come by."

"I am concerned that all chief executive officers mean they will not participate in wholesale price cutting, but it is very difficult to communicate that to branches and it's harder for them to believe it," Mr. Bolinder said. "In the past we've yelled volume and whispered profit, so they get confused and the easiest thing for them to do is provide volume."

"Prices are continuing to decline, but it varies by segment," said Mr. Goldberg of Berkshire Hathaway.

"Excess and umbrella rates are down dramatically; commercial auto, especially trucking, is down dramatically," he said.

The reason: "This is still a commodity business. Most companies aren't prepared to accept dramatic drops in volume," Mr. Goldberg said.

Berkshire Hathaway is an exception. Premiums have fallen to \$750 million in 1987 from more than \$1 billion in 1986 and will be "significantly down this year," after excluding the premium from one large, one-time reinsurance transaction.

Berkshire Hathaway can refuse to write low-rated business and let its premium volume decline in a competitive market because "we're not as concerned about the reaction of the investment community" to drops in volume, Mr. Goldberg

Continued on next page



Mr. Bolinder

Supreme Court

Continued from page 2

similar benefit provisions," Mr. Tievsky said.

Furthermore, "there's a wild card here," he continued. "They could come up with something surprising just because of the incredible complexity of the concepts involved."

In an amicus curiae brief in support of Mead's petition for review, the American Society of Pension Actuaries warned that if the 4th Circuit's decision was upheld, "it will disrupt the stability of the system by creating significant uncertainty as to how to process plan terminations and by raising questions as to the legality of distributions to participants and reversions to employers under termi-

nations that have already occurred."

While the high court decided to review the pension plan dispute, it declined to review the 8th U.S. Circuit Court of Appeals' decision in *Continental Insurance Co. vs. Northeastern Pharmaceutical & Chemical Co.* that insurers do not have to cover costs stemming from government-mandated hazardous waste cleanups.

The Supreme Court in January refused to review a similar decision by the 4th U.S. Circuit Court of Appeals (*BI*, Jan. 18).

The Supreme Court's refusal to review the two pollution coverage rulings "strengthens and reaffirms" the decisions, said Thomas Brunner, an attorney with Wiley, Rein & Fielding

in Washington, D.C. Mr. Brunner filed an amicus curiae brief on behalf of the American Insurance Assn. in the 8th Circuit case.

However, the Supreme Court may yet address the topic if review is sought for another hazardous waste decision handed down by the 4th Circuit late last month.

The 4th Circuit on Sept. 30 ruled that there is no coverage for government-mandated cleanups in a case involving Cincinnati Insurance Co., a unit of Cincinnati Financial Corp. in Fairfield, Ohio, and four policyholders.

The most-recent 4th Circuit decision largely reiterates the 8th Circuit's decision.

Writing for the 4th Circuit in last month's ruling, Judge John D. Butzner said: "We have no doubt that South Carolina law, in concert with Maryland and Missouri, would recognize that a comprehensive general liability policy which obligates the insurer to pay 'all sums which the insured shall become legally obligated to as damages' would not cover claims for which the insured is equitably obligated to pay."

On Feb. 26, the entire 8th Circuit looked at the same clause in the standard CGL policy and found: "The term 'damages' refers to legal dam-

ages and does not cover cleanup costs" (*BI*, March 7).

The dissent in the 8th Circuit decision said the word "damages" should be interpreted as the ordinary layperson would and not as a lawyer or insurer would.

The 8th Circuit decision "is an important case for insurers," said Continental attorney Gary Long, of Shook, Hardy & Bacon in Kansas City, Mo. Mr. Long noted that "the decision has been cited to a number of courts nationwide."

The 8th Circuit ruling stemmed from dioxin contamination in Times Beach, Mo., which the federal government purchased for \$33.7 million in 1983.

Missouri state now will have to pay millions of dollars to clean up the contaminated ghost town, because NEPACCO is no longer in business.

Lastly, after six years of judicial wrangling, the Supreme Court refused to review Manville's reorganization plan, allowing the Denver-based company to emerge from bankruptcy by December.

The Supreme Court review was sought by two Minneapolis-based companies that had distributed asbestos products. The companies objected to the more than \$770 million

in settlements Manville reached with its insurers because the settlements block the distributors from suing Berkshire's insurers.

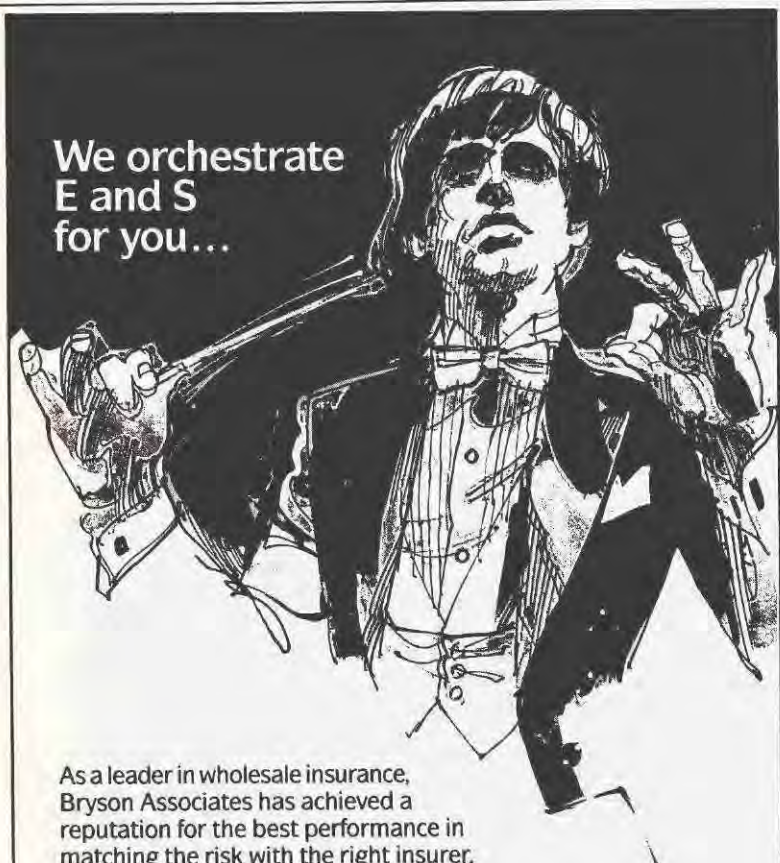
The companies, MacArthur Co. and Western MacArthur Co., now have until early November to apply for a rehearing if new facts are found.

"Manville is ready and anxious to implement its plan of reorganization," said Tom Stephens, Manville president and chief executive officer.

"MacArthur's appeal has continually been rejected by the courts," said Mr. Stephens. "We now have our nation's highest court refusing to review the lower courts' decisions. Any further delay is unconscionable for the thousands of people who have waited more than six years to be compensated for injuries from asbestos exposure."

When Manville filed for Chapter 11 protection in 1982, it faced more than 17,000 asbestos-related lawsuits. The total number of people now with asbestos-related claims against Manville is not known.

The reorganization plan, which created a personal injury claims trust valued at more than \$2.5 billion and a property damage claims trust valued at more than \$300 million, was approved by the bankruptcy court in 1986.



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Continued from previous page said. The percentage of Berkshire Hathaway stock that is actively traded is much smaller than that of other insurers.

In addition, most of the Berkshire Hathaway Insurance Group units deal with brokers and not with independent agents, Mr. Goldberg pointed out.

That is important because while an independent agent that deals with only a few markets relies on its markets to provide competitive quotes, "brokers have other alternatives," Mr. Goldberg said.

An independent agent will stop doing business forever with a company that fails to be competitive, while a broker will come back to an expensive market when the capacity is needed.

"The brokers knew our strategy from Day One," said Ajit Jain, president of the professional liability and specialty risks division of Berkshire Hathaway. It is to write insurance for an underwriting profit.

Rates for directors and officers liability insurance and excess and umbrella liability insurance, which Berkshire Hathaway wrote in the hard market, are too low today, Mr. Jain and Mr. Goldberg said.

But while willing to wait for higher rates to write more premiums, Berkshire Hathaway has to confront the problem of keeping its employees from leaving because they are bored, Mr. Goldberg said.

"People feel they ought to be doing deals," explained Mr. Jain.

To help keep employees happy and motivated, Berkshire Hathaway is promoting professional development during this slack period.

Fireman's Fund Insurance Cos. in Novato, Calif., is losing 16% of its commercial lines insurance premiums because it is not keeping up with the rate competition, said Morgan Davis, president of Fireman's Fund's commercial lines division, which encompasses accounts generating less than \$1 million in premiums. Last year, the commercial lines division wrote more than \$2 billion in premiums.

He noted that when Fireman's Fund loses an account to the competition, "it's for 20, 30 or 40 points" off its price. Fireman's Fund is doing everything it can to maintain its renewals, short of those kind of rate decreases, and therefore is not losing business to smaller price reductions, he said.

Fireman's Fund's specialty unit also is "losing a ton" of umbrella liability insurance business because competitors are writing umbrella insurance as part of the primary program.

"People are crediting umbrellas," he said, or reducing the rate because the policyholder has not had a loss in the higher layer. "That's like crediting a life policy because the guy lived," he quipped.

In addition, excess insurance underwriters are writing lower limits to maintain premium volume, he said.

Fireman's Fund is writing umbrella business at higher levels where the rates are better, he said.

Some observers question how long Fireman's Fund will continue to report declining premium volumes before joining the competitive fray.

But Mr. Davis maintains: "We can let the premium go. We have management behind us. We're going to stay the course."

Current profit results are "very close to plan," he pointed out.

Mr. Davis expects year-end renewals to be quoted 10% to 15% off property and casualty rates by other than the traditional property/casualty insurance companies.

"It depends on who they want to deal with," he said. "I think traditional carriers are trying to hold the line, but if the carrier is less traditional, they could get that

savings."

William E. Thiele, senior executive vp of Continental Corp. in New



Mr. Thiele

York, contends that "rates shouldn't come down going in 1989," and so insurance buyers should approach renewals with "sober conservatism."

Insurance companies "are not in very strong condition," he said, citing insurers' exposure to uncollectible reinsurance. "A tremendous number of commutations are being negotiated," he said.

Continental's strategy in the competitive market is to develop its specialties, including workers compensation.

While many underwriters say workers compensation is going to be the next crisis line in the insur-

ance business, Continental is identifying what it believes will be profitable business.

Mr. Thiele does agree that "competition is very heavy in property and excess commercial lines."

The reason property insurance is so competitive, he said, "is simple. The experience has been awfully good, even with reduced price levels."

Excess liability insurance, he said, "clearly undergoes cycle movement in and out of the surplus lines market." Now standard companies are writing excess liability insurance in large volumes again, he said, adding that "standard companies are more efficient" and can afford to write it at lower rates.

Standard companies have one producer to which they pay a commission, not two as in the surplus lines market, and their reinsurance arrangements are more efficient with higher net retentions, Mr. Thiele said.

However, in specialty risk and

heavy casualty lines, the underwriting approach is "characterized by sobriety," he said.

Mr. Thiele also pointed out that while some market insiders cite rate cuts of up to 40%, they can't be rampant.

Mr. Thiele also noted that while the rates for directors and officers liability insurance have come down, "prices had gone up 1,000% and commissions cut 50%. The retreat hasn't been anywhere as near dramatic."

Premiums overall for major commercial insurers in the second quarter of 1988 were generally flat, he said. "Do the math. It can't be true" that rate cutting is severe and pervasive.

However, agents and brokers say insurance company executives could be misled about the extent of price cutting by the statistics reported under their price monitoring systems.

Insurance company managements say rates are close to manual rates,

"but they don't see the misclassification that occurs," according to William C. Cohen Jr., chief executive officer of Insurance Management Associates



Mr. Cohen

Inc. in Wichita, Kan., the 54th-largest U.S. broker.

"Misclassifications become rampant in this kind of market," he said.

"I find it difficult to believe they know how

to price their product," he said of insurance companies.

And, as a result, Mr. Cohen said, "the companies are unconsciously decimating their agency force."

Many agencies were close to going out of business at the end of the last competitive market, he said, but were saved by the rising commission income in the hard market. But

Continued on page 95

B/M BASICS: IRI

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which has been market tested in the United States for the past several months and is now available on an international basis. The new program allows a single property insurer - IRI - to be totally responsible for a Combined Fire-DIC-Boiler/Machinery package. Whether you are a producer or insured, the advantage is one policy, and one deductible, which automatically avoids any joint loss disagreements that might disrupt claim handling activities.

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may be unfamiliar with or are seeking a refresher course on the Boiler/Machinery market, IRI has prepared a 15-minute presentation titled "Introduction to Boiler/Machinery Objects." The presentation, available in either 35mm carousel-type slide tray with audiotape or in 1/2" VHS-format videotape, can be arranged through your servicing IRI office. Or, for additional information, contact Mrs. P. A. Sasso, IRI, 85 Woodland Street, Hartford, CT 06102 (203) 520-7412.

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Vice-Presidents, General Managers and Other Administrative Personnel 3,657

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,993
Secretaries, Treasurers, controllers and other Financial Personnel 4,454

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,994
Sub-total 24,719

Associations 477
Government, Unions and Educational Institutions 979
Commercial Consumers
Sub-total 26,175

Insurance Agents and Brokers 10,557
Insurance Companies 7,380
Actuaries, Attorneys, Adjusters, Appraisers and Consultants . 3,843
Others Allied to the Field . 2,991
TOTAL 50,946

* Source Business/Occupational breakdown of qualified circulation, May 30, 1988 issue, as submitted to BPA for June 1988 BPA Publisher's Statement.

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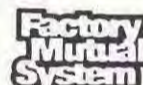
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Continued from page 93

agencies had barely recovered when the rates started to fall again.

Commenting on insurers' price monitoring systems, Zurich-American's Mr. Bolinder said: "Monitoring systems are much better, but the problem is when the field goes out of its way to fool it. And then you only catch it on audit."

In addition, he said, "a lot of monitoring systems don't chart coverage expansions and increasing limits."

"It's easy to point fingers, companies at agents and agents at companies," said Mr. Bolinder. "My message to agents is to help their clients make informed decisions" by pointing out insurers' financial strengths, coverages, rating approaches and differences in services.

From the reinsurance company point of view, "rates are not what they should be in some areas," said N. David Thompson, president of North American Reinsurance Co. in New York, a major U.S. reinsurer.

He cited midlevel casualty business and all property business as under-rated, although "not nearly as bad as six years ago."

And, while acknowledging there are "instances of really drastic rate cuts," he contends that "people talk about it because it is the exception, not the rule."

Price competition, "but not drastic cuts," is expected to continue through year-end for smaller commercial accounts, Mr. Thompson said.

There is, however, "significant price weakening" for commercial umbrella insurance, he said, particularly at limits of less than \$5 million.

"That becomes a reinsurance problem very quickly because small companies have to compete with large companies," Mr. Thompson said.

So far, however, the rate cutting that exists "is not reinsurance-led," Mr. Thompson said. The big stock insurance companies are retaining the first \$10 million or more of their exposures, he said.

"It's mid-1981," said Paul B. Ingrey, president of F&G Re Inc. in Morristown, N.J., the

reinsurance underwriting subsidiary of USF&G Corp., referring to the state of competition in the marketplace.

"But it's not going to be as bad because more people are committed to letting business go," he said.

"I believe in the Bob Vairo's of the world," he said, referring to Robert J. Vairo, president and chief operating officer of Crum & Forster Inc., who has said many times that Crum & Forster has "walk-away prices" below which it will now write business even if it means losing it to competitors.

Mr. Ingrey noted, however, that competition among reinsurers is heating up to write financial reinsurance products, an F&G Re specialty. "The world is getting awfully competitive in financial reinsurance," he said. "And people are not as aware as they should be" of the risks they are assuming, he continued.

"There is a lot of innocent capacity writing reinsurance today," he said, recalling that the term "innocent capacity" was coined in the early 1980s to refer to the insurers and reinsurers competing for business that did not have the underwriting talent to price it properly.

"We're not doing too much today," Mr. Ingrey said of financial reinsurance. And F&G Re's traditional risk reinsurance business next year will be less than half of the \$200 million it is writing on an underwriting year basis this year.

Of ceding companies' decisions to retain more business net, thus reducing demand for reinsurance, Mr. Ingrey said that reinsurers "overreacted" in raising the price of reinsurance in the hard market.

In addition, the large property/casualty companies with huge surpluses may be right in buying less reinsurance, particularly from companies with smaller policyholder surpluses than their own, he said.

"If they want to keep \$5 million or \$10 million net, I'm not here to second-guess them," he said.

Previously, these same companies might have retained only \$500,000 to \$2 million net, reinsurance underwriters agree.

Predictions about when property/casualty insurance rates will stop sliding vary, but everyone expects the resulting rate increases to be less dramatic than in the mid-1980s.

Mr. Page expects an upturn in rates in 1990, and said he hopes the increases will not be as severe as in the mid-1980s.

"The industry regrets the severity and

Price competition, 'but not drastic cuts,' is expected through year-end for smaller commercial accounts, says Mr. Thompson.

sharpness of the last cycle," Mr. Page said. "It didn't help the industry's public relations at all."

Richard M. Womack, chairman of McGriff, Seibels & Williams Inc. in Birmingham, Ala., the 24th-largest U.S.-based broker, believes rates charged today are "as low as they are going to be."

The lowest rates hit in March and April, he said, so companies that have not renewed their property/casualty insurance since then can expect rate decreases on renewal, but not those renewing later than the spring of 1989.

However, he believes that current rating is as low as it is going to get. "We're at about 60% of manual rates. What's on the books now, if the actuarial rates are correct, can't make money," he explained.

Mr. Thompson of North American Re said, "I wouldn't be surprised to see a somewhat harder market during late 1989 and early 1990."

He suggests that rate reductions will not be severe or last too long because "memories are not that short. People were too hurt" in the last competitive cycle."

He also points out that in the last cycle, insurers knew their revenues were going down, but did not realize that liability insurance losses were going up so quickly. In addition, interest rates are not as high as they were during the last competitive cycle, and the industry is now subject to higher taxes, he observed.

Zurich-American's Mr. Bolinder, who expects rates to start hardening in the first to third quarters of 1990 unless an unforeseeable event occurs to harden rates sooner, points out that current pricing decreases are not as "steep" as in the last competitive cycle. Presuming the price cutting stops at year-end 1989, the price increases following will not be as steep, Mr. Bolinder predicted.

"We expect the market to soften awhile," said Mr. Goldberg. "People are overly optimistic on when it will change."

But, when rates harden, Berkshire Hathaway will be prepared to write limits of \$10 million to \$20 million, Mr. Jain pointed out.

Mr. Davis of Fireman's Fund pegs a change in insurance company pricing to either insurers losing money or new management. "Unless the fourth quarter turns sour, there will be decent results for 1988."

Mr. Davis expects losses to begin to surface in the industry in early 1990, followed by management changes and a change in market conditions.

One factor that could stem rate cutting sooner than year-end 1989 or 1990 would be a surprise among insurance company managements next April 15 at how much the insurance industry is going to pay in new taxes.

"The amounts the industry will pay over the next three to five years will be incredible," Mr. Bolinder said. "It will change the industry structurally. Discounting loss reserves for tax purposes means you will have taxable income before you have the income."

"People don't really appreciate the changes in the economics" caused by the Tax Reform Act of 1986 and the higher taxes insurers and reinsurers will have to pay, said Mr. Goldberg of Berkshire Hathaway.

Another topic of many private conversations was the antitrust litigation pending in federal court in California and state court in Texas.

Many executives declined to comment on the controversial litigation. Among those who did comment, Mr. Bolinder of Zurich-American said: "It is a significant waste of management time and shareholders' money to defend. Ultimately, insurers will prevail. The accusations are without merit."

However, Mr. Bolinder is concerned by proposals to repeal the McCarran-Ferguson Act, the 1945 law that grants states the regulation of insurance and provides insurers with a limited exemption from antitrust law.

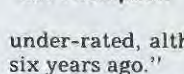
The result could be dual federal and state regulation of insurance, more reporting of data to the federal government and more litigation created by new uncertainties, he said.

Permitting insurers to agree on policy forms is important to permit insurers to operate with "some certainty that the forms are appropriate and say what they should say," he explained.

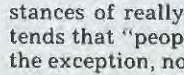
Mr. Ingrey of F&G Re said: "If there were any validity to that suit, the same people who supposedly colluded could stop the price decreases today."



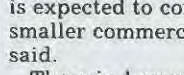
Mr. Thompson



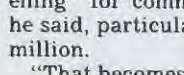
Mr. Ingrey



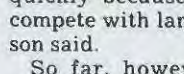
Mr. Womack



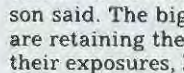
Mr. Vairo



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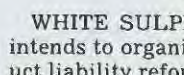
Mr. Ingrey



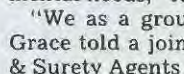
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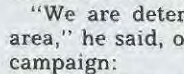
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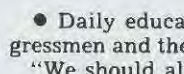
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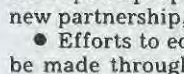
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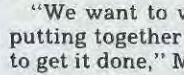
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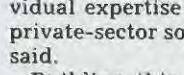
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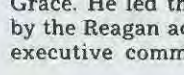
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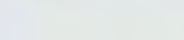
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Grace proposes tort, environmental lobby

By KATHRYN J. McINTYRE

WHITE SULPHUR SPRINGS, W.Va.—W.R. Grace & Co. intends to organize U.S. business to lobby for tort and product liability reform and "an appropriate response to environmental needs," its president said last week.

"We as a group are prepared to take the lead," J. Peter Grace told a joint meeting of the National Assn. of Casualty & Surety Agents and the National Assn. of Casualty & Surety Executives at The Greenbrier.

"We are determined to take a proactive posture in this area," he said, outlining Grace's four-point "call to action" campaign:

- A strategy will be developed and "selectively" circulated to other business leaders for review and input.

"I ask you, in the meantime, to write me or Gov. Carey with any ideas or suggestions you have in this area," Mr. Grace said, referring to former New York Gov. Hugh Carey, who as executive vp of Grace leads the company's Office of Environmental Policy in New York.

- Those companies that have not contacted Grace will be called for the name of a key contact person with whom Mr. Carey can work.

- Daily educational meetings will be held with key congressmen and their staffs to educate them on the issues.

"We should also identify a half-dozen or so senior insurance spokespeople who are willing to testify on behalf of this new partnership," Mr. Grace said.

- Efforts to educate the media and the general public will be made through participation in radio and television talk shows.

"We want to work with you in formulating a strategy, in putting together a team to accomplish this strategy and then to get it done," Mr. Grace said.

"I am talking about coalition-building, of using our individual expertise and strengths in a joint effort to provide a private-sector solution to this growing national problem," he said.

Building this kind of business team is not new to Mr. Grace. He led the Grace Commission, which was appointed by the Reagan administration in June 1982 and involved 161 executive committee members and more than 2,000 pri-

'I am talking about coalition-building, of using our individual expertise and strengths in a joint effort to provide a private-sector solution to this growing national problem,' says Mr. Grace.

private-sector volunteers who studied the federal government to recommend how it could be more efficient.

The commission's report, released in January 1984, included 2,478 recommendations that could save the federal government \$424.4 billion over three years.

The commission, which did not receive federal funding, raised \$78 million to finance its work.

"I learned that the way to attack a major national problem like the federal deficit was not to rely on government alone," Mr. Grace said.

"In too many cases, the role of government is to uphold the status quo and hold up the taxpayer.

"Broad national problems are solved through bipartisan coalitions, through partnership between the public and private sectors," he said.

"The problem of the environment and how to preserve it" and product liability problems deserve this kind of attention, Mr. Grace said.

Addressing tort problems, Mr. Grace said: "The lawsuits pile up as everyone sues everyone else on the slightest pretext of environmental effect and jury awards become more and more outlandish."

Mr. Grace warned: "Just as the federal debt could bankrupt the public sector, so too could toxic torts ruin the private sector, unless we join together to stop this foolishness.

"Already the courts are clogged with cases. The systems are overloaded. Massive and conflicting government regulations at all levels have all of us confused. Costly and frivolous litigation is squandering our resources and distracting management attention from the efficient allocation of products and services.

"And all of this is taking place with no perceivable benefit to society and with no apparent resolution in sight," Mr. Grace said.

Mr. Grace also reported that "forces in Congress are calling

for what would be essentially a national asbestos removal program affecting 3.6 million buildings."

The Environmental Protection Agency estimates the cost of such a program at \$51 billion, Mr. Grace said, but asbestos removal contractors "see a \$250 billion market, and the Building Owners & Managers Assn. puts the tab at a staggering \$4 trillion."

(Two bills are pending in the Senate Environment and Public Works Committee, which are not expected to be acted on during this session. Both bills—S. 981, introduced April 9, 1987, by Sen. Robert Stafford, R-Vt., and S. 1809, introduced Oct. 22, 1987, by Sen. Max Baucus, D-Mont.—would require the EPA to set standards for identification and abatement of asbestos in federal and other buildings.)

Numerous scientific studies around the world have concluded that asbestos in building air is normally at such low levels that it poses no significant risk to human health, Mr. Grace said.

"According to a recent study, the danger from radiation from living in a brick building rather than a wooden building is at least 14 times greater than the danger from exposure to asbestos in buildings," Mr. Grace said.

Furthermore, there is no evidence of an occupant of a building suffering from asbestos-related diseases, he continued.

Noting that Mr. Carey testified on these bills recently, Mr. Grace said, "For the first time, our legislators in Washington now realize they may in fact be barking up the wrong tree with well-intentioned but misguided legislation."

W.R. Grace was a major producer of asbestos-containing fireproofing material for buildings and has been named in asbestos bodily injury and property damage lawsuits. Its fireproofing materials are in commercial and municipal buildings, including schools.

Mr. Grace called on the insurance industry to work with its clients "to secure reasonable and workable ways to preserve and improve our God-given right to clean land, air and water for all our people" and "to break the logjam of litigation that is bloating the cost of settlements and forcing American business to become less and less competitive internationally."

Mr. Grace stressed that "we are not just talking about dollar savings here." He called for a "better system of dispute resolution and compensation awards to deserving individuals" and "fair and equitable relief" for injured parties.

The members of NACSA and NACSE gave Mr. Grace a standing ovation after his remarks.



Mr. Grace

Insurers, agents seek account stability

By KATHRYN J. MCINTYRE

WHITE SULPHUR SPRINGS, W.Va.—As competitive pricing continues in the property/casualty insurance market and the inevitable rate increases of a new hard market grow closer, the advantages of long-term relationships between insurance buyers and their underwriters again are an issue.

"This is a good time to think about who your underwriter is," says Richard Page, chairman and chief executive officer of broker Fred S. James & Co. in New York.

"You can strike up a . . . three- to five-year relationship with an annual review of the rates. If you are of good will, you can do it," Mr. Page said.

A long-term relationship requires an understanding that the underwriter has to make a reasonable profit and the buyer has to pay a reasonable price, he said.

And, Mr. Page warns that "if we can't get stability" in the price and availability of insurance, "we may be facing federal intervention."

There are plenty of long-term relationships in the insurance business, Mr. Page noted.

"There is an awful lot of business that does not get put out for bid. We don't lose a lot of clients," he said, including small accounts.

William C. Cohen Jr., chief executive officer of Insurance Management Associates Inc. in Wichita, Kan., said: "If insurers see stable clients, they don't go all the way up with the peaks and all the way down with the valleys. London underwriters are more attuned to this than domestic markets."

"I've never had London cancel a risk midterm or abandon a risk," said Mr. Cohen, whose agency placed 12% to 15% of its \$112.2 million in 1987 premium volume in

'I've never had London cancel a risk midterm or abandon a risk,' says William C. Cohen Jr. of Insurance Management Associates Inc. in Wichita, Kan., which placed 12% to 15% of its \$112.2 million in 1987 premium volume in the London market. 'The domestic companies will cancel midterm and abandon risks.'

the London market. "The domestic companies will cancel midterm and abandon risks."

Insurers, however, complain that clients are too willing to cancel their coverage midterm for savings with another underwriter.

Mr. Cohen acknowledged that some clients will cancel midterm when a competing broker quotes a premium savings of 15% to 20% from another insurer.

He suggests insurers writing a new account at midterm "ought to be asking themselves, 'Why are we doing this midterm?' If the client will do it for them, the client will do it to them."

Richard M. Womack, chairman of McGriff, Seibels & Williams Inc. in Birmingham, Ala., said his agency advises clients to stay with their insurers for smaller rate decreases in competitive markets because rate increases will also be more moderate in a tight market.

"The less-sophisticated will tend to jump" to a competing insurer with a lower price, he said.

Sometimes, Mr. Womack noted, an agent seeking new business will "lead the client astray" with a premium quote that is too low to last. The agent ultimately may not be able to deliver the lower premium, or the premium may be increased by the insurer after an audit of the client, he explained.

Larger clients appear more interested in long-term relationships.

"We see less account movement in the soft cycle among the larger accounts," said William Bolinder, president of Zurich-American

Insurance Group in Schaumburg, Ill.

"We see a lot of quoting activity, but the incumbent seems to stay—with coverage extensions and higher limits." There also is "a little bit of price cutting" by incumbent insurers, Mr. Bolinder said, adding, "you don't see that much price cutting in large accounts."

Mr. Bolinder also noted "most of our large account book is accounts of long standing" and includes foreign-owned companies, which "tend to take a long-term view of relationships and the marketplace. They know the premium is not the most important part or the biggest part of overall cost."

Reducing loss costs is more important, Mr. Bolinder maintains, citing good medical cost control and good loss control. Delivering consistent service and following claim instructions also are important, he said.

However, what Mr. Bolinder calls "commodity business," which includes policies generating \$5,000 to \$7,500 in premium, "are very price-sensitive and being shopped quite widely."

Accounts "with heavier exposures, coverage needs and service needs—they are staying," he said of accounts generating \$35,000 to \$50,000 in premium. "They are not as price-sensitive because there are switching costs" related to claims and service needs, he said.

"In the \$500,000 to \$1.5 million premium range, they are being marketed quite widely but, depending on the switching cost, they are either moving or not."

William E. Thiele, senior executive vp of Continental Corp. in New York, commented: "It is not true that a big share of the market is up for quote every year."

Continental, he noted, retains 80% to 85% of its commercial package business on renewal.

And most special risk and difficult casualty accounts are "concerned about security" offered by their insurers, he said.

Fireman's Fund Insurance Cos.' new contingency fee formula for its agents encourages long-term relationships, though that was only one reason the formula was changed this year.

The formula this year was changed to reward a high percentage of renewal business from being based on the profitability of the business for several reasons, said Morgan Davis, president of the insurer's Commercial Lines Division in Novato, Calif.

The formula was changed "because they have no control over the loss ratio; no agent is statistically credible; and most payments are made for long-tail lines and the results on that business take a long time to come home to roost," he explained.

There is a loss ratio component in the formula, Mr. Davis said, but the formula is geared to retention of accounts by unit and not by premium volume.

"This supports our strategy," he said, "of getting business that is not as price-sensitive" and from agents and brokers who are the professional salespeople that add value to the insurance transaction for the client.

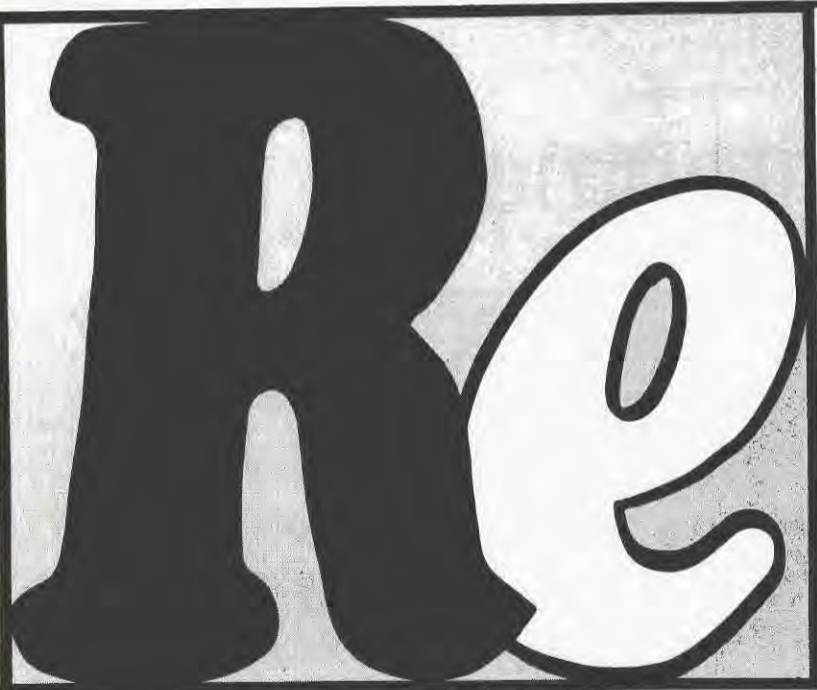
But Mr. Davis also commented that while many insurance companies are talking about long-term relationships now, "in the hard market, they will get out of markets. It's just the time in the market."



Mr. Page



Mr. Davis



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Low rates for workers comp could trigger crisis: Insurers

WHITE SULPHUR SPRINGS, W.Va.—Workers compensation insurance could be the next crisis line of insurance, observers say.

Rates are too low in several states to support continued underwriting of the line, say several insurance company executives and agents and brokers who attended the joint meeting of the National Assn. of Casualty & Surety Agents and the National Assn. of Casualty & Surety Executives last week at The Greenbrier.

As insurers reduce the amount of workers compensation insurance they write on a voluntary basis, more employers are forced to buy their insurance from assigned risk plans. The losses on the business written under the plans at rates that are too low then are apportioned to workers compensation insurers in the state based on each insurer's share of the market.

It is generally agreed that rates are far too low in Maine, Louisiana and Texas, while some add Minnesota, Massachusetts and California to the list of problem states for insurers writing workers compensation.

Rates were so low in Maine that several insurers pulled out of the state's market for workers compensation (BI, Nov. 30, 1987).

"Workers compensation is a problem for the future," said Morgan Davis, president of the Commercial Lines Division of Fireman's Fund Insurance Cos. in Novato, Calif. "Companies are less willing to write in many states" because their losses are too big.

The problem of rising costs is

NACSA/NACSE CONFERENCE The Greenbrier

twofold, he suggested: Too many insurers treat workers compensation as a "cost-plus line," seeking rate increases when costs go up. And, efforts of some insurers to control medical costs—which account for more than 40% of workers compensation claim payments—are thwarted by systems that will not permit medical cost controls allowed in the group health business.

Mr. Davis advocates reforming the workers compensation system "so that carriers have an incentive to do something instead of pass cost along."

He suggests that the workers compensation system needs to be reformed not only to permit the use of medical cost controls, but also to "prevent abuse" of the system. The right to file for stress-related illnesses, for example, can be abused, as can the right to obtain vocational rehabilitation services, he said.

"In California, if we don't get comp reform, it will be the next initiative battle," Mr. Davis predicted, because "costs are up and benefits are not."

William Thiele, senior executive vp of Continental Corp. in New York, said: "Comp is a huge line, and the industry averages are terrible. But, if you take out the worst states, it improves, and in the 10

best states it looks good."

Continental is finding opportunities to write workers compensation insurance for a profit, he pointed out. Continental's workers compensation insurance volume has grown almost 20% due to growth in payrolls, benefits and rate increases, he said.

While Texas is considered a problem state for workers compensation, Continental continues to write comp there because "rates in Texas have gone up 100% in three years and more are on the drawing board," Mr. Thiele said.

William H. Bolinder, president of Zurich-American Insurance Group of Schaumburg, Ill., says that the insurance industry's inability to obtain adequate rates for workers compensation insurance is the result of what he sees as the insurance industry's biggest problem: "Our image with the public. We haven't conveyed our role in society, and we haven't managed our affairs well."

For the long term, Mr. Bolinder is concerned that workers compensation in the United States could be nationalized as it is overseas.

—By Kathryn J. McIntyre

Next week

Reports on panel discussions during the NACSA/NACSE meeting at the Greenbrier covering the growth of alternative markets, state guaranty funds and other industry issues will appear Oct. 17.

Two insurers skip annual gathering

WHITE SULPHUR SPRINGS, W.Va.—Reliance Insurance Cos. and The St. Paul Cos. Inc. were conspicuous by their absence from the joint NACSA/NACSE meeting last week.

Attendance at the joint meeting of the National Assn. of Casualty & Surety Agents and the National Assn. of Casualty & Surety Executives at The Greenbrier the first week of October has been considered essential for property/casualty insurance company leaders to maintain good relationships with their major producers, most of whom are NACSA members.

However, Philadelphia-based Reliance and St. Paul decided the expense of attending the meeting was too high and other opportunities to meet with their major producers made attendance this year unnecessary, according to their statements explaining their decisions.

The daily rate at The Greenbrier ranges from \$115 to \$310 per person, which includes breakfast and dinner. Since spouses almost always attend, and the bulk of the registrants arrive on Saturday and leave on Wednesday, the minimum cost is about \$920 for each company representative—before lunch, greens fees and other incidentals—plus travel costs.

Some of those attending the meeting speculated that the antitrust litigation brought by 19 state attorneys general against insurers and certain insurance trade associations may have been a factor in St. Paul, Minn.-based St. Paul's decision not to attend.

St. Paul announced its decision in a letter to NACSE dated May 24. Reliance's decision was announced in a letter dated Aug. 26.

Some registrants commented that the appearance of the titans of the U.S. property/casualty insurance and reinsurance business gathering for five days at one of the country's most exclusive resorts could be misinterpreted.

However, John H. Bretherick Jr., president of Continental Corp. in New York, took that concern head-on in his public remarks as outgoing NACSE president.

"Some of our observers at times have suggested that the industry's 'fat cats' gather here at The Greenbrier. I can honestly say that I don't see any here, but perhaps that is meant as a compliment because I've never seen a stupid fat cat," Mr. Bretherick quipped.

"I am not apologetic about this meeting, or its location or that we have an opportunity to listen to speakers from both inside and outside our industry to discuss the issues of the day," he continued.

"Frankly, primitive meeting places for a large group like this are hard to come by," he said.

Indeed, the whole of The Greenbrier is taken over by the more than 1,200 registrants, with some people who

register late forced to stay in other accommodations.

Although a few registrants at this year's meeting speculated that the absence of Reliance and St. Paul this year could signal the beginning of the end of the NACSA/NACSE meeting as a premier gathering for leaders of the property/casualty insurance industry, most registrants consider the more than 60-year-old tradition well-entrenched and in no danger of decreasing in popularity.

The letter from Reliance to NACSA was written by Dean W. Case, president and chief executive officer of General Casualty Cos., a Reliance unit.

The letter stated: "In the past, we have seen our participation as an opportunity to strengthen working relationships with our agents in this first-class setting. However, in recent years, the tenor of the meeting has changed, and the true benefits to be derived have diminished. Further, at a time when our industry is under such close scrutiny by regulators and the public in general, we feel a little less ostentation is the order of the day.

"This was a tough decision to make and I want you to know how we came to make it. The expense issue is an important part of it, but not the only part. We are concerned that, at a time when we are working hard to reduce our expense ratios, our participation might send the wrong signals, both to our agents and to our own employees.

"Please be assured that our decision not to attend the meeting at The Greenbrier this year does not affect our commitment to you, our independent agents, or to the American agency system. We are as firmly committed as ever to the agency system. We just don't see this junket as the best way for us to invest in stronger agency/company relationships."

The St. Paul letter was written by Chairman Robert J. Haugh, who said:

"For years, the time and expense of the NACSE/NACSA meetings was warranted because they served our company well in two ways. First, the meetings offered a convenient, efficient means for several senior executives of our companies to discuss general business matters with many of our key agents. Secondly, the general educational portions of these meetings met a company need.

"However, the agency and broker programs we've developed in the last few years are enabling a larger number of our executives to interact more efficiently with our key producers, and the expanded programs of other industry conferences are serving our particular needs at less expense."

—By Kathryn J. McIntyre

Update

Suit seeks to enforce Prop 65

Continued from page 2

Inc.; Alpha Beta Co.; Raley's; and Thrifty Drug & Discount Stores. Under Proposition 65, any group or individual can notify local and state prosecutors of their intent to bring legal action against alleged violators. In this instance, Mr. Van de Kamp decided to prosecute the case in the state's name.

The anti-toxins law requires that warnings be displayed when products contain a significant amount of chemicals known to cause cancer or birth defects (BI, Aug. 1; April 4).

ERISA-related suits narrowed

SAN FRANCISCO—Employees in California have lost their broad rights to recover punitive and non-economic damages in suits against group health care insurers.

The 9th U.S. Circuit Court of Appeals ruled on Oct. 4 that a California statute that enables health care insurance beneficiaries to sue insurers for delays in or denials of claims payments does not apply to employee benefit plans regulated by the Employee Retirement Income Security Act.

The court ruled in *Kenney vs. Connecticut General Life Insurance Co.* that claims stemming from an ERISA-regulated plan should be adjudicated under federal rather than state law.

ERISA provides that insurers or claims administrators have 300 days to act on a claim after it is filed, explained Leonard Sacks, an Encino, Calif., attorney representing the plaintiffs. ERISA also prohibits plaintiffs from seeking punitive damages or damages for emotional distress, which the California law permits.

In the Kenney case, which was filed in December 1982, the plaintiff sought \$250,000 in damages for emotional distress and \$500,000 in punitive damages from Connecticut General, which administered claims under a group health plan sponsored by a contractors association. The suit charged that the insurer delayed for 11 months the payment of \$90,000 in health claims for the Kenneys' infant son, Mr. Sacks said.

Because of the claims payment delays, the Kenneys did not promptly pay the hospital that provided care to the infant. The hospital then sued the Kenneys and eventually employed a collection agency to seek payment from Connecticut General, Mr. Sacks explained.

Connecticut General could not be reached for comment.

Former AIG unit vp indicted

NEW YORK—A former American International Group Inc. official was indicted last week on charges of embezzling more than \$1.8 million between 1984 and 1988, said a spokeswoman for Manhattan District Attorney Robert M. Morgenthau.

The 74-count indictment against Robert M. Guarnaccia, a former vp of AIG subsidiary American Home Assurance Co., included charges of grand larceny, forgery and criminal possession of stolen property, the spokeswoman said. The charges carry a maximum sentence of 8½ to 25 years in prison.

Mr. Guarnaccia is accused of spending at least part of the money on sports gambling.

Mr. Guarnaccia pleaded innocent. He was freed on \$50,000 bail. AIG filed a civil complaint in connection with the alleged embezzlement against Mr. Guarnaccia in New York State Supreme Court in Brooklyn in July. Mr. Guarnaccia denied the accusations and filed a \$500,000 counterclaim against AIG (BI, Aug. 22).

Crash victims can sue in U.S.

PHILADELPHIA—The families of British victims killed or injured in the November 1986 crash of a Boeing Co. helicopter in the Norwegian Sea can sue the manufacturer for damages in the United States, a Pennsylvania state court judge has ruled.

Judge Bernard Avellino of the State Court of Pennsylvania in Philadelphia last month dismissed a motion of forum non conveniens filed by Boeing Vertol Co., now called Boeing Helicopters, a Ridley Park, Pa., division of Seattle-based Boeing, said David Burnside, a partner of the Aberdeen, Scotland, law firm Clark & Wallace. Mr. Burnside represents the families of 39 of the 45 victims killed in the crash, as well as the two survivors.

The plaintiffs are suing the Boeing division for negligence. They seek unspecified damages, Mr. Burnside said.

A Boeing official was unavailable for comment.

The Boeing Vertol 234, a civilian version of the Chinook military aircraft, plummeted 300 feet into the Norwegian Sea off the Shetland Islands just before it landed (BI, Nov. 17, 1986).

Briefly noted

The Pension Benefit Guaranty Corp. last week appealed to the 2nd U.S. Circuit Court of Appeals in New York a June decision by a New York district court that the agency could not force LTV Corp. to restore three massively underfunded pension plans (BI, June 27). . . . Members of the Pollution Liability Insurance Assn. late last month voted to continue operating the facility through 1988 and into 1989, according to the group's president. PLIA—a voluntary association of 14 insurance companies—is one of three markets for environmental impairment liability insurance. . . . A Maryland jury awarded Maryland's Deposit Insurance Fund Corp. \$112 million in compensatory damages in a suit against former directors and officers of real estate syndicator Equity Programs Investment Corp. EPIC's collapse led to the liquidation of TMIC Insurance Co. (BI, April 11; Feb. 29). The jury was still considering late last week whether to award punitive damages in the case. . . . The Shelby Insurance Co. of Shelby, Ohio, will pay the owners of an Indianapolis Ramada Inn \$4 million for damages caused by the Oct. 20, 1987, crash of an Air Force jet into the hotel. The Ramada owners are expected to sue the Air Force for unreimbursed damages. Shelby also is expected to begin subrogation against the Air Force.

Image needs polishing: Industry execs

By KATHRYN J. McINTYRE

WHITE SULPHUR SPRINGS, W.Va.—The property/casualty insurance business needs to do more to improve its public image, agree the outgoing presidents of the National Assn. of Casualty & Surety Agents and the National Assn. of Casualty & Surety Executives.

"I've come to the conclusion that even though our business is an essential one, it is not the public's job to find out about us. It is our job to let it see us and to explain our business," said John H. Bretherick Jr., NACSE's outgoing president.

"We have a long way to go," he said.

Citing feelings of general mistrust,

NACSA/NACSE CONFERENCE The Greenbrier

even downright hate of the insurance business by the public, John F. Russell, NACSA's outgoing president,

called on insurance companies and their producers to "re-establish our industry's reputation for integrity."

The two executives spoke at the joint NACSA/NACSE annual meeting at The Greenbrier last week.

Mr. Bretherick, president of Continental Corp. in New York, expressed his frustration that the public does not see the insurance business as he

knows it to be: "full of knowledgeable professionals of the highest integrity."

He also cited misunderstandings in the courts over the relationship between rising claims costs and rising insurance costs.

To counter these problems, Mr. Bretherick urged the audience "to take some time to do some plain talking about the insurance mechanism and how we do business."

In addition to insurance trade associations, "all of us need to speak out and take a stand," he said, explaining: "If we do a better job of letting people know about the issues with the candor, the knowledge and the integrity I know you possess, I think we can begin to sway public opinion more positively."

This is especially important today, Mr. Bretherick said, citing some of the challenges he sees confronting the insurance business: "the lawsuit crisis, the California initiatives situation, difficulties in lines like workers comp (and) the auto insurance debacles in New Jersey and Massachusetts."

He added: "I admit that we brought some of these problems on ourselves, but some—like the economic and medical cost inflation—we didn't."

"I think the public should understand more about us. Perhaps then some of these problems would become more manageable."

In California, for example, insurers could have consistently and over the long-term communicated with the public about the advantages of no-fault automobile insurance instead of being forced to launch a last-minute campaign in response to insurance-related initiatives, Mr. Bretherick said.

Insurers also need to communicate with the public about the effects of increasing liability litigation, Mr. Bretherick said.

"We need to tell them why 'suicide mania' will not only affect their insurance rates but their daily lives," he said, citing the reduction in available products, services and facilities because the risk of a suit is too high.

Stressing that the messages need not be "all gloom and doom," Mr. Bretherick referred to the insurance industry's efforts to reduce customers' loss costs through loss prevention services delivered by individual companies and through insurance-supported associations engaged in product, highway and fire safety.

"I am challenging each of you to make communications one of your primary responsibilities," Mr. Bretherick said. "Go back to your organizations and your people and make them proud of our business. Show your personal leadership by communicating, explaining and educating a public that I believe is fair, rational and willing to listen to us."

Mr. Russell, who is president of Couper-Ackerman-Sampson Inc. of Binghamton, N.Y., suggested that insurance companies and producers "must earn each others' trust before we can re-enlist the public trust."

He suggested that to accomplish that goal, producers work with insurers with a business plan and meet commitments in volume and profit and that insurers commit to a consistent market presence, responsible underwriting and reasonable commission guarantees.

"Our clients cannot understand the severe swings in our business that create the availability and affordability issue," Mr. Russell said.



Mr. Bretherick

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River Plate liquidators ask court to wind up brokerage affiliate

By ROGER SCOTTON

HAMILTON, Bermuda—Liquidators of River Plate Reinsurance Co. Ltd. have begun legal proceedings to also force River Plate affiliate Transcontinental Reinsurance Brokers Ltd. into liquidation.

Liquidators David Lines and Michael Jordan, both partners with accountant Cork Gully, a unit of Coopers & Lybrand, presented a winding-up petition for Transcontinental to Bermuda's Supreme Court that is due to be heard this week.

River Plate, a 15-year-old Argentinian-owned property/casualty reinsurer, was ordered into liquidation by the court on Jan. 4 (BI, Jan. 18) after two Lloyd's of London syndicates sought the recovery of about \$80,000 from the company. The liquidators estimate that River Plate, which stopped writing at the end of 1986, has about 150 creditors and faces claims and incurred-but-not-reported losses estimated at \$50 million (BI, March 14).

Mr. Lines said last week that the petition was filed after the liquidators had issued a statutory demand for payment against Transcontinental, a Bermuda company that he said had a common shareholder base with River Plate and had the same directors. These include River Plate's managing director and majority shareholder, Argentine businessman Carlos A. Goberman, and minority shareholder, Juan Carlos Taboada.

The statutory demand was not met and, under Bermuda law, the liquidators then had legal ground to seek Transcontinental's compulsory winding up.

"The statutory demand followed our inquiries regarding certain transactions between River Plate and Transcontinental. It was issued to recover money we believe is

owed River Plate," said Mr. Lines. He declined to elaborate on the transactions or the sums involved.

But, at the first meeting of River Plate creditors, held in Bermuda March 1, Mr. Jordan said that it appeared from the company's accounts that Transcontinental had received \$4.2 million from River Plate in 1986 to pay ceding insurers. Mr. Jordan also told the creditors in attendance that, in 1987, River Plate paid the affiliate a further \$2 million, a sum that he said Mr. Goberman had told him was settlement of a River Plate debt to Transcontinental.

Mr. Goberman's attorney—Alan Rein of the New York firm of Killarney, Rein, Brady & Fabiani—last week confirmed that the sum being sought from Transcontinental was about \$6 million.

But, he said, "I understand that Transcontinental's assets would not be sufficient to pay for the cost of this telephone call."

Mr. Rein said that Mr. Goberman had recently authorized the voluntary winding up of Transcontinental, which he described as a River Plate intermediary.

"We had hired a Bermuda attorney to wind up Transcontinental, but that was before we received this statutory demand for payment from the liquidators. Now, I don't know what we're going to do and I'm awaiting further instructions from my client," he said.

"I think we'd prefer to do our own winding up in Bermuda, but if they (Messrs. Lines and Jordan) want to do it for us, we may decide to let them go ahead," he added. "It could prove a cheaper alternative to doing it ourselves."

Mr. Rein stressed that the information contained in the winding-up petition was freely supplied to the liquidators, adding that much of it had been passed to Mr. Jor-

dan by Mr. Goberman at a meeting earlier this year in Montevideo, Uruguay.

However, an inability to obtain River Plate's official books and records has plagued the liquidators efforts since they were appointed to oversee River Plate's liquidation and remains their biggest single hurdle.

Mr. Lines says that despite repeated requests, the liquidators still do not have River Plate's books and records, which are believed to be held at the company's offices in Buenos Aires, Argentina. Without them, he said, it will be difficult to identify creditors and evaluate claims.

"Because we have been unable to obtain these books and records, I am unable to tell you what the precise trading relationship was between River Plate and Transcontinental," Mr. Lines said.

He declined to reveal what steps are now being taken or considered but in the past has made no secret of the fact that legal counsel is retained in Buenos Aires.

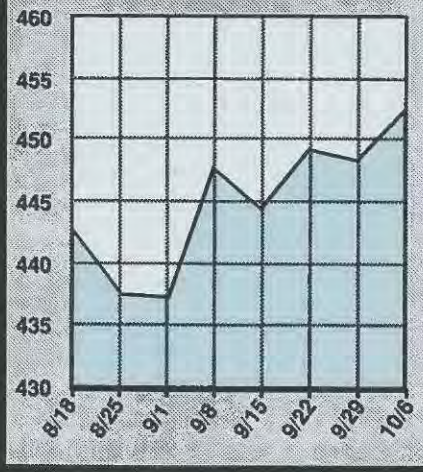
Mr. Rein believes that the reason River Plate's records have not been handed over is because Mr. Goberman could be charged with a criminal offense in Argentina if he provides the documents.

"My understanding of Argentinian law is that the entire River Plate liquidation proceedings have been tainted because they are being carried out on an ex parte (one-sided) basis. I have been told by lawyers in Argentina that the handing over of River Plate's books and records to the liquidators could be considered a criminal offense," he said.

Mr. Rein noted that the liquidators had been offered an opportunity to inspect the company's books in Buenos Aires but they have declined.

"I think they would prefer possession of them," he said.

BI Insurance Index



Insurance industry stocks turned upward last week, as the *Business Insurance Index* rose 4.5 points to 453.0 on Oct. 6 from 448.5 on Sept. 29. Advancing issues for the week were led by Nobel Insurance Ltd., up 12%; Phoenix Re Corp., up 8.2%; Orion Capital Corp., up 6.5%; and Alexander & Alexander Services Inc. and Baldwin & Lyons Inc., each up 5.9%. Declining issues were led by Home Group Inc., down 4.3%; Zenith National Insurance Corp., down 3.4%; Frank B. Hall & Co., down 3.2%; Poe & Associates Inc., down 2.9%; and Provident Life & Accident Insurance Co., down 2.6%. Issues showing the most activity during the period were: Sears, Roebuck & Co. (Allstate), 4.5 million shares traded; Farmers Group Inc., 1.8 million shares traded; and Alexander & Alexander Services Inc., 1.7 million shares traded. The *Business Insurance Index* gained 1% for the period, outperforming the leading market indicators: The New York Stock Exchange Composite rose 0.1%; the Standard & Poor's 500 fell 0.3%; and the Dow Jones 30 Industrials dropped 0.5%.

British Issues

Oct. 6 Companies	Price	P/E	Div. pence	Yield %	1 Week High-Low pence
Comml Union	340	9.7	25.3	7.5	341-336
Genl Accident	894	8.1	58.0	6.5	897-879
Gdn Royal Exch	181	9.8	13.1	7.2	183-177
Royal	384	7.9	30.0	7.8	384-380
Sun Alliance	1006	7.6	54.7	5.4	1006-1000

Brokers	Price	P/E	Div. pence	Yield %	1 Week High-Low pence
Bradstock	225	11.5	8.0	3.6	229-223
CE Heath	435	14.0	34.5	7.9	438-415
Hogg Robinson	151	12.8	8.0	5.3	155-142
Lloyd Thompson	205	16.1	8.0	3.9	208-192
PWS Holdings	145	20.7	6.0	3.6	148-145
Sedgwick Grp	230	19.2	16.0	7.0	234-224
Steel Brit Jones	216	19.3	13.3	6.2	228-214
Willis Faber	242	13.5	16.0	6.6	246-234

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

Underwriting agreement rejected

Continued from page 2

tional Insurance Services Ltd., another firm headed by Mr. Teale, as underwriters for Victoria.

Mr. Gordon-Seymour said Victoria has asked Mr. Teale not to use this letterhead "because it is not correct."

In interviews earlier this year, Mr. Teale insisted that Fenmar has binding authority for Victoria under a four-year management agreement that expires in 1991.

Mr. Teale said that a separate agreement with TRT—which he described as an "addendum" to the Fenmar agreement—provides that underwriting of new classes of business must be cleared with Victoria first (BI, July 25).

Responding to a written request for comment on this story, Mr. Teale complained that he was not given sufficient time to answer questions and that he was ordered after Victoria's suspension not to

comment to the press in any case.

Mr. Evans suspended Victoria's license last month after examiners found that only \$307,540 of its reported \$25.3 million in assets were located within Georgia. State law requires insurers to have a minimum of \$1.2 million in assets in the state.

The insurer plans to transfer assets held by Goldman Dollar Securities Inc., an investment firm in Paris, to an Atlanta bank to meet the department's capital and surplus requirements, according to Mr. Gordon-Seymour.

The suspension prompted Victoria to withdraw an application for Aram Investment Co., a British corporation, to acquire Victoria. However, Mr. Gordon-Seymour has said the application for change of control will be refiled when Victoria's license suspension is lifted.

The Florida Insurance Department also has ordered Victoria to stop writing business in the state.

BI Industry Stock Report

OCTOBER 6, 1988

9/30/88 THRU 10/6/88

BROKERS												CONGLOMERATES & HOLDING COMPANIES												INSURERS/REINSURERS											
Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Company	Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Alexander & Alexander Svcs	27.00	-5.9	52.7	27.25	17.75	1688	1.00	3.7	19.3	3.71	7.28	Berkley W.R. Corp.	27.50	-0.9	14.6	29.00	23.50	396	0.36	1.3	6.1	17.63	1.56	Aetna Life & Cas Co.	51.00	-0.7	12.7	52.50	39.50	1049	2.76	5.4	7.9	53.56	0.95
Baldwin & Lyons Inc.	18.00	5.9	50.0	18.00	12.00	9	0.20	1.1	7.1	18.31	0.98	Berkshire Hathaway Inc. DEL	4825.00	-1.5	63.6	5000.00	2755.00	54	0.00	0.0	21.4	69.38	13.06	American General Corp.	33.88	-0.7	6.7	36.38	27.50	455	1.40	4.1	9.1	28.04	1.21
Corroon & Black Corp.	32.00	2.0	13.3	34.75	28.00	71	1.08	3.4	4.8	5.43	5.89	ITT (Hartford Group)	49.50	-0.8	10.0	53.38	43.25	974	1.25	2.5	6.8	52.23	0.95	Amer Heritage Life Inv	26.88	2.9	10.8	26.75	24.00	2	1.08	4.0	11.7	20.98	1.28
Gallagher Arthur J. & Co.	17.63	4.4	10.2	18.88	13.88	27	0.48	2.7	12.7	5.16	3.42	Sears Roebuck & Co. (Allstate)	39.50	3.3	17.5	40.00	32.25	4519	2.00	5.1	9.8	34.74	1.14	Aon Corp.	27.50	1.3	20.2	28.25	21.88	167	1.28	4.7	9.4	15.13	1.82
Hall Frank B. & Co.	3.63	-3.2	26.0	5.50	2.88	68	0.00	0.0	12.7	0.00	N/A	Argonaut Group	42.25	0.6	42.0	49.00	29.50	55	0.00	0.0	6.9	29.19	1.45	Avemco Corp.	25.50	0.0	29.9	28.75	17.88	17	0.34	1.3	12.4	7.74	3.29
Hibb, Rogal & Hamilton	11.88	-1.0	21.6	12.75	9.75	22	0.00	0.0	12.7	0.00	N/A	Belvedere Corp.	4.50	2.7	2.7	6.00	4.00	2	0.04	0.9	6.3	7.87	0.57	BMA Corp.	29.00	5.5	8.4	36.75	25.50	282	1.20	4.1	26.9	24.45	1.19
Marsh & McLennan Cos. Inc.	56.75	0.4	14.6	58.50	45.25	253	2.50	4.4	13.9	6.74	8.42	Chubb Corp.	58.00	-0.2	3.8	63.38	51.25	302	2.16	3.7	6.7	46.13	1.26	CIGNA Corp.	53.38	-1.8	21.6	55.38	42.75	752	2.96	5.5	8.6	49.19	1.09
Poe & Assoc. Inc.	8.25	-2.5	17.9	9.25	6.75	0	0.40	4.8	12.7	0.27	30.56	CNA Finl Corp.	65.38	5.0	17.5	64.63	51.00	479	0.00	0.0	9.7	46.40	1.41	Continental Corp.	39.25	2.3	1.3	41.63	34.75	308	2.60	6.6	8.1	42.10	0.93
BROKERS AVERAGE	1.4	25.7						2.5	11.7			Forum Re Group	0.69	0.0	-24.2	1.19	0.63	0	0.00	0.0	-1.2	0.51	1.35	Durham Corp.	35.50	0.0	65.1	36.25	21.50	27	0.92	2.6	33.5	26.00	1.37
												Farmers Group Inc.	71.38	0.2	77.3	71.75	40.50	1761	1.44	2.0	17.0	22.02	3.24	Freeman's Fund Corp.	32.75	0.8	26.0	33.50	25.75	258	0.50	1.5	11.5	26.17	1.25
												Fremont Gen. Corp.	11.38	1.2	18.2	13.50	8.75	137	0.60	5.3	-1.2	16.24	0.70	General Re Corp.	57.63	2.5	3.1	57.63	45.50	1099	1.20	2.1	12.4	26.21	2.20
												Home Group Inc.	11.00	-4.3	-7.4	14.38	10.75	313	0.20	1.8	2.6	17.75	0.62	Homebody Ins. Co.	27.00	0.9	16.1	27.75	20.50	33	0.36	1.3	5.6	25.10	1.08
												Hartford Steam Boiler Insp	31.00	0.0	34.8	32.75	22.50	132	1.20	3.9	11.2	10.65	2.91	Harleysville Group Inc.	3.4	0.8	19.1	16.38	13.38	29	0.48	3.1	6.7	16.65	0.94
												Kans City Life Ins	30.25	0.0	15.2	32.00	25.25	0	0.00	0.0	11.2	29.60	1.02	Hartford Steam Boiler Insp	31.00	0.0	34.8	32.75	22.50	132	1.20	3.9	11.2	10.65	2.91
												Kemper Corp.	26.75	2.9	30.5	27.50	20.75	341	0.72	2.7	8.4	26.50	1.01	Kans City Life Ins	30.25	0.0	15.2	32.00	25.25	0	0.00	0.0	11.2	29.60	1.02
												Lawrence Ins. Group	11.00	2.3	144.4	11.63	4.50	1	0.24	2.2	18.0	2.90	3.79	Kemper Corp.	26.75	2.9	30.5	27.50	20.75	341	0.72	2.7	8.4	26.50	1.01
												Liberty Corp S.C.	59.13	-0.3	10.2	47.25	34.50	9	0.80	2.0	13.9	17.40	2.25	Lawrence Ins. Group	11.00	2.3	144.4	11.63	4.50	1	0.24	2.2	18.0	2.90	3.79
												Lincoln Nat'l Corp.	30.63	-2.6	26.2	53.50	40.25	181	2.36	4.7	9.8	36.62	1.38	Liberty Corp S.C.	59.13	-0.3	10.2	47.25	34.50	9	0.80	2.0	13.9	17.40	2.25
												NAC Re Corp.	30.63	3.0	72.6	30.88	18.50	311	0.00	0.0	15.6	19.92	1.54	Lincoln Nat'l Corp.	30.63	-2.6	26.2	53.50	40.25	181	2.36	4.7	9.8	36.62	1.38
												Nobel Ins Ltd	5.88	12.0	-32.8	9.50	4.50	51	0.44	7.5	28.0	9.37	0.63	NAC Re Corp.	30.63	3.0	72.6	30.88	18.50	311	0.00	0.0	15.6	19.92	1.54
												Northwestern Nat'l Life	31.25	0.0	36.6	31.88	22.63	82	1.12	3.6	7.3	35.05	0.89	Nobel Ins Ltd	5.88	12.0	-32.8	9.50	4.50	51	0.44	7.5	28.0	9.37	0.63
												Ohio Gas Corp.	35.25	0.7	-2.8	38.25	32																		



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