

Business Insurance

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / \$4

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ACE Ltd. sues Capital Re, alleging it breached agreement

NEW YORK—The bidding war over Capital Re Corp. reached the courts last week when ACE Ltd. sued Capital Re, alleging the reinsurer breached its original merger agreement with ACE.

The suit followed increased bids for Capital Re by both ACE and XL Capital Ltd.

The ACE lawsuit, filed in Delaware Chancery Court, alleges: "Capital Re breached its existing merger agreement with ACE by, among other things, entering into negotiations with XL Capital Ltd. ACE is also

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IRS seeking input on cash balance

By JERRY GEISEL

WASHINGTON—The Internal Revenue Service wants to hear from the public on cash balance pension plans.

The IRS announced last week that it would like comments from employers and employees as part of its analysis of cash balance plan-related issues.

The comments, which are due by Jan. 18, will be shared with other federal agencies, including the Labor Department and the Equal Em-

ployment Opportunity Commission, that are conducting a review of the popular but controversial plans, which combine elements of defined benefit and defined contribution plans.

Benefit experts welcome the IRS call for input, saying they hope the result will be that regulators will be better informed about how the plans operate.

That, in turn, could lead to more guidance from the IRS on what is legally permissible when employers convert traditional defined benefit

plans to cash balance plans.

"This is a very welcome development. I'm confident that when the IRS listens to all views, it will come out with a very reasonable approach," said Eric Lofgren, director of benefits consulting in the Philadelphia office of Watson Wyatt Worldwide.

"This is a process of education. I'm kind of optimistic that, when the IRS receives and reviews comments, it will have a much different perspective than it perhaps currently

See IRS on page 54

Buyers play important role

Keeping score on quality

By GAVIN SOUTER

NEW YORK—Risk managers must own up to their own shortcomings before they can expect to see improvement in the quality of service they receive from brokers and insurers, a risk manager says.

While the Quality Scorecard shows a majority of customers think insurers and brokers provide unsatisfactory service, risk managers must improve their own relationships with their service providers if they want quality to improve, contends William J. Kelly, a managing director at J.P. Morgan in New York.

"We must remember that the performance of brokers and insurers is directly reflective of the standards we, the client, set," he said during a panel discussion in New York last week on the Quality Scorecard, developed by

the Risk & Insurance Management Society Inc. and the Quality Insurance Congress.

To set better standards, risk managers must produce more-focused assessments of insurers and brokers and clearly identify what they expect them to provide, Mr. Kelly said.

To achieve higher quality, risk managers, insurers and brokers also must develop trust that is not based solely on price, other panelists said.

The Quality Scorecard was devised as a questionnaire for risk managers to rate their commercial insurance service providers. The overall industry received low marks when the results were first published in 1998 (*BI*, May 4, 1998), and again in 1999, when the second survey was released (*BI*, April 26).

See Scorecard on page 55

Industry looks toward future

Insurers, brokers and risk managers anticipate need to evolve together

By RODD ZOLKOS

CHICAGO—Continued success for insurance-related companies in the new millennium may be a matter of survival of the fiscally fittest, a panel of industry executives says.

But equally important will be the adaptability of companies to a dramatically changing environment, according to the panel, which discussed the state of the industry, among a broad range of topics, earlier this month in Chicago at the Ninth Annual Insurance Executive

Forum presented by the Katie Insurance School at Illinois State University.

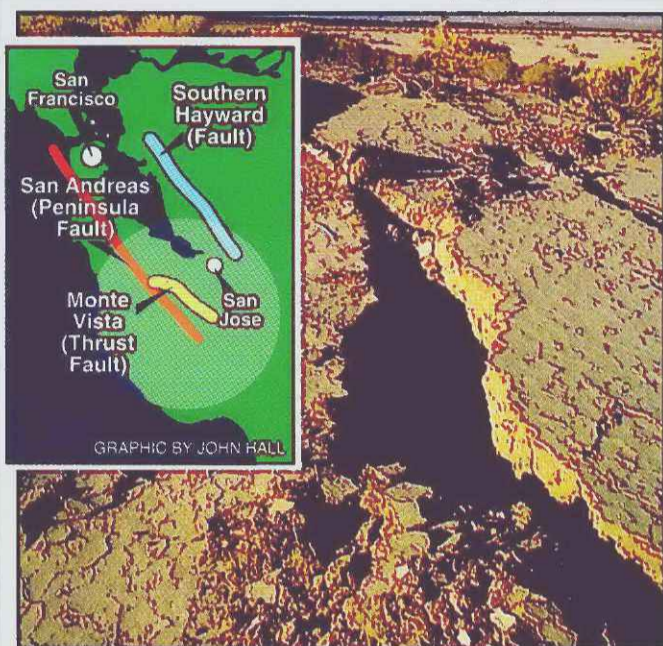
"We all know the profitability of the business... is not very good," said Alan M. Levin, managing director in the insurance rating services group of Standard & Poor's Corp. in New York, offering an overview of the current state of the industry.

Competition in the property/casualty insurance market shows no sign of letting up, so profit pressure on companies will continue, Mr. Levin said.

At the same time, that pressure is alleviated by the industry's sizable capital base, Mr. Levin said. The problem, however, is that that capital base has grown through insurers' investment performance rather than profitable insurance underwriting, he said.

"The industry has more capital, almost any way you measure it, yet most of that capital gain has come from capital gains, and that's certainly something we can't expect to continue," he said.

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GRAPHIC BY JOHN HALL

PHOTO: USGS, CHRIS WALLS, EARTH CONSULTANTS INTERNATIONAL

After Taiwan's recent quake heightened concerns over risks to the San Francisco area's high-tech industry, a magnitude 7.1 quake occurred on a Mojave Desert fault thought to be inactive.

Some question Silicon Valley's quake readiness

By AMANDA MILLIGAN

SAN FRANCISCO—In the wake of an earthquake that caused crippling internal damage and costly business interruption for Taiwan's high-tech industry last month, some loss professionals are casting a wary eye in the direction of California's high-tech Silicon Valley community.

But others, such as company risk managers and insurers, say that most of the large, established high-tech companies are as well prepared as they can be in the event of a major temblor in the earthquake-prone area.

Also, for various reasons, Silicon Valley companies often choose not to buy earthquake insurance.

California earthquakes have been the topic of much discussion recently. Earlier this month, the U.S. Geological Survey concluded that there is a 70% chance that a quake of 6.7 magnitude or greater will hit the San Francisco Bay Area within the next 30 years. On Oct. 16, an earthquake of magnitude 7.1 rattled a fault in the Mojave Desert but caused little commercial damage.

High-tech companies with operations in Silicon Valley could experience substantial damages if a quake similar to last month's Taiwan quake were to hit along one of a number of active faults that surround the area, said Peter Yanev, president and a founder of the loss control engineering firm EQE International in Oakland, Calif.

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International Benefits & Risk Management
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Updates

Struggle for Cap Re continues

Continued from previous page

seeking a temporary restraining order, preventing Capital Re from terminating its existing merger agreement until ACE's claims can be decided by the Delaware court," an ACE statement said.

A Capital Re statement said the lawsuit "is without merit."

A hearing on the case is set for today, Oct. 25.

On Oct. 15, ACE had increased its bid for the financial guarantee reinsurer to \$474.8 million, or \$13 per share, in stock and cash. In May, it had made a stock-only offer, then worth \$605.9 million. That stock-only offer, however, had dwindled to about \$375.3 million the day before the deal was to be sealed earlier this month due to a drop in ACE's share price.

On Oct. 19, XL increased its cash offer to \$511.3 million, or \$14 a share. The offer is open until Oct. 27, an XL statement said.

Van Gilder to head Reliance

NEW YORK—George "Terry" Van Gilder will take over Reliance National Insurance Co. two months after the former head, Dennis Busti, was moved out of the job.

Mr. Van Gilder previously was an insurance consultant. Prior to that, he was chairman of Risk Management Solutions in Menlo Park, Calif., and before that, he was chief underwriting officer of Chubb Corp. in Warren, N.J., where he spent 24 years. He will become president and chief executive officer of New York-based Reliance National on Nov. 1.

He takes over Reliance National as it faces difficult operating conditions and poor results. Reliance Group Holdings, in which Reliance National is the principal commercial insurer, suffered a \$156.9 million second-quarter net loss. Mr. Busti was moved over to the parent company to focus on new business shortly after the results were published.

In addition, A.M. Best Co. last week placed its A- rating of Reliance under review with the negative implications.

Bill on modernization ready

WASHINGTON—An historic financial services modernization bill is expected to pass Congress as early as this week, after a U.S. House-Senate conference committee reached an agreement last week on outstanding issues, including privacy and community reinvestment.

President Bill Clinton is expected to sign S. 900, the Financial Services Act, which would repeal decades-old banking law and would permit banks, insurance companies and securities firms to affiliate with one another, according to Joel Wood, senior vp-government affairs with the Council of Insurance Agents & Brokers.

As a result of the bill's likely passing, "I think you will see a push for a federal insurance regulator," by banking and insurance industry representatives, said NAIC Vp George Nichols III, the insurance industry commissioner. The bill also is expected to put new pressure on state insurance commissioners and legislators to adopt uniform, multistate agent licensing requirements through the possible creation of a National Assn. of Registered Agents & Brokers. The bill says NARAB will be created if states fail to break down existing agent licensing barriers in the next few years.

401(k) deferral limit to go up

WASHINGTON—Employees will be able to defer a maximum of \$10,500 to their 401(k) plans next year, up from \$10,000, the Internal Revenue Service announced last week.

In addition, the amount of employee compensation that can be considered in calculating pension benefits will rise to \$170,000 from \$160,000; the maximum annual benefit that can be funded through a defined benefit plan will rise to \$135,000 from \$130,000. The maximum yearly contribution to a defined contribution plan will remain at \$30,000.

For pension plan non-discrimination testing purposes, highly compensated employees will be those earning at least \$85,000, up from \$80,000.

The new limits are based on indexing formulas set under federal law.

Judge dismisses AIG claim

NEW YORK—A New York judge has dismissed a claim by units of American International Group Inc. that underwriting manager Unicover Managers Inc. failed to arrange reinsurance for a huge block of workers compensation business.

AIG had initially planned to reinsure the business, which generates about \$400 million in annual premiums, with Unicover's now-disbanded pool of five life insurers. Last fall, though, Unicover allegedly placed the entire risk with ReliaStar Life Insurance Co., one of the pool's members, AIG claimed.

ReliaStar earlier this year denied being bound on the risk, arguing that Unicover had no authority to bind it outside the pool, and AIG sued Unicover and ReliaStar in New York State Supreme Court.

Judge Barry A. Cozier last month dismissed Unicover as a defendant, finding that AIG "failed to demonstrate the existence of a valid, binding contract between them and Unicover." "The contracts, if they exist at all, are between (AIG) and ReliaStar, the disclosed principal, not with Unicover, the agent," the judge ruled.

The suit against ReliaStar remains pending.

See Updates on page 54

Errors & omissions

• A Global Briefs item about the World Jewish Congress is outdated. The organization has recommended not to introduce a motion to boycott Allianz Holding A.G. at its upcoming meeting this week in New York in light of the insurer's agreement to provide access to "a key archive of 150,000 large-sum endowment policies" from the World War II era, said Elan Steinberg, executive director for the World Jewish Congress. Allianz, which had previously denied this access, also has agreed to provide the organization with sample files from another archive to which the World Jewish Congress may also want future access, Mr. Steinberg said.

Making a case for coverage

Policyholder tries to bolster bad-faith charge against insurer

By ROBERTO CENICEROS

FRESNO, Calif.—When the Fresno Unified School District sued Coregis Insurance Co. for denial of coverage, the plaintiffs—in an unusual tactic—mailed letters and questionnaires to hundreds of public-entity risk managers throughout California to help build its case.

In February, the Fresno school district filed a lawsuit in Sacramento County District Court against Coregis, its insurer at the

time, alleging the insurer had breached its duty to defend and indemnify the district against three employment discrimination claims brought against it.

The school district then sent letters to risk managers in an attempt to find evidence that Coregis and one of its units had engaged in a pattern and practice of denying coverage, court records show.

Establishing a pattern and practice is one way to win punitive damages and establish bad faith, insurance experts say. Bad

faith is also one of the allegations in the school district's suit.

Then, in a cross-complaint, Chicago-based Coregis unsuccessfully sued the Fresno school district, alleging defamation and intentional interference with the insurer's potential economic gain.

Policyholder attorneys and insurance defense attorneys say it is not a unique practice for policyholders attempting to establish a pattern and practice to reach out to other policyholders.

See Letters on page 54

Purchasing groups oppose Indiana fee for insurers

By JERRY GEISEL

INDIANAPOLIS—Risk purchasing groups are protesting as illegal a \$650 fee the Indiana Insurance Department is billing them for participating in a Year 2000 computer readiness survey.

The dispute goes back to last year, when risk purchasing groups, as well as traditional insurers licensed in the state, received a letter from the department advising them of a department survey to assess the status of the Indiana insurance industry in dealing with potential Y2K problems.

Failure to cooperate in the survey, the letter

warned, could result in sanctions against the license or authority held by the company. The letter also said the department "may" retain consultants to assist in the analysis of the survey and the cost of using outside examiners would be borne by companies.

Among those receiving the 54-question survey was Daniel O'Leary, a Chicago attorney who represents several Illinois-domiciled purchasing groups that have members in Indiana.

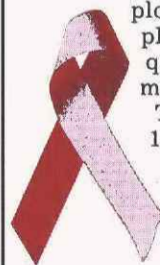
Mr. O'Leary returned the survey, though he left most of the questions either blank or wrote in that the questions were not applicable.

See Fee on page 52

New guidance on breast cancer benefit notices

By JERRY GEISEL

WASHINGTON—New guidance from the U.S. Department of Labor will give employers welcome flexibility in complying with annual notification requirements under a 1998 mastectomy benefit law.



That law, which took effect Jan. 1, 1999, requires health care plans offering coverage for mastectomies to cover reconstructive surgery on the same basis as they cover other surgical procedures.

The law, known as the Women's Health and Cancer Rights Act of 1998, set three notification requirements. The Labor Department last year provided guidance of how to meet two of the notification requirements: a one-time, fairly detail-rich notice to employees about the new law; and a notice

See Notices on page 51

A shift urged on Y2K efforts

By AMANDA MILLIGAN

CHICAGO—As time dwindles for risk managers to implement and test final safeguards before the Year 2000 arrives, the focus of efforts should now shift to property loss control, a loss control engineer says.

In the remaining months, companies should be "thinking through the plausible things that might happen based on what you've already done, what you've been able to eliminate, what you can eliminate, and saying, 'If this happens, what can we do so we don't get in any more trouble?'" said Dennis M. Anderson, vp and division engineering manager for Factory Mutual Insurance Cos. in Park Ridge, Ill.

"It's looking at the dimension of the stuff that is inside your properties and thinking through (the) 'What if...'"

Mr. Anderson was a speaker at the 1999 Risk Management & Employee Benefits Conference & Exhibition, held last week in Chicago. REBEX is sponsored by the Chicago and Wisconsin chapters of the Risk &

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Inside

• Federal legislation requiring that class-action lawsuits involving plaintiffs from multiple states be heard in federal court would protect fairness and federalism, this week's editorial says. **PAGE 8**

• The full impact of the Year 2000 computer problem may not be apparent until next spring, says the chairman of a Senate panel examining the situation. **PAGE 38**

• We report on the Self-Insurance Institute of America Inc.'s 19th Annual Educational Conference & Expo. **PAGE 41**

• Bubba cometh. **PAGE 53**

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Spotlight report

International Benefits & Risk Management

Making programs work around the globe

U.S.-style practices emerge as other countries battle rising health care costs

By JOANNE WOJCIK KOCHANIEC

As governments feel the financial pinch of providing unlimited health benefits to their aging baby boomer populations, many are adopting market reforms similar to those employed in the United States to rein in costs.

As a result, private employers in some countries are picking up more of the tab by providing supplemental benefits that dovetail with national health system coverage.

In other countries, governments are adopting some elements of U.S.-style managed care, such as utilization review, case management and even provider networks.

The trend of providing supplemental benefits is giving some U.S. multinationals a leg up on the competition in many foreign employment markets, they say.

And private financing is leading to improved quality of health care services delivered around the globe.

"Competitive pressures are pushing U.S. multinationals to provide supplemental coverage," observed Mike Distefano, director of international benefits for Colgate-Palmolive Co. in New York.

In addition to its North American operations, Colgate has operations in Asia, Western and Central Europe, Latin America, the Middle East and Africa. The company employs approximately 35,000 people worldwide.

The level of benefits that Colgate provides outside of the United States depends

on what other employers in a region are offering, Mr. Distefano said.

"We try to follow the market and be slightly ahead of it," he explained. "We tend to be on the high side, or slightly above average" to reflect Colgate's corporate philosophy of "taking care of people."

Like its program in the United States, Colgate's international benefits program requires employees to contribute, whether through copayments, deductibles or by paying a portion of the insurance premium, according to Mr. Distefano.

"We try to make employees share in the cost," he said, adding that "our medical assistance plan provides basic benefits to protect the financial resources of the employee."

Colgate is just one of many U.S. multinationals discovering that they must pay more attention to their international health benefits today than they have in the past.

"Ten or 15 years ago, a lot of U.S. multinationals thought they didn't have to focus on non-U.S. plans because they thought the governments would take care of them," said Joseph A. LaSorte, a global human resource consultant in the Philadelphia office of Hewitt Associates L.L.C. But "governments around the world have been cutting back on benefits, and, as government plans recede, employers are feeling the cost shift," Mr. LaSorte said.

For example, while the United Kingdom's National Health Service has been considered by some to be the model for socialized

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Addressing worker desires key in work/life efforts

Knowledge of cultures, laws deemed important

By MICHAEL PRINCE

When it comes to creating a worldwide work/life program, one size does not fit all.

U.S. employers looking at implementing work/life programs outside the United States should leave behind their U.S.-based notions of employees' needs and instead ascertain what the local employees favor, consultants and others say.

Just because workers in the United States want certain benefits, such as flexible schedules or subsidized day care centers, that help balance work and their personal lives, that doesn't mean workers in other countries will value those benefits as well, they said.

Benefits need to make sense "for the particular workforce for that particular country," said Francoise Carre, research director at the Radcliffe Public Policy Center in Cambridge, Mass.

Employers must "recognize that each country is separate, with its own statutes, customs and cultural differences," said Michelle Sagalyn, director of business and product development for DCC, a work/life consulting company in Westport, Conn. "A company cannot roll out a program with all the countries and expect it to be successful," she said.

She recommends that employers, before implementing a program, take a look at the employees in each country and determine what programs they need

and want. In addition to looking at the employees' needs, the employer should thoroughly research the country's laws, customs and even how the laws are enforced.

To help understand foreign workforce issues, it's often helpful to obtain a local contact, recommends Rich Federico, vp with The Segal Co. in New York.

As an example of the problems posed by local laws, Ms. Sagalyn noted a law in Germany requiring that grocery stores close early. Often, workers cannot get to a store in time after work, she said, so a good benefit would be an onsite grocery store or persuading a store to stay open later, or providing some shopping service for employees.

Also in Germany, new mothers receive three years of maternity leave, Ms. Sagalyn noted. As a result, few day care centers exist in the country, and a subsidized day care benefit would not be of much use.

A country's culture plays also plays a significant role.

In many Asian countries, elderly parents are cared for by their children. "So the need for elder care is not the same as it is here" in the United States, Ms. Sagalyn said.

In addition, an employee assistance program that helps workers with drug or alcohol addictions won't be used in certain countries because of cultural issues.

"In many countries, it's not even acceptable to admit that you have that

see Work/life on page 14

Tough regulation in China puts more work on risk managers

By GAVIN SOUTER

As a new Chinese insurance regulatory body tightens its reins on the market, risk managers with exposures in China face several changes in the way they obtain coverage.

A recent crackdown by the new regulatory body on perceived violations of the country's insurance regulations has forced international brokers and insurers to remain at a distance, leaving policyholders' local managers to seal the deals themselves.

As the situation unfolds, U.S. risk managers find themselves scrambling for information on the new regulatory regime as they try to ensure that they have adequate coverage for their Chinese operations, that their local managers are well-briefed, and that they are not in violation of the law.

The stricter regulatory regime in China first became apparent in May, when Sedgwick Insurance & Risk Management Consultants (China) Ltd. was suspended from trading for allegedly violating the 1995 Insurance Law by, among other things, operating unlicensed businesses (*BI*, May 24). Sedgwick, which Marsh Inc. now owns, received a limited brokerage license in 1998 that allowed it to provide risk management consulting services and place reinsurance.

The suspension was finally lifted last Monday, allowing the company to operate under the terms of its limited license. Marsh declined to comment.

In September, Jardine Insurance Brokers Ltd.'s Beijing representative office was closed for allegedly transacting unauthorized insurance business (*BI*, Sept. 13).

These moves were the first taken against foreign entities by the China Insurance Regulatory Commission, which in November 1998 took over insurance regulation from the

People's Bank of China.

Prior to the actions against the brokers, though, the CIRC in March sent a notice to all insurers, agents and brokers stating that it would more strictly enforce China's existing insurance laws.

Among other things, the laws state that no representative office of a foreign company shall engage in brokerage activity. Companies also are prohibited from introducing business to domestic insurers on the condition that part of the risk be ceded to offshore insurers or reinsurers. The laws also bar coverage of local risks under single master policies and fronting arrangements.

Prior to this year, the laws had not been rigorously enforced, and many multinational policyholders used international brokers to place coverage in China. In addition, policyholders often insisted that, if local policies were used,

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Canadian FRM program expands internationallypage 10

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Spotlight Editors:
Michael Prince & Gavin Souter

Turkish earthquake exposes human resources risks

Most business interruption does not cover worker fears, absence after disaster

By GAVIN SOUTER

The severe earthquake that devastated a large industrial area in northern Turkey in August highlighted shortcomings in traditional business interruption coverage, according to a brokerage executive in Turkey.

With tens of thousands of people killed or injured and survivors desperately searching for people trapped in the rubble, it is understandable that workers in the area were not concerned about return-

ing to work, said Mert Yucesan, chief executive officer of Marsh SAN Insurance & Reinsurance Brokers in Istanbul, a subsidiary of Marsh Inc.

But the many multinational companies operating in the region that have business interruption insurance coverage were unable to claim for a significant amount of their lost production, as the coverage does not include "human element" losses, he said.

Most business interruption policies cover only losses that result from property damage, Mr. Yucesan noted.

Policyholders in earthquake-prone regions should review the possibility of extending business interruption coverage so that it can be triggered by staffing problems, he said.

If such coverage cannot be obtained, risk managers should at least have contingency plans in place to deal with personnel issues, Mr. Yucesan said.

The 7.4-magnitude earthquake that destroyed thousands of homes and businesses also caused devastating human losses in the area.

According to the latest Turkish

government estimates, more than 17,000 people were killed, more than 40,000 were injured, and some 200,000 were left homeless as a result of the quake that struck at 3 a.m. local time on Aug. 17 (BI, Aug. 23).

The quake also caused roughly \$5 billion in damage, about \$1 billion of which is insured, Mr. Yucesan said.

Much of the insured total will be business interruption losses where, for example, industrial plants had to spend several days repairing minor damage or checking machinery before production could resume, he said.

About 150 industrial plants in the area were affected by the quake; about 50 of those plants are either owned by multinational companies or are joint ventures between multinational and local companies, Mr. Yucesan said.

Marsh clients suffered about \$150 million in insured losses from the quake, and about two-thirds of those losses were from business interruption, he said.

In addition, a significant portion of the

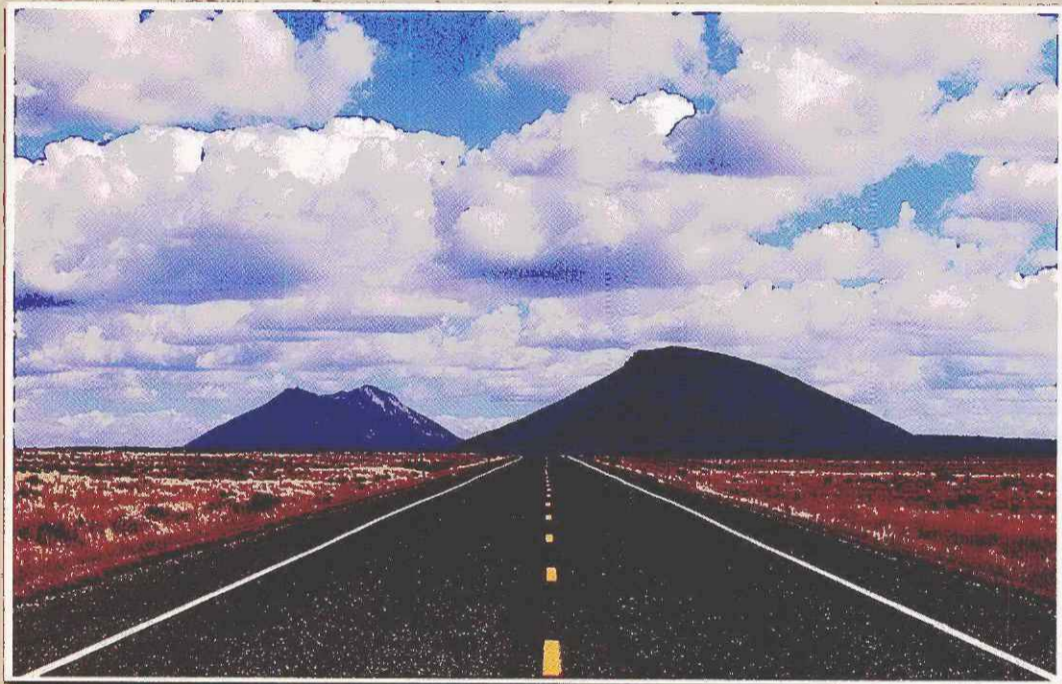
The total costs suffered for lost production time and providing emergency housing could reach \$500,000 for an individual plant, he estimated.

Businesses based outside the main quake area also suffered uninsured losses, he said.

For example, three out of nine local dealers for an Istanbul-based consumer products company were killed in the earthquake. Without those men in the field, the company could not sell its products in the geographic area affected by the earthquake, Mr. Yucesan said.

In other cases, the inventory of dealers that survived was destroyed in the quake, and those dealers, because they lost the inventory to sell, had no way of paying the manufacturers for the

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PHOTO: AFP

The earthquake that struck Turkey in August leveled parts of the town of Izmit (above), while causing the country's largest oil refinery, located in Tupras (at left), to catch fire. While some property risks were insured, uninsured business interruption losses are likely to be huge, experts say.

uninsured losses will be for lost production resulting from personnel and staffing problems, Mr. Yucesan said.

"The big issue was the workforce. On average, the workforce did not attend their plants for about 20 days," he said.

Many workers were killed, and many spent the days after the quake searching for relatives or seeking shelter. In addition, some workers had temporarily moved away from the area to stay with relatives living elsewhere, Mr. Yucesan said.

And when they did return to work, many employees refused to work night shifts. The original quake had struck at night, and the workers wanted to remain home with their families in case aftershocks caused more damage, he said.

Some companies took steps to aid workers, including refurbishing the office buildings still intact to provide temporary housing, Mr. Yucesan said.

"It was an expensive thing to do, but they had to do it because they needed their workers," he said.

The cost of this refurbishment, however, is not covered under a business interruption policy, Mr. Yucesan said.

goods, he said.

"So the manufacturers have a big accounts receivable problem," Mr. Yucesan said.

Insurers have refused to pay any claims for these types of losses, he said.

Still more business was lost by restaurants, bars and nightclubs throughout Turkey, as for more than a month after the quake people thought it inappropriate to socialize at night after the country had suffered such devastating loss, Mr. Yucesan said.

"The lesson we should learn from all this is that maybe business interruption coverage should be extended to cover the surrounding social elements," he said.

Such a coverage could be an amalgamation of coverage already present in key man, life, and health care insurance policies, Mr. Yucesan suggested.

If insurers are unwilling to provide such coverage, risk managers should at least develop contingency plans to deal with the issues, he said.

"Currently, they have those plans for buildings, but if you move your office after a disaster, it doesn't really help if your people won't come to work," Mr. Yucesan said. **BI**

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China

Continued from page 3

they mirror the wordings used in their global programs, and they often set up policies so that much of the risk was reinsured with their global insurers.

With little prior enforcement of the laws, "It was like the wild West," said David Liu, chairman of Aon Corp.'s Beijing representative office. Brokers were often placing risks with domestic and international insurers, and each insurer and broker was interpreting the regulations in its own fashion, he said.

But in the wake of the recent crackdown, the risk managers of multinational companies operating in China will have to carry out more work—work that in the past they may have passed on to their brokers, Mr. Liu

said.

Emerson Electric Co. currently is reviewing how it will cover the nearly 20 manufacturing sites it operates in China, said David E. Arick, manager of corporate insurance at the St. Louis-based electrical manufacturer.

Since 1997, Emerson has covered its worldwide risks with a global program wherever possible, he said.

The principal insurer on the program is Winterthur Insurance Co., which has a license to write Chinese business only in Shanghai, and the broker for the program is Marsh Inc., said Mr. Arick, who also is on the international relations committee at the Risk & Insurance Management Society Inc. in New York.

Under the new regulatory environment in China, Emerson may have to make more use of national or local Chinese insurers when it renews its liability policy, which expires on Dec.

1, and its property policy, which renews on Jan. 1, 2000, he said.

And given the crackdown on brokers, the insurance transactions may require additional involvement from local plant finance managers in China to obtain coverage locally, Mr. Arick said.

"We know that we will have coverage in place; we just want to make sure that we are doing it the right way. We don't want any plant managers being put in jail for illegal insurance transactions," he said.

Deere & Co. still is trying to obtain information on what changes it will need to make when it renews its programs before the end of this year, said Marc S. Middleton, director-risk management at the Moline, Ill.-based equipment manufacturer.

"We're still trying to sort out what exact changes will be facing us.... The information is coming out

very slowly, and it's a very perplexing situation," he said.

Deere has a global master program that covers most of its worldwide risks, but it is no longer clear how that program will apply to its plant in China, Mr. Middleton said.

"We want to try to do the right thing, but it is just very confusing as to what that is," he said.

Now that the regulatory restrictions in the Chinese insurance market are being strictly enforced, brokers will not be able to negotiate renewals for their clients, said Howard Tsang, chief executive officer of Willis Corroon in Hong Kong.

Brokers can provide only advisory services to multinational clients on what is happening in the insurance market in China; all insurance transactions will have to be carried out by managers at the policyholder compa-

nies, he said.

"Risk managers in the home offices will have to give more instructions to local managers on how to arrange insurance," Mr. Tsang said.

Brokers cannot intermediate on behalf of their clients, nor can they be involved in monetary transactions between insurers and policyholders, agreed Mr. Liu of Aon.

"The client has to be the one that goes to the insurance company to place the insurance," Mr. Liu said.

"Our work has not diminished, but it has changed," Mr. Liu said.

Brokers will even need to be cautious about how often they visit insurance companies on their own, he said.

"We can still go, but if we go to often it may be construed as broking," Mr. Liu said.

Any payment an international brokerage receives for advice on China will have to be in the form of a consulting fee paid to a brokerage unit outside of mainland China, and the fee must be paid on a stand-alone basis and must not be based on insurance placements, said Tim Higgins, director of international operations at Lockton Cos. Inc., a Prairie Village, Kan.-based brokerage.

The coverages multinational companies buy also might change as a result of the new regime, brokers said.

The CIRC has made it clear that only the approved wordings provided by Chinese insurers will be permitted. This means a policyholder will not be able to insist that local insurers adopt the wordings of the policyholder's global program, said Mr. Tsang of Willis.

"It will be very difficult to have a tailor-made policy," he said.

There still will be some room for negotiation, though, as the Chinese insurance regulators have approved certain endorsements, such as earthquake coverage or offsite storage coverage, Mr. Tsang said. But policy wordings that differ significantly from the standard coverage forms likely will not be possible, he said.

Also, policyholders no longer will be able to place business with local insurers and then insist that most of the risk be reinsured with specified international insurers and reinsurers, he said.

Given the competitive local insurance market in China, though, local insurers may still be willing to cede some of the risk outside of China, Mr. Tsang said.

Under the new regime there has been a shift in power between local insurers and international insurers, said Mr. Higgins of Lockton.

Previously, "U.S. insurers had been driving the deal. They had been setting the terms and using their local correspondents or affiliates to implement the terms locally," he said.

Although coverage terms often are not changing significantly, the local Chinese insurers now have a greater say in the process, Mr. Higgins said.

"Generally, we are seeing that the local Chinese insurance companies are having a greater level of influence in terms of giving input on pricing and wordings, but that is not proving to be detrimental to transactions being put into place," he said.

In some cases, local insurers are not extending their wordings beyond the standard policies, but when they do, most "difference in conditions" provisions in global programs should provide some coverage to fill in the gaps in the local coverage, he said.

Policyholders also may see some extra administrative costs, as most local Chinese insurers are not permitted to issue single policies to cover multiple plants based in different areas of the country. But for most large policyholders, the added cost of purchasing policies for each plant will be negligible, Mr. Higgins said. **EI**

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Opinions

Illinois trumps the nation

PROPOSERS OF reforming the rules governing class-action lawsuits owe a big debt of gratitude to an Illinois judge who inadvertently has made one of the best cases yet for changing the problem-ridden system.

By certifying as a nationwide class action the complaints of a handful of Illinois policyholders, Williamson County Judge John Speroni effectively put an Illinois jury in the position of overturning the laws of numerous other states.

For that reason alone, it should be clear that legal reforms are needed that would require class-action cases involving plaintiffs from multiple states to be heard in federal court. Federal courts are generally better prepared to handle mass torts than most state courts in terms of resources and expertise. Federal judges also are more likely to take into account conflicting state laws and see how they can be reconciled, and federal judges are less susceptible to local political pressures. Federal courts thus present a more level playing field than that available in some state courts.

Fortunately, class-action reform legislation already has passed the House and has been introduced—though not yet acted upon—in the Senate. These measures deserve the vocal support of businesses and insurers.

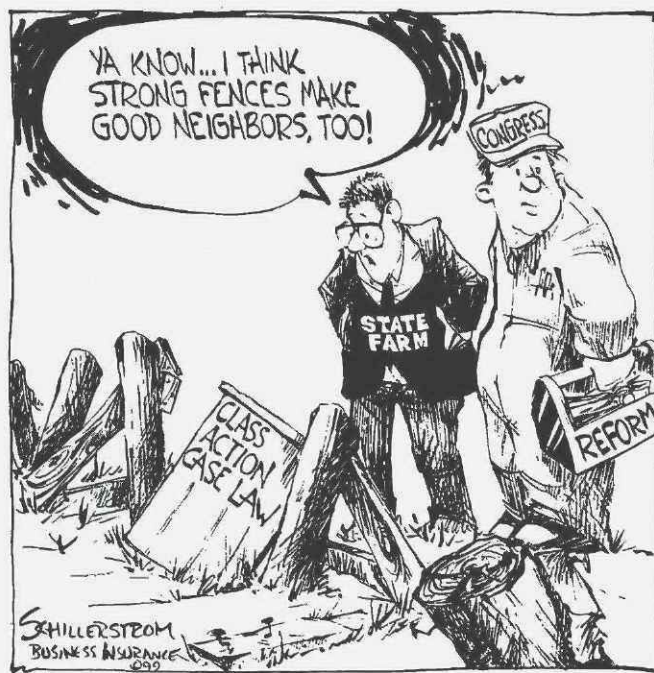
The Illinois case stemmed from the complaints of policyholders in the state who opposed State Farm Mutual Automobile Insurance Co.'s use of aftermarket replacement parts in settling claims. Judge Speroni certified their case as a national class-action suit, and the Illinois jury earlier this month hit the insurer with \$456 million in actual damages, which was followed by the judge slapping State Farm with \$600 million in punitive damages and \$130 million more in damages for its alleged savings from requiring aftermarket parts.

The fact that State Farm is based in Illinois in no way excuses the excessive reach of this state court's ruling. What is particularly galling is that in many states, State Farm's reliance on such parts is perfectly legal and, in fact, encouraged.

Consumer groups have joined insurance regulators and lawmakers of many states in promoting the use of aftermarket parts as a way to lower repair and insurance costs without compromising safety.

State Farm intends to appeal the outrageous ruling. For now, however, it has voluntarily suspended its use of aftermarket parts nationwide.

There's no reason why the insurer should have to pay a cent, much less more than \$1 billion in damages, when no one has proved they were injured by its actions. But even if State Farm prevails on appeal, the matter can't be al-



lowed to end there.

To allow a state jury effectively to trump the laws of other states flies in the face of both fairness and federalism. In this case, a judge and jury interpreting a particular state's laws in effect set a standard for the rest of the country, regardless of what other states' laws say. Under the constitutional separation of powers, legislators make laws—not courts.

Unless corrected, this is an open invitation to forum-shopping, where trial attorneys look for the friendliest state court and use it to file nationwide class-action lawsuits against companies.

Fortunately, there is a way to deal with this situation, courtesy of the U.S. Congress. As we noted above, the House of Representatives recently passed a modest interstate class-action reform bill. It would allow either plaintiffs or defendants in certain class-action suits in which citizens of more than one state are involved to have the suits moved to federal court. Similar legislation has been introduced in the Senate as well, though there's still no guarantee that the measure will go anywhere this session.

It should, and if businesses and insurers push hard enough, it will.

The State Farm awards have provided one of the best arguments in years for reform of class-action rules. Advocates now must assure that their arguments for reform have as broad a reach as this unfortunate decision from Williamson County, Illinois.

Letters

Young employees will be ones getting stiffed

To the editor: The chutzpah of Congress never ceases to amaze me.

IBM's attempt to move to a cash balance pension plan—as described in your Sept. 27 article "Cash Balance Move Draws Congress' Fire"—outrages sena-

tors and congressmen, the very people who have no problem foisting the Ponzi scheme called Social Security on the American public.

At least the employees of IBM will get their money back with interest. Today's

young workers will never get back a fraction of what they "contribute" to Social Security.

Physician, heal thyself!

Vincent P.A. Benedict
Collegeville, Pa

Crossing state lines a must in global economy

To the editor: It's about time that uniform licensing becomes established, be it via reciprocity, NARAB, federal licensing or any other method.

This is good for all producers, including the excess, surplus and specialty

broker.

We need a license to cross state lines. Can you imagine other industries conducting business worldwide and we can't even do business countrywide. We need to be able to "cross" state lines

without involving tedious red tape. It is in the best interest of all consumers.

Paul DeCotis
President
DeCotis Insurance Associates Inc.
Providence, R.I.

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Canadian risk management qualification crosses border

By GAVIN SOUTER

An advanced risk management qualification that was created in Canada is gaining interest in several countries around the world.

The Fellow in Risk Management program, established in 1995 in Canada, has been embraced by the Risk & Insurance Management Society Inc. in New York and is being offered in the United States. And risk management educators foresee other nations adopting the program as well.

The Fellow in Risk Management program offers risk managers a chance to enhance their skills and

improve their ability to use advanced risk management techniques, said Janice McGraw, vp of the board of the Global Risk Management Institute at RIMS.

GRMI is the newly created body that now administers the FRM. Judy Lindenmayer, vp-fidelity insurance and risk management at FMR Corp. in Boston, is president of the 12-member board.

The FRM qualification, which is based on university undergraduate courses, will allow risk managers to go a step above basic qualifications such as the Associate in Risk Management designation and the Canadian Risk Management diploma, Ms. McGraw said.

The FRM "includes more managerial courses and finance courses to build upon the first tier of risk management education and provide a more rounded education that will meet the growing needs in risk management," said Ms. McGraw, who is manager of risk management and insurance at McGill University in Montreal.

The qualification will likely also be offered in other countries. Currently, RIMS is in talks with risk management organizations in France, Japan and Singapore to promote the qualification in those countries.

The FRM designation was established in Canada in 1995. The Canadian Education Committee of

RIMS had decided that risk managers wanted a qualification beyond the ARM, said Susan R. Meltzer, assistant vp-insurance and risk management at Sun Life Assurance Co. of Canada in Toronto and president of RIMS.

The Canadian chapters of RIMS then created the Institute of Risk Management to serve as the organization that would issue the FRM, said Ms. Meltzer, who serves on the board of the IRM.

RIMS gave \$20,000 to help set up the IRM and then formed its own task force to investigate whether the FRM program should be extended to the United States, Ms. Meltzer said.

The courses are available to any

undergraduate student at 10 universities across Canada, and a correspondence option is offered through the University of Toronto's distance-learning program.

The IRM currently has about 600 members, which includes students and graduates of the program. About 20% are risk managers, and the rest are mainly insurers and brokers. Most of the members are in Canada, but some members in the Caribbean and Asia are taking the correspondence courses. There are nearly 100 qualified FRMs in Canada.

Given that the program is only 4 years old, those numbers should skyrocket once the FRM becomes firmly established in the United States, Ms. Meltzer said.

"If you work on the 10% rule of life... we should see 6,000 members in the same time," she said.

The "10% rule" holds that statistics for most phenomena in Canada will be about 10% of what they are in the United States, she explained. The concept stems from the fact that Canada's population is about 10% the size of the U.S. population. Around 10% of RIMS members are in Canada.

GRMI was founded in March 1999, and so far 67 members have enrolled in the United States.

The IRM will be merged with the GRMI, and the administration will be moved to New York. A Canadian curriculum committee will be established to oversee any differences relating to aspects such as Canadian tax or accounting issues in the courses, Ms. Meltzer said.

Most of the FRM curriculum has been adopted by GRMI, said Amy Geffen, director of professional development at RIMS.

The four compulsory and six elective courses that were offered in Canada are being offered under GRMI. Additionally, the Capstone exam has been added; students taking this exam must apply the theoretical principles learned in the core courses to practical situations.

Members currently studying in Canada will not have to take the Capstone exam if they complete the FRM before Dec. 31, 1999.

RIMS currently is funding the administration of the courses, but it is hoped that in the future, the fees paid to take the courses will provide sufficient funding, Ms. Geffen said. The fees include a \$50 application fee; a \$125 fee for the Capstone exam; a \$400 optional preparation course for the Capstone exam; a \$100 fee for the FRM certificate and pin; a \$50 annual institute GRMI membership fee; and the standard fees charged by universities.

RIMS decided to offer the FRM to help risk managers fulfill the more complex areas of their jobs, said Ms. McGraw of GRMI.

The ARM and CRM qualifications offer a good grounding in risk management, but as more risk managers look at areas such as alternative risk financing and the growing spectrum of defined corporate risks, a more advanced qualification is desired by risk managers, she said.

And the FRM focuses on risk management education, so brokers, insurers and other insurance-related managers would also benefit from the courses, Ms. McGill said.

"It is geared towards risk management education, not just education for risk managers," she said.

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Reforms

Continued from page 3

medicine, there are now waiting lists for certain elective and non-emergency treatments. Those who require such treatments are prioritized based on how urgent their need is.

At one time employers provided supplemental benefits solely to senior executives in the United Kingdom, but "there's been a strong trend to push supplemental benefits down to mid-level and below at some companies," said Mr. LaSorte.

In underdeveloped and developing countries, employers for some time have been providing supplemental benefits out of concern about the quality of government-funded benefits, according to John

Barton, a principal and global health care consultant at William M. Mercer Inc. in San Francisco.

Supplemental health benefits are becoming so popular that, when one well-known U.S. multinational in Latin America was experiencing layoffs, "the local nationals offered to work just for health benefits and no pay," he said, declining to identify the employer.

The reason most governments cannot afford to continue paying the high state benefits they have in the past is twofold, observers say.

First, as workers age, they are using more health care services. And, second, because of the declining birth rate following the baby boom, there are fewer workers available to pay for these services, which have traditionally been funded by payroll taxes.

"So this pay-as-you-go system

can't go on forever," Hewitt's Mr. LaSorte said.

By contrast, "the aging-population issue is less onerous for the United States because our govern-

'Hyperinflation is gone in Brazil, but health care is still going up 30% to 40% annually,' says Joseph LaSorte.

ment hasn't made these broad-based promises," he said.

In addition, other countries also are experiencing double-digit health care inflation similar to that experienced in the United States a decade ago.

"Raw underlying health care inflation is as high or higher in the U.K. as in the U.S.," Mr. LaSorte said.

The major contributors to rising health care costs in these countries are the increasing use of technology and pharmaceuticals, according to Mercer's Mr. Barton.

"They're trying to catch up to the quality of the U.S. health care system, and they're having to pay for it," he said.

Unfortunately for these countries, the way their health care systems are structured often encourages overutilization, Mr. Barton said.

For example, in Taiwan, "there's virtually nothing to discourage patients from seeing doctors whenever they want to. And doctors can bill the same amount whether they see the patient for two minutes or

20 minutes," Mr. Barton said.

U.S. employers—many of which are private—have been able to curb medical cost inflation and overutilization in this country somewhat through managed care. But it's much more difficult to introduce such radical changes in other countries, because "governments don't answer to shareholders, and the government is beholden to voters," Hewitt's Mr. LaSorte explained.

Employees in countries with socialized medicine have relied on the government to take care of their health care needs, he said. Most are unaccustomed to receiving health care through their employer.

In some countries, such as Brazil, where hyperinflation had been rampant for years, it wasn't until inflation in other sectors of the economy was under control that the rising cost of health care became apparent, Mr. LaSorte pointed out.

"Hyperinflation is gone in Brazil, but health care is still going up 30% to 40% annually," he said.

In some countries where privatization hasn't taken hold, governments are introducing reforms that closely resemble U.S.-style managed care.

"These countries see how inflation has slowed in U.S. health care and are beginning to follow our lead," said Laurene Graig, a consultant at Watson Wyatt Worldwide in Bethesda and the author of "Health of Nations: An International Perspective on U.S. Health Care Reform."

"They're looking to the U.S. and what we've done with managing care and adapting those strategies to their systems," she said.

"It's really a reaction to increasing cost," she explained. "They're facing the same cost pressures we do: increasing use of technology, the aging population and increasing demand."

For example, in Germany, where health care is funded through a payroll tax shared equally by employers and employees, the government has required the non-profit "sickness funds" that pay for health care to compete with each other since 1997. While the funds are required to provide a core package of benefits, they compete based on the level of supplemental benefits and the quality of service they provide, she explained.

This is very similar to the "managed competition" model employed by many large U.S. employers, such as the California Public Employee Retirement System, or CalPERS, according to Ms. Graig. Under managed competition, health plans are required to provide a uniform plan structure defined by the employer. Employees then choose from among several health plans based on their perceptions of quality. In some cases, employers publish report cards comparing the plans based on employee satisfaction surveys and how well they rate under HEDIS measurements. HEDIS, or Health Plan Employer Data & Information Set, was developed by the National Committee for Quality Assurance.

Health plans also are competing for members in Brazil, whose health care system "is very similar to the U.S.," according to Hewitt's Mr. LaSorte. "There is a government health program, but most of those who belong to it are unemployed and poor. Most of those who are employed get their health care through their employers and belong to 'networks' similar to HMOs and PPOs," he said.

Of the 43 countries in which
See Reforms on page 14

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CNA RE

Work/life

Continued from page 3

problem," said Kathy Hanna, senior consultant for Watson Wyatt Worldwide in Stamford, Conn.

As a result, those countries also lack the infrastructure of counselors and treatment centers for substance abuse problems. "So what you face in many instances is trying to build up those resources yourself," she said.

The lack of such an infrastructure often is a difficult obstacle to overcome in establishing other types of EAPs as well, Ms. Hanna said.

For instance, some developing countries have few mental health workers and counselors. To address this problem, employers are often asking U.S.-based EAPs to expand overseas and create networks in those countries, she noted.

Segal's Mr. Federico provided another cultural difference that could factor in a work/life program: Homes

in Europe often are smaller than homes in the United States, making it difficult for workers to set up a home office, said Mr. Federico. This might curtail employer efforts to establish a flexible work arrangement allowing employees to work from home.

Ultimately, an employer should use a dual strategy: programs should be based upon a fixed set of principles but allow flexibility in each country on how to achieve those principles, said Candice Lange, director of workforce partnering for pharmaceutical company Eli Lilly & Co. in Indianapolis. More than half of Lilly's 30,000 employees work outside the United States in more than 100 countries.

The company has certain core principles to which every office subscribes, Ms. Lange said. These include integrating work/life ap-

proaches into the company's business strategy and creating an atmosphere of trust between management and workers.

Under that philosophy, employees in each country are asked what sorts of programs would help them.

"Part of being a global company means the U.S. (operations) can't take their issues and graft them globally," she said.

The job of the U.S. benefits office is to coordinate the various worldwide benefits offices and act as a consultant to help them achieve their goals.

As a result, Lilly's work/family benefits vary for each country in which it operates. "For us to try to offer a single benefit package to address every country doesn't seem to be very feasible," she said.

Without a tailored plan for each country, benefits could be offered that will go unused or perhaps even

upset local nationals, consultants said.

In China, for example, family members care for their elderly parents. To offer elder care benefits to workers there will be useless as it won't be used. In fact, "it's almost an insult" to them, said Ms. Carre of the Radcliffe Public Policy Center.

In addition, in several European countries grandparents look after young children during the day. Therefore, employees won't use day care, and thus it is senseless for employers to offer it, Watson Wyatt's Ms. Hanna said.

But work/family benefits are not provided merely to make workers happy. Employers with these benefits are often seen as more desirable by employees, and this often translates into a superior and more loyal workforce.

So, the benefits can be tailored to

give the employer an advantage over competitors, Ms. Carre said.

She noted that Chinese workers prize health insurance, and an employer in China that provides such benefits can quickly become an employer of choice.

Benefit programs in other countries may take some time to establish properly.

If a benefit is not utilized at the outset, don't just drop it, Ms. Lange advised. The seeming lack of interest could be due to poor communication or marketing of the benefit to the workers.

At Eli Lilly, the U.S. headquarters helps the foreign offices communicate the benefit to the workers. But if employee interest still isn't there, the benefit possibly will be canceled. "What works in one country might not be acceptable in another," Ms. Lange said. **BI**

Reforms

Continued from page 12

Mr. LaSorte has traveled in recent years, "Brazil is the only country besides the U.S. that advertises health care on billboards," he said.

Governments with socialized medicine also are looking into the use of pharmacy benefit managers to control the rising cost of prescription drug use, according to Ms. Graig.

This effort, however, is meeting some resistance from the pharmaceutical industry, which perceives such moves as a threat, she said.

And "mail-order drugs are illegal in many countries," unlike in the United States, Ms. Graig explained.

Despite these obstacles, it appears that health care cost control strategies around the world are beginning to converge, Ms. Graig said.

While most countries likely will maintain their own government-based health care systems, these systems will begin to embrace many of the features of the United States' employer-based system, she said, such as managed competition, utilization review, case management and pharmacy benefit management.

And, conversely, the U.S. health care system is beginning to resemble those of its foreign counterparts as the government steps up regulation due to unfavorable sentiment, said Ms. Graig.

"If the backlash against managed care continues, we'll see more government regulation," she said.

It wouldn't be undesirable for the United States to adopt some elements of other countries' health care systems because "these systems are much more sophisticated than we give them credit for," she said.

"Germany, for example, is an employer-based system, but their insurance happens to be non-profit and highly regulated. And they solve the uninsured problem by mandating coverage and by spreading the cost across the entire population."

Mr. Barton views these developments in global health care from another angle:

"In a lot of places in the world, there's still enormous respect for American ingenuity. The health care inflation cure has been moderate here the past few years, and they want to know how we did it," he said.

But, at the same time, he said, "they've seen the dark side of managed care and are anxious to learn from our mistakes." **BI**

out of our minds™



BI annual directory of international benefit networks



AIG/Winterthur Alliance

American International Group Inc.,
Group Management Division,
80 Pine St., 13th Floor,
New York, N.Y. 10005;
212-770-2200; fax: 212-785-0687

Winterthur International
Gruzefedstrasse 41, P.O. Box 286
Winterthur, CH 8401, Switzerland;
41-52-261-5343; 41-52-261-5750

	1998	1997
Total premiums	\$844,750,000	\$679,800,000
U.S.	44%	46%
Non-U.S.	56%	54%
Pension funds	\$7,109,075,355	\$6,894,800,000
Employees	819	796
U.S.	97	97

Non-U.S.	721	699
Lives covered	1,100,000	1,015,000
Master contracts	321	321
Foreign countries	105	155
Offices	123	123

Formed: 1991.

Member companies: AFJP Prewinter/International Retiro, Argentina; AIA, Australia, China, Hong Kong, Indonesia, Korea, Malaysia, New Zealand, Singapore, South Korea, Thailand; AIA/Calvo's Insurance Underwriters, Guam; AIG Asigurari Romania S.A., Romania; AIG Life, Brazil, Israel, Puerto Rico, Russia, United Kingdom, Virgin Islands; AIG Life/A.I. Life/DelAm Life, United States; AIG Life Insurance Co. of Canada, Canada; AIG-Europe, Latvia; AIG, Ireland; AIRCO, Bermuda; AIU, American Samoa, Ecuador, Honduras, South Africa; ALG CO, Trinidad and Tobago; ALICO, Antigua, Argentina, Aruba, Bahrain, Bangladesh, Barbados, Belize, Curacao, Cyprus, Dominica, Egypt, France, Greece, Grenada, Japan, Jordan, Kenya, Kuwait, Lebanon, Oman, Pakistan, Palestine, Panama,

Portugal, Qatar, Saudi Arabia, Spain, St. Kitts, St. Lucia, St. Maarten, St. Vincent, Turkey, Uganda, United Arab Emirates, Uruguay; American Life & General Insurance Co., Dominican Republic; AMPLICO, Poland; Calvo's Insurance Underwriters, Saipan; CLICO, Suriname; Colmena, Colombia; Compagnie d'Assurance D'Haiti S.A., Haiti; El Pacifico Vida/El Pacifico Saude/Union AFP, Peru; Europeia/Winterthur, Portugal; Fedsure Norwich Life, South Africa; First American Czech Insurance Co. (AMCICO), Czech Republic; First American Hungarian Insurance Co. (AHICO), Hungary; First American Slovak Ins. Co. (AM-SLICO), Slovakia; The Freisenbruch-Meyer Group, Bermuda; Gjensidige, Norway; Global Life Assurance, Bahamas, Cayman Islands; Global Life Assurance (Life of Jamaica), Jamaica; Instituto Nacional de Seguros, Costa Rica; La Boliviana Ciacruz, Bolivia; La Interamericana/AFP Union, Chile; La Seguridad, Guatemala; MLC or Winterthur International for Accident, Australia; NALICO, Guyana; Nan Shan, Taiwan; New Ireland Assurance, Ireland; Se-

guros de Venezuela, Venezuela; Seguros Interamericana, Mexico; Tapiola, Finland; Tryg-Baltica or Winterthur International for Accident, Denmark; Union, El Salvador; Uzbek American Ins. Co., Uzbekistan; Winterthur, Austria, Belgium, Czech Republic, France, Germany, Hong Kong, Hungary, Indonesia, Italy, Japan, Liechtenstein, Luxembourg, Netherlands, Spain, Switzerland, United Kingdom.

Minimum requirements: Two countries, \$100,000 in annual premiums and 100 lives.

Business: 28% medical, 29% life, 5% accidental death, 3% short-term disability, 7% long-term disability, 28% other.

International dividends: stop-loss system, loss carry-forward system, loss carry-forward system with contingency fund.

Officers: Willi Suter, CEO-Winterthur International; Greg Arms, senior vp-AIG Life Cos./director-group management division; Albert Guntli, executive board member and head of employee benefits-Winterthur International; Lance Henderson, CEBS, deputy director-Multinational-World-

wide; Thomas M. Schmidt, CEBS, vp/head of U.S. IEBD; Winterthur International.

U.S. contact: Lance Henderson; 612-833-8415; Thomas M. Schmidt; 212-770-2574.

Aetna/Generali International Benefits

1 Liberty Plaza,
New York, N.Y. 10006;
212-602-7634; fax: 212-587-9539
www.generali.com; www.aetna.com

	1998	1997
Total premiums	\$350,000,000	\$320,000,000
U.S.	54%	56%
Non-U.S.	46%	44%
Pension funds	\$1,000,000,000	\$1,060,000,000
Employees	142	100
U.S.	37	35
Non-U.S.	105	65
Lives covered	470,000	450,000
Master contracts	156	150
Foreign countries	55	47
Offices	16	11

Formed: 1966.

Member companies: A/P Pension, Denmark; Aachener & Munchener Lebensversicherung, Germany; Aetna Chile Vida S.A., Chile; Aetna Health New Zealand Ltd., New Zealand; Aetna Inc., United States; Aetna Life, Philippines; Aetna Life Insurance Co. of America (ALICA), Taiwan; Aetna Universal Insurance Co., Malaysia; Aetna Vida S.A., Argentina; Ahorro Hondureno S.A., Honduras; Aseguradora General S.A., Guatemala; Asesuisa S.A., El Salvador; Assicurazioni Generali, Hong Kong; Assicurazioni Generali S.p.A., Italy, United Kingdom; Banco Vitalicio-La Estrella, Spain; Cia Internacional de Seguros de Vida S.A., Panama; Clerical Medical Investment Group, United Kingdom; Compagnie Nordafricaine et Intercontinentale d'Assurance, Morocco; East Asia Aetna/Blue Cross (Asia-Pacific) Insurance Co. Ltd., Hong Kong; Le Foyer, Cie luxembourgeoise d'Assurances, Luxembourg; Generala Asigurari, Romania; Generali-Allgemeine Lebensversicherung A.G., Austria; Generali Argentina, Argentina; Generali Belgium S.A., Belgium; Generali Colombia Vida S.A., Colombia; Generali do Brazil, Brazil; Generali France S.A., France; Generali Krankenversicherung A.G., Germany; Generali Levensverzekering Mij, Netherlands; Generali Life A.E., Greece; Generali Lloyd Lebensversicherung, Germany; Generali Mexico, Compania de Seguros S.A., Mexico; Generali Peru, Peru; Generali Pojistovna, Czech Republic, Slovakia; Generali Providencia, Hungary; Generali SKB, Slovenia; Generali Schweiz, Switzerland; Generali Sigorta A.S., Turkey; Generali Vida-Companhia De Seguros, Portugal; Generali Worldwide, United Kingdom; Gerling Polska, Poland; Gjensidige Livsforsikring, Norway; Insurance Corp. of Singapore, Singapore; Irish Life Assurance Co., Ireland; Kyobo Life Insurance Co. Ltd., South Korea; Lansforsakringar Wasa AB, Sweden; Migdal Insurance Co., Israel; Misr Insurance Co., Egypt; Mitsui Mutual Life Insurance Co., Japan; La Nacional, Cia de Seguros, Ecuador; PT Aetna Life Indonesia, Indonesia; Philiki Insurance, Cyprus; The Prudential Assurance Co. Ltd., Australia; The Prudential Assurance Co. New Zealand Ltd., New Zealand; Rossiya Insurance Co., Russia; Seguros Mercantil S.A., Venezuela; Seguros Monterrey Aetna S.A., Mexico; Siam Life Insurance Co. Ltd., Thailand; Standard General Insurance Co., South Africa; Tapiola Insurance Group, Finland.

Minimum requirements: One country for network business; two countries and 100 lives for international pooling.

Business: 23% medical, 24% life, 2% accidental death, 3% short-term disability, 10% long-term disability, 38% other.

International dividends: stop-loss system, loss carry-forward system.

Officers: Gianni Ban, executive vp-Generali USA; Elaine B. McDonald, vp-Aetna Global.

U.S. contact: Regional Managers: Doug Durdan, 860-872-7170; Dave Bryan, 312-441-3077.

All Net - Allianz International Benefits Network

Reinsburgstrasse 19,
Stuttgart, D-70178 Germany;
48-711-663-1900;
fax: 48-711-663-1901
www.allnet.allianz.de

	1998	1997
Total premiums	50,017,500	37,001,250
Non-U.S.	100%	100%
Employees		
Non-U.S.	18	8
Master contracts	77	26
Foreign countries	42	34
Offices	3	2

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Continued from previous page

Formed: 1996
Member companies: AGF Allianz Argentina, Argentina; MMI Insurance Group Ltd., Australia; Allianz Elementar Versicherungs AG, Austria; AGF Belgium, Belgium; AGF Allianz South America, Brazil; National Insurance Co. Berhad, Brunei; Allianz Bulgaria, Bulgaria; Sun Life of Canada, Canada; AGF Chile, Chile; Allianz Dazhong Life Insurance Co. Ltd., Allianz Cornhill (Hong Kong), China; Allianz Zagreb, Croatia; Societe Nationale d'Assurance, Cooperative Central Bank Ltd., Cyprus; Allianz Pojistovna A.S., Czech Republic; Tryg-Baltica Forsikring, Denmark; AGF, France; Allianz Lebensversicherung-AG, Vereinte Krankenversicherung, Germany; Biztosito Rt. Hungary; P.T. Asuransi Allianz Aken Life, Indonesia; Eagle Star Life Assurance Co. of Ireland Ltd., Ireland; Tryg-Baltica Forsikring, Isle of Man; Societe Nationale d'Assurance, Jordan; Allianz Subalpina, RAS, Italy; Meiji Life Insurance Co., Japan; Societe Nationale d'Assurance, Lebanon, Elvia Leban, Allianz Life Insurance, Liechtenstein; AGF Belgium, Tryg-Baltica Forsikring, Luxembourg; Allianz Mexico S.A. Compania de Seguros, Mexico; Societe Nationale d'Assurance, Morocco; Allianz Insurance of Namibia Ltd., Namibia; AEGON Nederland N.V., Netherlands; MMI Insurance Group Ltd., New Zealand; Gjensidige Livsforsikring, Norway; Pioneer Allianz Life, Philippines; MMI Insurance Group Ltd., Papua New Guinea; T.U. Allianz Polska S.A., Poland; Portugal Previdente Companhia de Seguros, Portugal; Ost West Allianz, Russia; Allianz Insurance Singapore Pte. Ltd., Keppel Insurance Pte. Ltd., Singapore; Allianz Poistovna a.s., Slovak Republic; Allianz Insurance Ltd., South Africa; AGF France Life Insurance Co., Ltd., First Life, South Korea; Allianz Compania de Seguros y Reaseguros S.A., Eurovida SA, Spain; Phenix Vie, Allianz Life Insurance Ltd., Berner Lebensversicherungs AG, ELVIA Leben, Switzerland; Allianz President Life, Fubon Life Insurance, Taiwan; The Navakij Insurance Public Co. Ltd., Thailand; MMI Insurance Group Ltd., Tonga; Societe Nationale d'Assurance, Tunisia; Koc Allianz Hayat Sigorta, Turkey; Cornhill Insurance P.L.C., United Kingdom; Allianz Life Insurance Co. of North America; United States; Adriatica de Seguros C.A., Venezuela.

Minimum requirements: Two countries, 25 to 500 employees, risk premium of 10,000 euros
Business: 17% medical, 30% life, 5% accidental death, 16% long-term disability, 32% other.

International dividends: stop-loss system, loss carry-forward system.

Officers: Peter Eyre, head of All Net; Markus Mende, United Kingdom, manager/risk officer; Livio Mocenigo, Southern European director; Rudiger Blaich, Germany/Central European director; Ralf Kania, Northern European director.



Gerling Pooling Instrument

Probsteingasse 12-18,
 Cologne, 50937 Germany;
 49-221-144-5183;
 fax: 49-221-144-5256
www.gerling.de

	1998	1997
Total premiums	\$30,000,000	\$23,000,000
International premiums	\$16,000,000	\$14,000,000
U.S.	15%	11%
Non-U.S.	85%	89%
Employees	23	22
U.S.	4	5
Non-U.S.	19	17
Lives covered	33,000	30,000
Master contracts	31	28
Foreign countries	48	43

Formed: 1982.

Member companies: Gerling Pooling Instrument is used to set up individual pools for multinational organizations.

Minimum requirements: 250 lives and two countries.

Business: 9% medical, 27% life, 18% accidental death, 5% short-term disability, 20% long-term disability, 21% other.

International dividends: stop-loss system, loss carry-forward system, loss carry-forward system with contingency fund.

Officers: Michael Ehlers, deputy managing director; Heine R. Salmen, director; Christiane Liptau-Nohl, senior consultant; Bianca Meissner, Marcus Mueller, consultants.



Insurope

27 Ave. des Arts,
 Brussels, 1040 Belgium;
 32-2-286-5060; fax: 32-2-286-5070
www.insurope.com

	1998	1997
Employees	22	19
U.S.	7	6
Non-U.S.	15	13
Foreign countries	67	66
Offices	6	5

Formed: 1966

Member companies: Le Buenos Aires-New York Life Vida, Docthus, Argentina; AXA Australia, Australia; Bundeslander, Austria; Barbados Mutual Life, Barbados; AG 1824, Belgium; HSBC Seguros, Brazil; Standard Life, Canada; CIGNA Chile, Chile; Manulife, Hong Kong, China; Universal Life, Cyprus, CRP, Czech Republic; Dancia, Denmark; BICO, Estonia; Varma Sampo, Finland; Aite Leiziger, Germany; Universal Life, Greece; Nordben, Guernsey, Europa-Gan Biztosito, Hungary, Jiwassray, Indonesia; Standard Life, Ireland; La Fondiaria, Italy; Asahi Mutual, Nippon Dental, Japan; Rigas, Latvia; Drauda, Lithuania; Baloise Life, Liechtenstein; Fortis-Luxembourg Assurances, Luxembourg; Great Eastern, Malaysia; Grupo National Provincial, Mexico; GAN, Monaco; Delta Lloyd, Netherlands; National Mutual, New Zealand; Storebrand, Norway; El Pacifico-Peruano Suiza, Peru; Philippine Life, Philippines; Commercial Union Poland, Poland; Tranquillade, Portugal; Great Eastern, Singapore; Otci-na, Slovakia; Senlam, South Africa; Dong Ah, Korea; Espana, Spain; SPP, Sweden; Baloise Life, Switzerland; China Life, Taiwan; Siam Commercial Life, Thailand; Basak Sigorta, Turkey; Canada Life, Bupa, United Kingdom, UnumProvident, Prudential Insurance, United States.

Minimum requirements: two countries providing group contracts for multiple employer pool, two countries and 100 lives for client-specific pool.

International dividends: stop-loss system, loss carry-forward system.

Officers: Jim Wallace, network manager; Hugh Gallagher, network sales director; Danny Saelen, network actuary marketing.

U.S. contact: Jerry Hampton, managing director-U.S. operations, 203-854-9144.



John Hancock International Group Program

P.O. Box 111, John Hancock Place,
 Boston, Mass. 02117;
 617-572-8677; fax: 617-572-8628
www.igpinfo.com

Formed: 1967.

Continued on page 18

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The *Business Insurance* Directory of International Benefit Networks lists networks that responded to a *BI* questionnaire. The directory is published as an editorial service; there is no charge to be included.

Listings begin with the name of the network and its address, phone and fax numbers. If supplied by the network, the following financial and operational information for 1998 and 1997 is provided: **total and international gross premiums** in U.S. dollars (includes medical, life, accidental death and short- and long-term disability insurance) and the percentage generated by foreign operations of **U.S. employers** vs. that by **non-U.S. employers**; funds under management for foreign pension plans of network clients; total network **employees**, including those in **U.S.** and **non-U.S.** locations; and number of foreign **lives covered**. Also, the number of **master contracts**, the number of **foreign countries** represented and the number of actual network **offices** are given.

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

ists.

Also provided are: the year the network was **formed**, names of **member companies** or affiliates participating in the network and **minimum requirements** for employers' participation in the network. A percentage breakdown of business the network conducts is provided, as are the methods by which the network handles worldwide losses in determining **international dividends**.

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

This year, for the first time, the geographical index will be available from the *BI* Web site at www.businessinsurance.com/magazine/directories.html. The index includes the networks' name under each country in which it has branch offices, subsidiaries or affiliated companies participating in the network. Please refer to individual listings for the specific names of the office or member company in a particular country.

Although every effort is made to publish complete and accurate information, *BI* is unable to verify all data received.

All figures appearing in the directory have been converted to U.S. dollars at applicable exchange rates: German mark \$0.570 (FYE 12/31/98); \$0.575 (FTE 12/31/97).

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william.jewett@zurichre.com
Website:
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ZURICH RE

Continued from page 16

Member companies: AB-AEGON Altalanos Biztosito Rt., Hungary; AG 1824, Belgium; AMEV Levensverzekering, Netherlands; AMP Life Ltd., Australia, New Zealand; AXA China Region Insurance Co. Ltd., Hong Kong; AXA Collectives, France; Aetna Universal Insurance Berhad, Malaysia; Aetna Vida S.A., Argentina; Ceska pojistovna a.s., Czech Republic, Slovak Republic; Compania de Seguros, PALIC S.A., Dominican Republic; Consorcio Nacional de Seguros S.A., Chile; The Dai-ichi Mutual Life Insurance Co., Japan; The ETHNIKI Hellenic General Insurance Co., Greece; Fortis Benefits Insurance Co., United States; Fortis Luxembourg Assurances, Luxembourg; Halk Yasam Sigorta A.S., Turkey; Ingosstrakh Insurance Co., Russia; The Insular Life Assurance Co. Ltd., Philippines; The Insurance Corp. of Singapore Ltd., Singapore; Irish Life Assurance P.L.C., Ireland; John Hancock Mutual Life Insurance Co., United States; Maritime Life Assurance Co., Canada; The Muang Thai Life Assurance Co. Ltd., Thailand; The Old Mutual Life Assurance Co. Ltd., South Africa; PFA Pension, Denmark; PPP Healthcare, United Kingdom; P.T. Asuransi Jiwa Bumiputera John Hancock, Indonesia; Pan American de

Colombia, Compania de Seguros de Vida S.A., Colombia; Fan American Life Insurance Co., Central America, Ecuador, Puerto Rico; Pictet & Cie, Switzerland; Royal & Sun Alliance Life & Pension, United Kingdom; Sampo Life Insurance Co. Ltd., Finland; Samsung Life Insurance Co. Ltd., Korea; Seguros La Seguridad C.A., Venezuela; Seguros Monterrey Aetna S.A. Grupo Financiero Bancomer, Mexico; Shin Kong Life Insurance Co. Ltd., Sud America Vida y Pensiones, Spain; Taiwan; La Suisse, Societa Assicuratrice Industriale S.p.A., Italy; Societe d'Assurances sur la Vie, Switzerland; Storebrand Livsforsikring AS, Norway; Sud America Aetna Seguros e Previdencia S.A., Brazil; VICTORIA Lebensversicherung A.G., Germany; VICTORIA-Seguros S.A., Portugal; VICTORIA-VOLKSBANKEN versicherungs-A.G., Austria; WARTA VITA Life Assurance Co. Ltd., Poland.

Minimum requirements: Any group insurance and/or pension contract is eligible to participate, as long as the minimum local underwriting guidelines for a group contract have been satisfied.

U.S. contact: Gerald de F. Pangaro, second vp, 617-572-8677.

M

MAXIS Employee Benefits Network

Boulevard du Souverain 25,
Brussels, 1170 Belgium;
32-2-678-8915; fax: 32-2-678-8919

	1998	1997
Employees		
U.S.	3	NA
Non-U.S.	10	NA
Foreign countries	60	NA
Offices	3	NA

Formed: 1998.

Member companies: AXA Seguros S.A., Metropolitan Life Seguros de Vida, DS, Argentina; AXA Group Insurance, Australia; AXA Nordstern Colonia, Austria; AXA Royale Belge, Belgium; UAP Seguros Brazil, Metropolitan Life Seguros a Previdencia Privada, Brazil; AXA Assurance, Burkina Faso; Compagnie Camerounaise d'Assurances et de Reassurance, Cameroon; Clarica, Canada; AXA Sun Life, Channel Islands; AXA Seguros, Chile; AXA Mimmetals Assurance,

AXA China Region Insurance Co. Ltd., AXA Insurance Hong Kong, China; Codan Pension, Denmark; General de Seguros, Dominican Republic; AXA Collectives, France; AXA Vie Gabon, AXA Assurances Gabon, Gabon; AXA Colonia Lebensversicherung A.G., Germany; Interamerican Hellenic Life Insurance; Greece; AXA Caraibes, Guadeloupe; Union Guineenne d'Assurances et de Reassurances, Guinea; UAP Caraibes, Guyana; AXA Colonia Biztosito, Hungary; New Ireland Holdings Ireland; AXA Axxicuzioni, Italy; AXA Vie, AXA Assurances, Ivory Coast; Meiji Life Insurance Co., Japan; UAP Provincial Insurance Co., Kenya; Societe Libano-Francaise d'Assurances et de Reassurance (S.L.F.), Lebanon; AXA Luxembourg, Luxembourg; SIME AXA Assurance Berhad, Malaysia; UAF Caraibes, Martinique; Seguros Geresis, Mexico; AXA Al Amane, Morocco; AXA Zorg, AXA Leven, Netherlands; UAP Nouvelle-Caledonie, New Caledonia; AXA New Zealand, New Zealand; Union Generale des Assurance du Niger, Niger; Gjensidige Forsikring, Norway; ASSA Compania de Seguros, Panama; Philippine AXA Life, Philippines; Delegation AXA Assurances, Polynesia; AXA Seguros Portugal,

Portugal; UAP Vie la Reunion, Reunion Island; AXA Insurance E.C., Saudi Arabia; AXA Assurances, CSAR Vie, Senegal; AXA Life Co., AXA Insurance Singapore, Singapore; Dongbu AXA Life, South Korea; AXA Aurora, Seguros Genesis, Spain; UAP Sverige, Sweden; AXA Assurances, Switzerland; Metropolitan Insurance & Annuity Co., Taiwan; Krungthai AXA Life Insurance, Thailand; AXA Assurances, Togo; Astee S.A., Tunisia; AXA OYAK, Turkey; UAP, Oman Insurance Co., United Arab Emirates; AXA Sun Life, United Kingdom; Metropolitan Life Insurance Co., United States; AXA Vietnam, Vietnam.

Minimum requirements: 25 lives, two countries and \$10,000 in premium.

International dividends: stop-loss system, loss carry-forward system, loss carry-forward system with contingency fund.

Officers: Gerard Meneroud, chairman-executive board, AXA Courtage-Collectives; Ian Solomon, vp/actuary; Hugo Clemeur, secretary general-MAXIS Employee Benefit Network.

U.S. contact: Hilary Nork, 212-578-7994.

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BI directory of international property/casualty insurers

A

AIU

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	1998*	1997*
Total premiums	\$7,367,000,000	\$6,756,000,000
Int'l premiums	\$7,367,000,000	\$6,756,000,000
Offices:		
Claims	170	167
Underwriting	276	290
Employees	11,007	10,557
U.S.	1,035	853
Non-U.S.	9,972	9,704
Countries	76	78
Owned foreign offices	73	72
Combined ratio	88.6%	87.8%

*Fiscal years end 11/30/97 and 11/30/98.

Founded: 1919.

Parent: American International Group Inc.
Services: captive services, loss services for all major lines, retrospectively rated programs, statistics in support of international programs for all major lines.

Licensed or accepted insurer in: Argentina, Australia, Austria, Bahrain, Belgium, Bermuda, Brazil, Bulgaria, Canada, Chile, Colombia, Cyprus, Czech Republic, Denmark, Ecuador, El Salvador, Finland, France, Germany, Greece, Guam, Guatemala, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kazakhstan, Kenya, Korea, Latvia, Luxembourg, Macau, Malaysia, Malta, Mexico, Netherlands, Netherlands Antilles, New Zealand, Norway, Pakistan, Panama, Papua New Guinea, Paraguay, Philippines, Poland, Portugal, Puerto Rico, Romania, Russia, Saipan, Saudi Arabia, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Turkey, Uganda, United Kingdom, Uruguay, Uzbekistan, Venezuela and Zimbabwe.

Affiliates/fronting arrangements in: Bolivia,

Egypt, Estonia, Lithuania, Nigeria and Peru.

Officers: Robert Sandler, chairman; Martin Sullivan, president; Hamilton Da Silva, executive vp; Peter Aiena, senior vp-claims; Nicholas Tyler, senior vp-finance.

U.S. contact: Edward Cloonan, vp-external affairs; 212-770-6114.

Allianz AG

Koniginstrasse, 28,
Munich, 80802 Germany;
49-89-38-000; fax: 49-89-3800-6631
www.allianz.com

	1998	1997
Total premiums*	\$33,801,000,000	\$27,772,500,000
Int'l premiums*	\$21,831,000,000	\$18,227,500,000
U.S.	19%	23.3%
Non-U.S.	81%	76.7%
Offices:		
Claims	93	88
Underwriting	93	88
Employees		
U.S.	10,000	9,000

	57,000	28,000
Non-U.S. Countries	75	74
Owned foreign offices	45	43
Combined ratio	100.8%	99.4%

*Converted at applicable exchange rates.

Founded: 1973.

Specialties: personal lines, commercial lines, corporate clients-business, property/casualty, life and health, marine, aviation, transport, infrastructure projects, bonds, credit insurance, employee benefits.

Services: captive services, loss services for all property/casualty lines, retrospectively rated programs, statistics in support of international programs for property, casualty, marine, aviation, transport.

Licensed or accepted insurer in: Argentina, Australia, Austria, Brazil, Belgium, Bulgaria, Burkina Faso, Canada, Cameroon, Central African Republic, Chile, Czech Republic, Denmark, France, Gabon, Greece, Great Britain, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Poland, Portugal,

Russia, Senegal, Singapore, Slovakia, South Africa, Spain, Switzerland, Sweden, Taiwan, Turkey, United States, Venezuela and Vietnam.

Affiliates/fronting arrangements in: Algeria, Armenia, Azerbaijan, Bahamas, Bahrain, Barbados, Belarus, Benin, Bermuda, Chad, Colombia, Congo, Costa Rica, Cyprus, Dominican Republic, Ecuador, El Salvador, Equatorial Guinea, Fiji, Finland, Georgia, Ghana, Guatemala, Honduras, Iceland, Iran, Iraq, Israel, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Kyrgyzstan, Lebanon, Libya, Madagascar, Mali, Malta, Mauritius, Mongolia, Morocco, Myanmar, Nepal, Niger, Nigeria, North Korea, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Puerto Rico, Qatar, Romania, Saudi Arabia, Slovenia, Sri Lanka, Sudan, Syria, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Ukraine, Uruguay, Uzbekistan, Virgin Islands and Zaire.

Officers: Henning Schulte-Noelle, chairman; Diethard Breipohl, CFO; Detlev Bremkamp, Europe, Near East, Africa, reinsurance; Reiner Hagemann, property and casualty insurance, Germany, personnel director; Herbert Hansmeyer, North and South America; Gerhard Rupprecht, life and health insurance, Germany; Michael Diekmann, Asia-Pacific; Helmut Periet, controlling/accounting/tax.

U.S. contact: Reiner P. Braun, AIC Burbank; rbraun@aic-allianz.com.

C

CGU P.L.C.

St. Helen's 1 Undershaft,
London, EC3P 3DQ England;
44-171-283-2000;
fax: 44-171-662-8182
www.cguplc.com/group

	1998	1997
Total premiums*	\$15,945,311,000	\$15,580,656,000
Int'l premiums*	\$10,594,858,000	\$10,309,572,000
U.S.	42%	41%
Non-U.S.	58%	59%
Employees	24,236	24,800
U.S.	8,131	8,300
Non-U.S.	16,105	16,500
Combined ratio	108%	104%

*Converted at applicable exchange rates.

Founded: 1870.

Specialties: marine.

Services: captive services, loss services.

Licensed or accepted insurer in: Main operations in Australia, Canada, France, Netherlands, New Zealand and the United States. Also operates in a number of countries in Asia and Europe.

Officers: Bob Scott, CFO; Tony Wyand, deputy CFO; Peter Foster, group finance director; Philip Twyman, Peter Ward, executive directors.

U.S. contact: Bob Gowdy, president/CEO-U.S. operations, 617-725-6000.

The Chubb Group of Insurance Cos.

15 Mountain View Road,
Warren, N.J. 07059;
908-903-2000; fax: 908-903-3134
www.chubb.com

	1998	1997
Total premiums	\$5,503,500,000	\$5,448,041,000
Int'l premiums	\$1,130,359,818	\$844,108,000
U.S.	15%	15%
Non-U.S.	85%	85%
Offices:		
Claims	40	40
Underwriting	61	61
U.S.	160	146
Non-U.S.	2,010	1,993
Countries	32	32
Owned foreign offices	30	30

Founded: 1960.

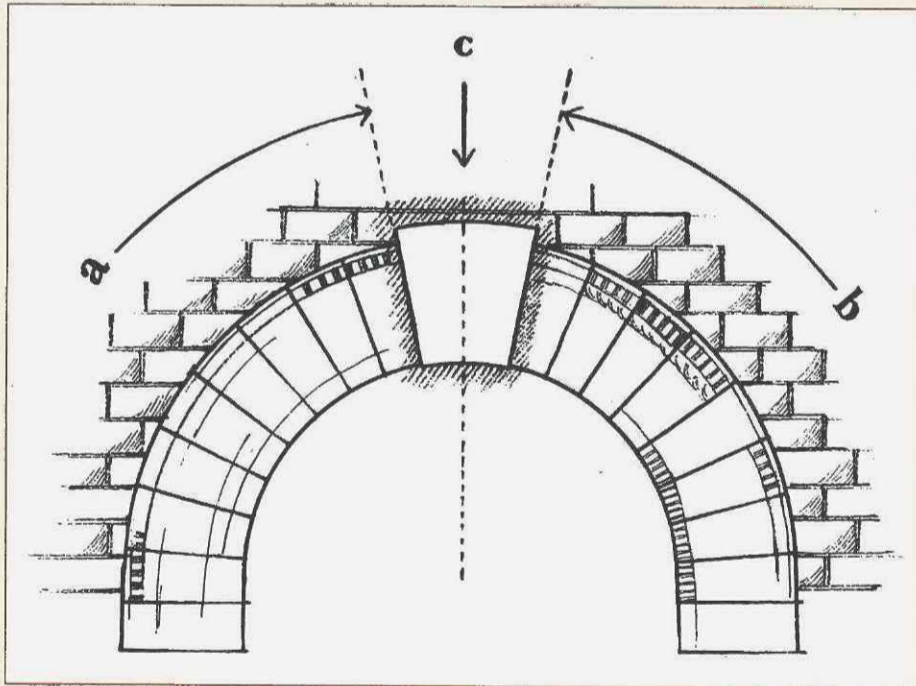
Specialties: property, general liability, directors & officers liability, inland & ocean marine, boiler & machinery, travel accident.

Services: captive services, loss services for property, general liability, inland & ocean marine, boiler & machinery, retrospectively rated programs.

Licensed or accepted insurer in: Argentina, Australia, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Denmark, France, Germany, Greece, Hong Kong, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Portugal, Puerto Rico, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, United States and Venezuela.

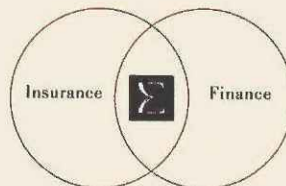
Affiliates/fronting arrangements in: Antigua, Bahamas, Bahrain, Barbados, Bermuda, Bolivia, Botswana, Bulgaria, China, Congo, Croatia, Czech Republic, Dominican Republic, Ecuador, Egypt, El Salvador, Estonia, Finland, Greece,

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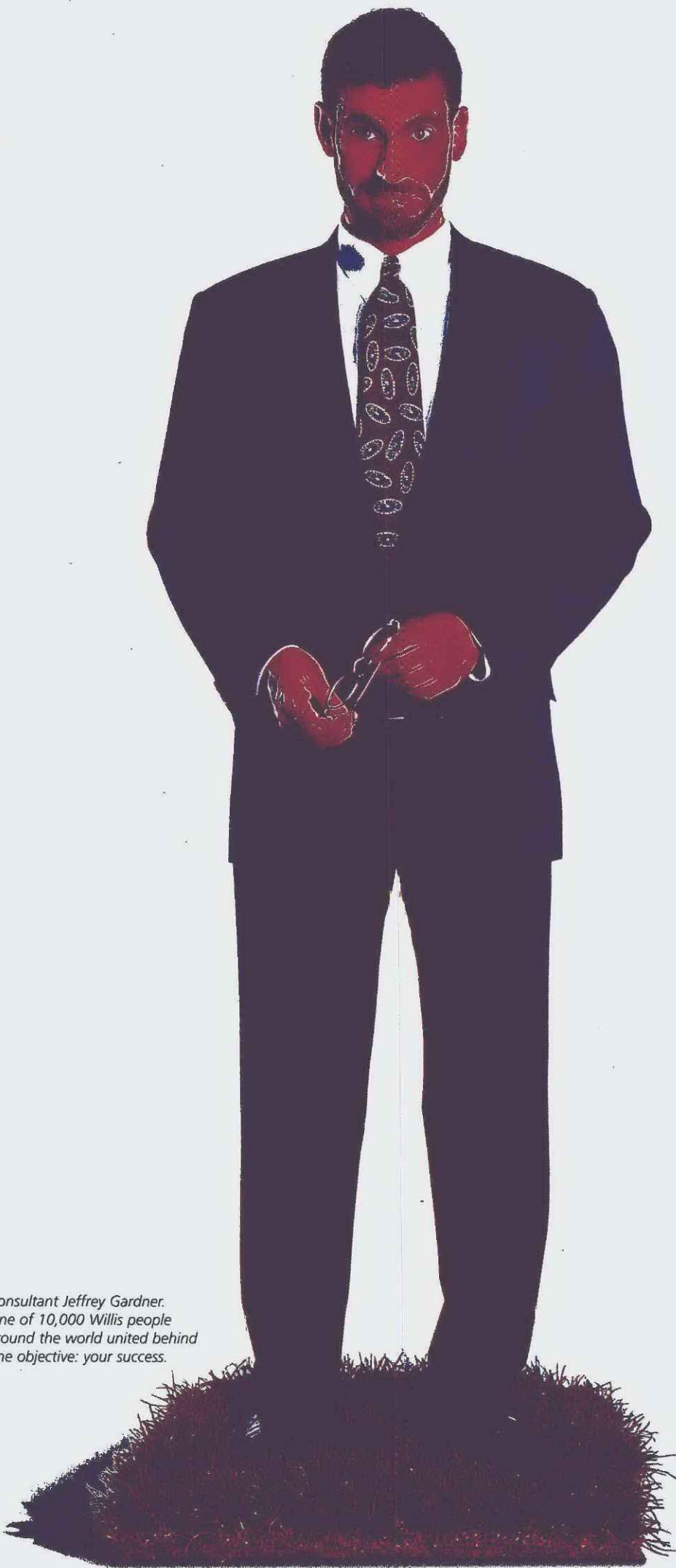


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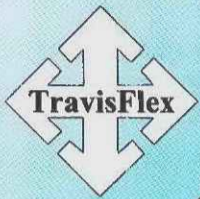
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Continued from page 20

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Officers: Dean R. O'Hare, chairman; John J. Degnan, president; Thomas F. Motamed, executive vp/COO; David B. Kelso, executive vp/CFO; Charles M. Luchs, executive vp/chief underwriting officer.

U.S. contact: Donna J. Lovre, public relations manager.

CNA Global

CNA Plaza,
Chicago, Ill. 60685;
312-822-5815; fax: 312-755-5135
www.cna.com

	1998	1997
Total premiums	\$203,792,000	\$260,000,000
Int'l premiums	\$177,884,000	\$138,088,000
Offices:		
Claims	10	7
Underwriting	11	8
Employees	478	262
U.S.	112	129
Non-U.S.	366	133
Countries	50	48
Owned foreign offices	9	6
Founded:	1964.	

Specialties: property, liability, workers compensation, political risk, marine, professional liability, D&O, fidelity, warranty, accident/health.

Services: captive services, loss services for property, liability, workers comp, marine, retrospectively rated programs, statistics in support of international programs (availability depends on size of account).

Licensed or accepted insurer in: Argentina, Australia, Canada, Denmark, France, Germany, Guam, Hong Kong, Netherlands, United Kingdom and the United States.

Affiliates/fronting arrangements in: Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Ecuador, Egypt, Finland, France, Germany, Gibraltar, Greece, Guam, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Lebanon, Malaysia, Mexico, Netherlands, New Zealand, Norway, Panama, Peru, Philippines, Poland, Portugal, Puerto Rico, Russia, Saudi Arabia, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Arab Emirates, United Kingdom and Venezuela.

Officers: Bernard Hengesbaugh, chairman/ chief executive officer-CNA Financial Corp.; Philip L. Engel, president-CNA; Jonathan D. Kantor, senior vp/general counsel/secretary; Robert V. Deutsch, chief financial officer; Gary Owcar, pres-

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Directory terms explained

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

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

If provided by the insurer, financial and operational information for 1998 and 1997 is listed, including **total gross premiums** and **international premiums**. Premiums (in U.S. dollars) are for property and casualty risks. In addition, the percentage of premium derived from coverage of the foreign operations of U.S. employers vs. foreign operations of non-U.S. employers is indicated. Also provided are the number of foreign **claims** and **underwriting** offices; the number of **employees** involved in foreign property/casualty services, including a breakdown by U.S. and non U.S. locations; and the number of foreign **countries** in which the insurer writes business. **Owned foreign offices** indicates the number of countries in which the insurer has 51% or more ownership of an office. The insurer's **combined ratio** for foreign business also is listed.

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

Listed next is the year **founded**, followed by the insurer's **parent** company. Risks in which the company specializes are noted under **specialties**. Any **services** related to international business are also listed.

Countries in which the company is a **licensed or accepted insurer** and those in which it operates through **affiliates/fronting arrangements** are listed next. If individual company or office names were provided for each country, the names are included in the listing only if significantly different from that of the parent. Finally, names and titles of the principal **officers** and a U.S.-based **contact** person complete each listing.

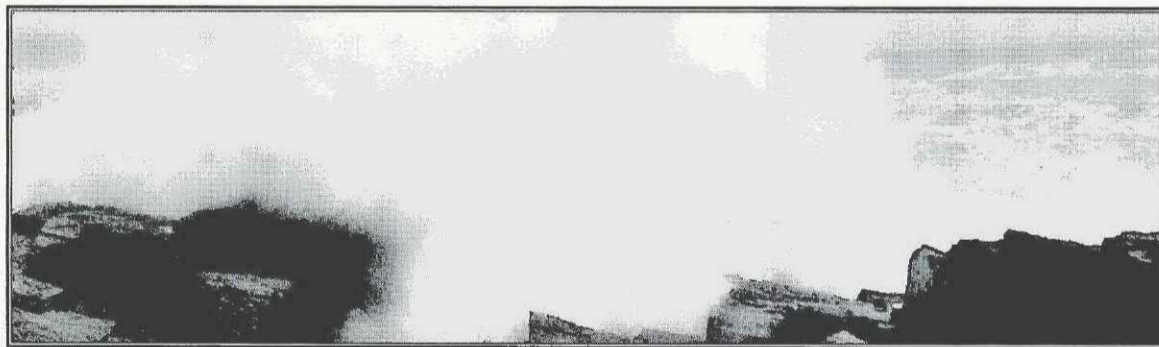
This year, for the first time, the geographical index will be available at the BI Web site at www.businessinsurance.com/magazine/directories.html.

The index, which is organized by country name, lists all of the property/casualty insurers that operate in each country. The names of the companies used in fronting agreements are also listed.

Although every effort is made to obtain complete and accurate information BI is unable to verify all information.

All figures are listed in U.S. dollars. Exchange rates used in the directory are: British pound=\$1.657 (FYE 12/31/98), \$1.638 (FYE 12/31/97); German mark=\$0.570 (FYE 12/31/98), \$0.575 (FYE 12/31/97); Italian lire=\$0.0006 (FYE 12/31/98), \$0.0006 (FYE 12/31/97); Swiss franc=\$0.690 (FYE 12/31/98), \$0.689 (FYE 12/31/97).

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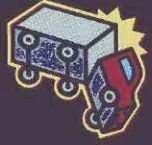
- Employer Stop Loss
- Health Care Provider Stop Loss
- HMO Reinsurance
- Group Life
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FM Global

Continued from page 22
ident/COO-global operations.
U.S. contact: Tanja Maffei; 312-817-2351.



FM Global*
P.O. Box 7500,
Johnston, R.I. 02919;
401-275-3000; fax: 401-275-3029
www.fmglobal.com

	1998	1997
Total premiums	\$1,389,000,000	NA
Int'l premiums	\$354,000,000	NA
U.S.	45%	NA
Non-U.S.	55%	NA
Offices:		
Claims	6	NA
Underwriting	2	NA
Employees	603	NA
U.S.	3	NA
Non-U.S.	600	NA
Countries	65	NA
Owned foreign offices	8	NA

Combined ratio **135.6%** NA
Founded: 1963.
Parent: Factory Mutual Insurance Co.
Specialties: commercial, industrial and institutional property.
Services: captive services, loss services for commercial, industrial and institutional property, retrospectively rated programs, statistics in support of international programs for commercial, industrial and institutional property.
Licensed or accepted insurer in: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.
Affiliates/fronting arrangements in: Argentina, Austria, Bahamas, Bahrain, Belgium, Bolivia, Brazil, Brunei, Chile, China, Colombia, Croatia, Czech Republic, Denmark, Djibouti, Dominican Republic, Ecuador, El Salvador, Egypt, Finland, France, Germany, Greece, Guatemala, Haiti, Honduras, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kuwait, Luxembourg, Malaysia, Morocco, Netherlands, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Tai-

wan, Thailand, Tunisia, Turkey, United Arab Emirates, United Kingdom, Uruguay, Venezuela, Vietnam and Yemen.
Officers: Kenneth Davey, senior vp-Europe; Peter Bollemann, vp/Germany operations manager; Ron Davis, vp/France operations manager; Dennis Hedden, vp-Asia/Pacific.
U.S. contact: Michael Turner, vp.
**FM Global was formed by the merger of Allendale Mutual Insurance Co., Arkwright Mutual Insurance Co. and Protection Mutual Insurance Co.*



Assicurazioni Generali S.p.A.
Piazza Duca Degli Abruzzi 2,
Trieste, Italy;
39-040-671111; fax: 39-040-671600
www.generali.com

	1998	1997
Total premiums*	\$15,491,292,000	\$11,214,025,800
Int'l premiums*	\$12,656,199,000	\$8,614,297,000

*Converted at applicable exchange rates.
Founded: 1831.
Specialties: all classes, for mass as well as

large risks, including space and aviation. Package policies for corporate clients.
Services: captive services, loss services for property (industrial and technological risks), retrospectively rated programs, statistics in support of international programs for property & auto (multinational accounts, industrial and technological risks).
Licensed or accepted insurer in: Argentina, Austria, Belgium, Brazil, Canada, Colombia, Czech Republic, Denmark, France, Germany, Ireland, Israel, Malta, Mexico, Netherlands, Panama, Peru, Philippines, Portugal, Singapore, Slovakia, Slovenia, Spain, United Arab Emirates, United Kingdom and the United States.
Affiliates/fronting arrangements in: Finland, Russia and the United States.
Officers: Alfonso Desiata, president; Gianfranco Guty, vp/managing director; Fabio Cerchiai, managing director; Benito Rocco, general manager; Benito Pagnanelli, deputy general manager.
U.S. contact: Riccardo Nicolini, CEO-Assicu-

razioni Generali U.S. branch; 212-602-7600; Riccardo_Nicolini@GeneraliUSA.com.

Gerling Insurance Group
Gereonshof,
Cologne, 50597 Germany;
49-221-1441; fax: 49-221-3319

	1998	1997
Int'l premiums*	\$998,070,000	\$952,200,000
Offices:		
Claims	135	114
Employees	10	9
Countries	35	33
Owned foreign offices	35	32

*Converted at applicable exchange rates.
Founded: 1955.
Parent: Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft.
Specialties: industrial and commercial risks.
Services: captive services, loss services, retrospectively rated programs, statistics in support of international programs.
Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Brazil, Barbados, Canada, China, Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Hungary,
Continued on next page

The directory begins on page 20.

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*Rose diamond necklace with mysteriously set ruby and diamond brooch and ear clips courtesy of Van Cleef & Arpels.

Continued from previous page

Israel, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Singapore, Slovakia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, United Kingdom and the United States.

Affiliates/fronting arrangements in: Brazil and Luxembourg.

Officers: Peter Q. Noack, president/CEO; Hermann Jorissen, chairman; Bjorn Jaňšli and Jürgen Zech, directors.

U.S. contact: Peter Noack, president-Gerling America Insurance Co., 717 Fifth Ave. 14th Floor, New York, N.Y. 10022; 212-319-5626.



Reliance National Insurance Co.

77 Water St.,
New York, N.Y. 10005;
212-858-3600; fax: 212-858-6595
www.reliance-national.com

	1998	1997
Total premiums	\$466,159,000	\$340,111,000
Int'l premiums	\$395,528,241	\$290,240,000
U.S.	15.1%	14.7%
Non-U.S.	84.9%	85.3%
Offices:		
Claims	24	20
Underwriting	24	20
Employees	406	323
U.S.	46	48
Non-U.S.	360	275
Countries	126	125
Owned foreign offices	15	14
Combined ratio	109%	101%

Founded: 1990.
Parent: Reliance Insurance Co.
Specialties: financial products, professional indemnity, excess property, excess casualty, general liability, marine, accident and health, aviation, medical malpractice, contingency.
Services: captive services, loss services, retrospectively rated programs.
Licensed or accepted insurer in: Argentina, Canada, China, Germany, Malaysia, Mexico, Netherlands, Norway, Singapore, Spain, Sweden, Switzerland, South Africa, South Korea and the United Kingdom.
Affiliates/fronting arrangements in: Brazil,

Chile, China, Czech Republic, El Salvador, Germany, Guatemala, Indonesia, Portugal and Ukraine.

Officers: International division: Joseph A. Graziano, president, William J. Parisi, senior vp; Anthony A. Perez, first vp.

Royal & SunAlliance Insurance Group P.L.C.

30 Berkeley Square,
London, W1X 5HA England;
44-171-636-3450;
fax: 44-171-626-3451
www.royal-and-sunalliance.com

	1998	1997
Total premiums*	\$11,378,619,000	\$10,866,492,000
Int'l premiums*	\$5,822,698,000	\$5,436,522,000
U.S.	26%	26%
Non-U.S.	74%	74%
Employees	14,500	14,700
U.S.	3,200	3,400
Non-U.S.	11,300	11,300
Countries	132	132
Owned foreign offices	55	55

*Converted at applicable exchange rates.

Founded: 1710.
Services: captive services, loss services for all

lines, retrospectively rated programs, statistics in support of international programs.

Licensed or accepted insurer in: Austria, Bahamas, Barbados, Bermuda, Canada, Channel Islands, Chile, China, Hong Kong, Indonesia, Isle of Man, Italy, Kenya, Malaysia, Puerto Rico, Spain, United Kingdom, United States, Uruguay and Venezuela.

Affiliates/fronting arrangements in: Antigua, Argentina, Australia, Bahamas, Barbados, Belgium, Bolivia, Brazil, Brunei, Canada, Chile, China, Colombia, Curacao, Cyprus, Czech Republic, Denmark, Dominica, Dubai, Ecuador, Egypt, Estonia, Falkland Islands, Fiji, Finland, France, Germany, Gibraltar, Greece, Greenland, Grenada, Guadeloupe, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Ivory Coast, Jamaica, Japan, Latvia, Luxembourg, Macau, Malawi, Malta, Martinique, Mauritius, Mexico, Montserrat, Morocco, Namibia, Netherlands, Netherlands Antilles, New Caledonia, New Zealand, Nigeria, Norway, Oman, Pakistan, Peru, Philippines, Poland, Portugal, Puerto Rico, Russia, St. Helena, St. Lucia, St. Vincent, Saudi Arabia, Senegal, Singapore, Slovakia, South Africa, South Korea, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Turkey, Turks and Caicos, United Arab Emirates, United King-

dom, United States, Uruguay, Venezuela, Vietnam, Virgin Islands and Zimbabwe.

Officers: R.V. Mendelsohn, group chief executive; Paul Spencer, chief executive-United Kingdom; Julian Hance, group finance director; Arthur Hayes, group director-investment and financial services; Rob Gunn, president/CEO-Royal & SunAlliance Insurance Canada.

U.S. contact: Larry Gowen, treasurer; 704-522-2632.



The St. Paul Group

385 Washington St.,
St. Paul, Minn. 55102-1396;
651-310-7911; fax: 651-310-7318
www.stpaul.com

	1998	1997
Total premiums	\$6,100,000,000*	\$6,300,000,000*
Int'l premiums	\$543,000,000*	\$425,000,000*
U.S.	25%	25%
Non-U.S.	75%	75%
Offices:		
Claims	98	78
Underwriting	98	78
Employees	1,030	812
U.S.	25	25
Non-U.S.	1,005	787
Countries	74	60
Owned foreign offices	11	9
Combined ratio	117%	118%

*all financial numbers for all periods have been restated to reflect the combined operations of The St. Paul Group and USF&G, which merged in April 1998.

Founded: 1888.
Parent: The St. Paul Cos. Inc.
Specialties: construction, financial and professional services, medical services, ocean marine, public sector, surety and technology.
Services: captive services, loss services for all industry-specific niche insurance products, retrospectively rated programs, statistics in support of international programs for all lines.
Licensed or accepted insurer in: Argentina, Australia, Botswana, Canada, France, Germany, Ireland, Mexico, Netherlands, South Africa, Spain, United Kingdom and the United States.

Affiliates/fronting arrangements in: Argentina, Australia, Austria, Belgium, Botswana, Brazil, Bulgaria, Canada, Chile, China, Colombia, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Fiji, Finland, France, Germany, Ghana, Greece, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Kenya, Korea, Latvia, Lesotho, Luxembourg, Malaysia, Mexico, Morocco, Netherlands, Netherlands Antilles, New Zealand, Nigeria, Norway, Oman, Panama, Papua New Guinea, Peru, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Sierra Leone, Singapore, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Venezuela.

Officers: Douglas W. Leatherdale, chairman/CEO-The St. Paul Cos. Inc.; James E. Gustafson, president/COO-The St. Paul Cos. Inc.; Paul J. Liska, executive vp/CFO-The St. Paul Cos. Inc.; Mark L. Pabst, president/COO-International Underwriting; Kent D. Urness, president/CEO-St. Paul International Insurance Co. Ltd.

U.S. contact: Joan Palm, director-corporate communications; 651-310-2685.



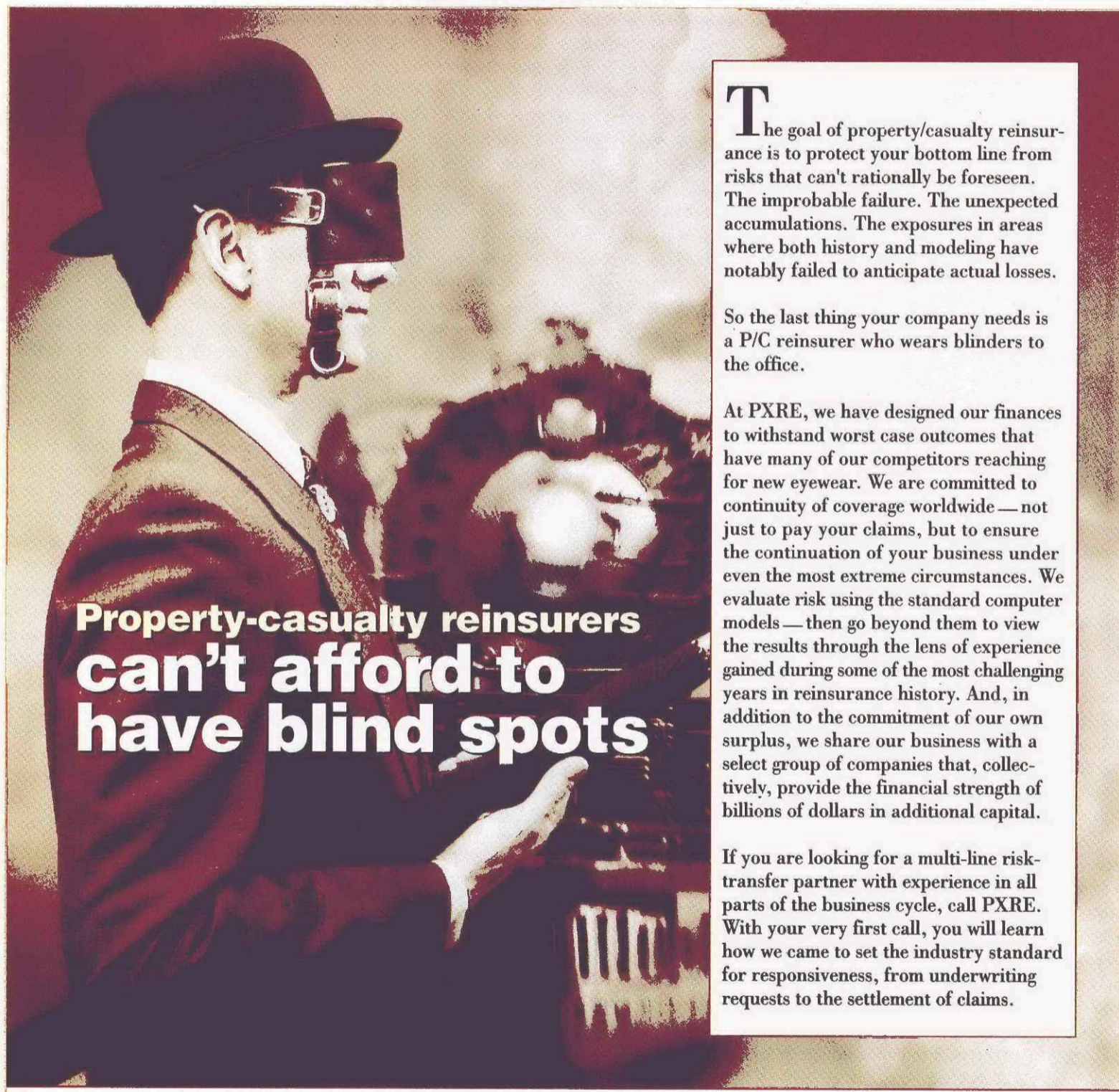
Winterthur International

Gruzefeldstrasse 41, P.O. Box 286,
Winterthur, CH-8401 Switzerland;
41-52-261-1111; fax: 41-52-261-4680
www.winterthur-int.com

	1998	1997
Total premiums*	\$1,079,160,000	\$1,010,211,800
Int'l premiums*	\$849,183,000	\$888,465,500
U.S.	23%	22%
Non-U.S.	77%	78%
Offices:		
Claims	27	26
Underwriting	51	51
Employees		
U.S.	85	80
Non-U.S.	528	
Countries	51	51
Owned foreign offices	1,097	1,085

*Converted at applicable exchange rates.

Founded: 1883.
Parent: Winterthur Swiss Insurance Co.
Specialties: property and casualty, including motor, marine, engineering, employee benefits, including accident and health.



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If you are looking for a multi-line risk-transfer partner with experience in all parts of the business cycle, call PXRE. With your very first call, you will learn how we came to set the industry standard for responsiveness, from underwriting requests to the settlement of claims.



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Brussels: Alain Tounquet +32 (2) 777 0909 Fax: +32 (2) 777 0900
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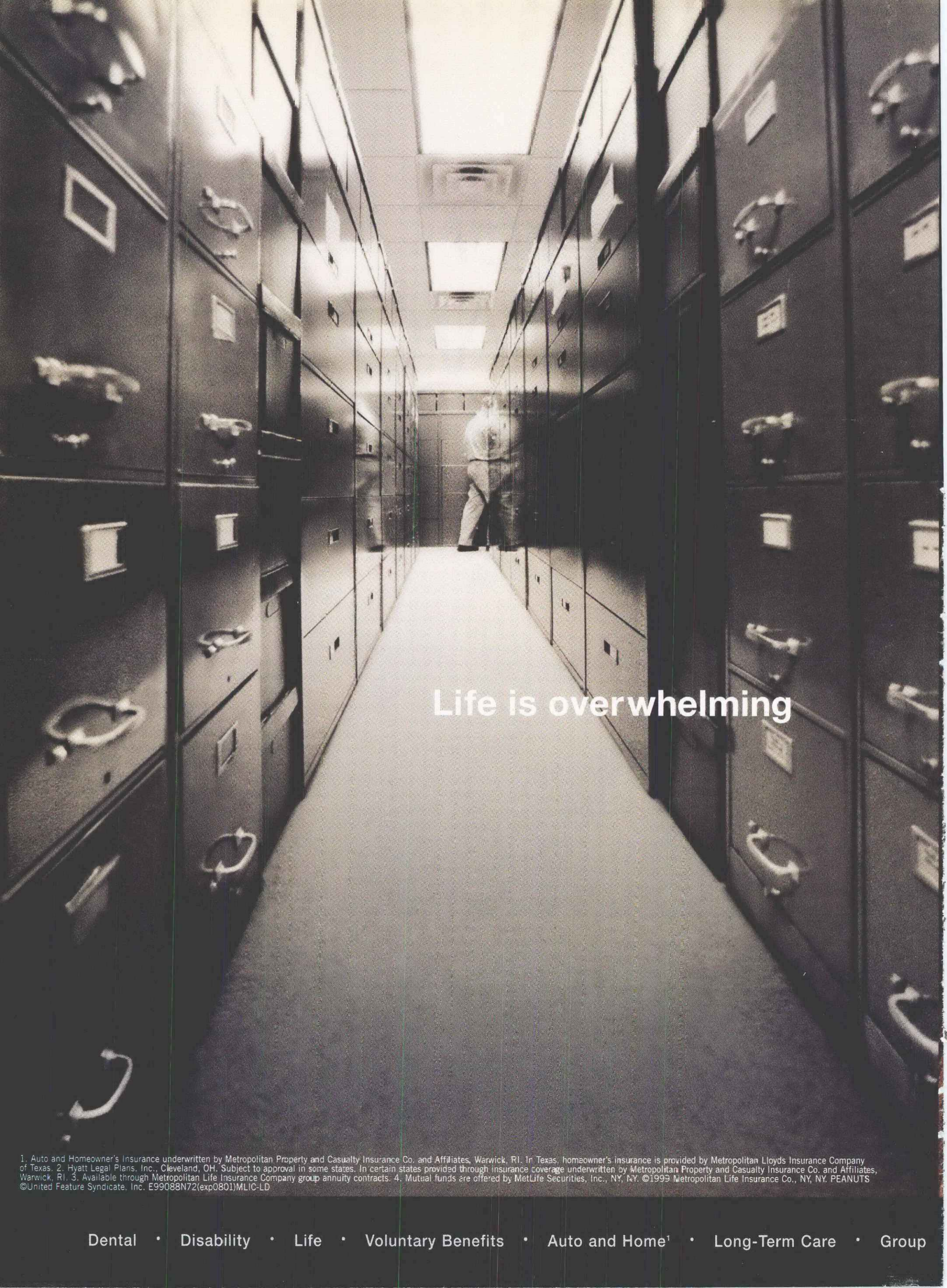
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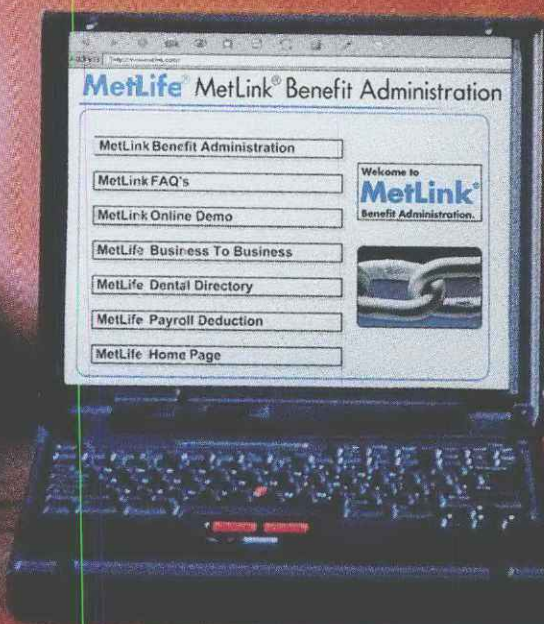


Life is overwhelming

1. Auto and Homeowner's Insurance underwritten by Metropolitan Property and Casualty Insurance Co. and Affiliates, Warwick, RI. In Texas, homeowner's insurance is provided by Metropolitan Lloyds Insurance Company of Texas. 2. Hyatt Legal Plans, Inc., Cleveland, OH. Subject to approval in some states. In certain states provided through insurance coverage underwritten by Metropolitan Property and Casualty Insurance Co. and Affiliates, Warwick, RI. 3. Available through Metropolitan Life Insurance Company group annuity contracts. 4. Mutual funds are offered by MetLife Securities, Inc., NY, NY. ©1999 Metropolitan Life Insurance Co., NY, NY. PEANUTS ©United Feature Syndicate, Inc. E99088N72(exp0801)MLIC-LD

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MetLife Benefit Administration



www.metlife.com/business

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Life is surprising

1. Auto and Homeowner's Insurance underwritten by Metropolitan Property and Casualty Insurance Co. and Affiliates, Warwick, R. In Texas, homeowner's insurance is provided by Metropolitan Lloyds Insurance Company of Texas. 2. Hyatt Legal Plans, Inc., Cleveland, OH. Subject to approval in some states. In certain states provided through insurance coverage underwritten by Metropolitan Property and Casualty Insurance Co. and Affiliates, Warwick, RI. 3. Available through Metropolitan Life Insurance Company group annuity contracts. 4. Mutual funds are offered by MetLife Securities, Inc., NY, NY. ©1999 Metropolitan Life Insurance Co., NY, NY. PEANUTS ©United Feature Syndicate, Inc. E99086GCK(exp0801)MLIC-LD

Dental • Disability • Life • Voluntary Benefits • Auto and Home¹ • Long-Term Care •

A black and white photograph of a kitchen counter. On the left, there are four glass jars containing various items, likely spices or snacks. In the center, a laptop is open, displaying a website titled "Life Advice Library". The website features a tree diagram with branches labeled "Family", "Money", "Insurance", "Health", "Business", and "Purchases". The text on the screen reads: "An Information Resource to help you manage life's events through expert advice and resources." and "Brought to You by MetLife". To the right of the laptop, there are several colorful, small decorative items, including a pink flower-shaped object, a blue and yellow object, and a red and white object. The background shows a window with a white frame and a white cabinet.

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MetLife's award-winning Life Advice® series— a unique online resource about specific life events —helps your employees deal more effectively with life's surprises, improve their quality of life, and enhance their financial picture.

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Call for Nominations

Risk Manager of the Year Risk Management Honor Roll

Nominations for the 2000 *Business Insurance* Risk Manager of the Year and Risk Management Honor Roll are now being accepted.

The Risk Manager of the Year Award was created in 1977 by *Business Insurance* to increase recognition of the risk management profession and to recognize outstanding performance in the practice of risk management.

Anyone involved in risk management for a corporation, not-for-profit institution or government entity can be nominated.

The nominations will be judged by a panel of professionals representing all aspects of risk management and the commercial insurance industry.

The honorees will be announced in the May 1, 2000 issue of *Business Insurance* which will be distributed at the Risk & Insurance Management Society Inc. Conference.

For nominating
forms and instructions,
call 312-649-5319
or e-mail:
ktucker@crain.com

**Business
Insurance**[®]

www.businessinsurance.com

Continued from previous page

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

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, China, Czech Republic, Denmark, France, Germany, Hong Kong, Hungary, Ireland, Italy, Japan, Luxembourg, Mexico, Netherlands, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, United Kingdom and the United States.

Officers: W. Suter, CEO; W. Schmidt-Solch, CFO; A. Eisendle, chief information technology officer.

U.S. contact: George Keller, president/CEO-Winterthur International America; george.keller@winterthur.com.

Z

Zurich Financial Services Group

Mythenquai 2, P.O. Box 8022,
Zurich, CH 8022 Switzerland;
41-1-205-2121; fax: 41-1-205-2641
www.zurich.com

	1998	1997
Total premiums*	\$16,258,000,000**	\$15,241,000,000
Int'l premiums*	\$13,760,000,000	NA
Offices:		
Claims	120	NA
Underwriting	78	NA
Employees		
U.S.	90	NA
Non-U.S.	600	NA
Countries	78	NA
Owned foreign offices	60	NA

*Converted at applicable exchange rates.

**Total premiums do not include premiums written by Farmers Insurance Exchanges.

Founded: 1872.

Specialties: Chemical/pharmaceutical, manufacturing, hi-tech, D&O/professional liability, employment practices liability, extended service contracts, global risks, boiler and machinery, energy, property, ocean marine and construction.

Services: captive services, loss services for marine liability, workers compensation, general liability and environmental, retrospectively rated programs, statistics in support of international programs for property, casualty, auto and marine.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Bermuda, Canada, Chile, Czech Republic, Denmark, Finland, France, Germany, Greece, Guam, Hong Kong, Indonesia, Ireland, Japan, Liechtenstein, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Portugal, Russia, Singapore, Spain, Sweden, Switzerland, United Kingdom and the United States.

Affiliates/fronting arrangements in: Bahamas, Bahrain, Barbados, Belize, Bolivia, Brazil, Brunei, Bulgaria, Cayman Islands, China, Colombia, Costa Rica, Curacao, Dominican Republic, Dubai, Ecuador, Egypt, El Salvador, Estonia, Guatemala, Haiti, Honduras, Iceland, India, Iran, Iraq, Israel, Ivory Coast, Jamaica, Jordan, Kazakhstan, Kenya, Kuwait, Latvia, Lebanon, Libya, Lithuania, Malta, Morocco, Netherlands Antilles, Nicaragua, Nigeria, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Philippines, Poland, Qatar, Romania, St. Lucia, Saudi Arabia, Slovakia, South Africa, Sri Lanka, Sudan, Syria, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, Uruguay, Venezuela, Vietnam and Yugoslavia.

Officers: Rolf Hueppi, chairman/CEO-Zurich Financial Services Group; William Bolinder, corporate executive board member/chairman-Zurich U.S.; Dinos Iordanou, president/CEO-Zurich U.S.

U.S. contact: Thomas Hite, executive vp-marketing, 847-605-6156; thomas.hite@zurichus.com. **BI**

This year, for the first time, the geographic index will be available at the *Business Insurance* Web site at www.businessinsurance.com/magazine/directories.html. The index includes the networks' names under each country in which they have branch offices, subsidiaries or affiliated companies participating in the network. Please refer to individual listings for the specific names of the office or member company in a particular country.

CRAWFORD UNIVERSITY

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To give our employees the closest thing to on-the-job experience without incurring on-the-job risks, Crawford has a unique approach. We bring the real world into the classroom, immersing our people in

problems from actual cases. We include real clients to assure that our people cultivate a true client perspective.

Class curriculum is divided by lines of business, such as Risk Management Services, so employees focus on the issues they'll face in the day-to-day execution of your business. And, our faculty are acknowledged experts in their specialties.

This year alone, we've invested over \$7 million in Crawford University. The payoff: people who not only have a degree, but an education. For more on how Crawford University benefits you, call 1-888-213-2533. Or visit www.crawfordandcompany.com.



S&P ranks the world's leading commercial insurers

For a fourth consecutive year, Standard & Poor's Corp. has identified the 200 largest business insurers around the world and ranked them by country of operation.

As in previous years, S&P has sought to identify both large multinational insurance companies and also prominent local insurers that would be used by commercial policyholders with international operations.

S&P's list of the Top 200 Global Business Insurers includes companies from 40 differ-

ent countries around the globe. The 200 companies are ranked by country, based on net premiums written within each country, rather than ranked globally as in prior years.

They range from Zurich Group (US), with 1998 net premiums written of \$13.6 billion, to Abu Dhabi National Insurance Co., with net premiums of \$23 million.

The 200 companies combined wrote \$283 billion premiums, down slightly from \$286

billion in premiums written by the Top 200 in 1997 (BI, Nov. 9, 1998).

The top 200 last year held \$348 billion in adjusted shareholder funds, up 9% compared with 1997. In most cases, data for this year's rankings is based on fiscal 1998, though a few companies reported earlier data, which is the most recent available.

The largest insurance companies dominate the list, with the top 10 companies writing nearly \$97 billion, or about one-

third of the total, and holding \$106 billion of adjusted shareholder funds.

Ratings range from a high of "AAA" (extremely strong) to a low of "CCC" (very weak). Among the Top 200, 180 companies, or 90%, have ratings in one of the secure ranges, as follows:

- AAA (extremely strong), 14 companies, or 7%.
- AA (very strong), 50 companies, 25%.

Continued on next page

Standard & Poor's Top Global Business Insurers

Largest insurers by country, ranked by net premiums written

Country	Company	Year	Net premiums written \$ mil	Adjusted shareholder funds \$ mil	S&P Rating as of 10-11-99
Australia	NRMA Insurance Ltd.*	1998	1,217	1,416	AA+ °
	QBE Insurance Group Ltd.*	1998	1,129	609	A+ °
	GIO Insurance and subsidiary cos.*	1998	617	317	BBB+ °
	CGU Insurance Australia Ltd.	1998	561	407	NR
	Royal & SunAlliance Insurance (Australia) Ltd.*	1998	532	237	AA- °
	MMI General Insurance Ltd. and subsidiary cos.*	1998	464	115	A- °
	FAI General Insurance Company Ltd.*	1998	400	241	A- °
	HIH Casualty & General Insurance	1997	362	357	A- °
	Zurich Australian Insurance Ltd.*	1998	295	187	AA °
	Mercantile Mutual Holdings Ltd.	1998	256	498	NR
Austria	Allianz Elementar Versicherung AG	1998	768	680	AAA °
	Wiener Staetische Allgemeine Vers. AG	1998	613	564	Api
	Vers. Der Osterreichischen Bundeslander	1998	588	517	A °
	Generali Holding Vienna AG	1998	301	498	Api
Belgium	Royale Belge S.A.	1998	762	3,703	Api
	AG 1824, Cie. Belge d'Ass. Generales S.A.	1997	726	2,922	Api
	CIGNA Insurance Co. of Europe SA-NV	1998	644	347	A+ °
	KBC Verzekeringen NV	1997	448	2,041	Api
	Chubb Ins. Co. of Europe	1997	372	153	AAA °
	AXA Belgium S.A.*	1997	360	218	AA- °
Bermuda	ACE Ltd.	1998	881	3,714	NR
	EXEL Ltd.	1998	317	2,479	AA °
Brazil	Itau Seguros S.A.	1997	1,084	451	Bpi
	HSBC Bamerindus Seguros S.A.	1997	720	207	Bpi
	Sul America TMA Companhia de Seguros	1997	474	518	NR
Canada	Cooperators General Insurance Co.	1998	651	439	BBBpi
	General Accident Assurance Co. of Canada	1997	578	329	AA °
	Royal & Sun Alliance Ins Co. of Canada	1998	549	466	AA-pi
	Wawanesa Mutual Insurance Co.	1997	546	638	Api
	Economical Mutual Insurance Company	1998	398	448	Api
Chile	Cruz Del Sur SA	1997	53	37	BBpi
	Chilena Consolidada Seguros Generales S.A.	1998	39	20	BBBpi
China	China Pacific Insurance Co. Ltd.	1997	1,560	376	NR
Denmark	Tryg-Baltica Forsikring, skadeforsikringselskab A/S	1998	766	1,339	Api
	Topdanmark Forsikring A/S	1998	530	395	BBBpi
	Codan Forsikrings - A/S	1998	469	1,134	Api
Egypt	Misr Insurance Co.	1998	69	354	A-pi
	AI Chark Insurance Co.	1998	45	157	BBBpi
	National Insurance Co. Egypt	1998	30	120	BBBpi
Finland	Pohjola Yhtym	1998	428	2,066	BBBpi
	Keskinainen Vakuutusyhtio Tapiola	1998	357	890	Api
	Sampo Insurance Company Ltd.	1998	344	2,354	A- °
	Industrial Insurance Co. Ltd.	1998	241	1,152	A- °
	Enterprise-Fennia Mutual Ins. Co.	1998	239	303	BBBpi
France	AXA Assurances IARD	1998	3,241	2,182	AA- °
	AGF, Assurances Generales de France IART	1998	2,234	2,075	AAA °
	La Mutuelle du Mans Assurances IARD	1998	1,928	1,398	A- °
	GAN Incendie Accidents	1997	1,924	1,381	BBBpi
	Caisse Centrales Assurances Mutuelle Agricol	1997	1,371	3,045	A+ °
	Axa Courtage IARD	1998	1,043	786	AA- °

Country	Company	Year	Net premiums written \$ mil	Adjusted shareholder funds \$ mil	S&P Rating as of 10-11-99
	Generali France Assurances	1998	960	876	Api
	Allianz Assurances SA	1997	801	516	AAA °
	Preservatrice Fonciere T.I.A.R.D.	1997	722	689	AAA °
	Axa Assurances IARD Mutuelle	1998	697	3,669	AApi
	MAAF Assurances	1998	252	580	Api
	Germany	Allianz Versicherungs-AG	1998	4,873	11,483
R & V Allgemeine Versicherung AG		1998	1,841	2,627	AA-pi
Gerling-Konzern Allgemeine Vers. AG		1998	1,413	1,077	AA- °
Colonia Versicherung AG		1998	1,341	1,573	AA-pi
Landwirtschaftlicher Vers.verein Munster aG		1998	1,265	1,549	Api
Gothaer Versicherungsbank VVaG		1998	1,070	1,282	BBBpi
Victoria Versicherung AG		1998	1,058	2,527	AApi
Aachener und Munchener Versicherung AG		1998	1,036	1,274	AApi
Wuerttembergische Vers. AG		1998	955	535	Api
Provinzial Feuerversicherung Anstalt der Rheinprovinz		1998	917	1,465	Api
Haftpflichtverband der Deutschen Industrie VaG		1998	855	4,145	AA °
Landschaftliche Brandkasse Hannover		1998	851	1,358	AApi
Vereinte Versicherung AG		1998	817	924	AAA °
Frankfurter Vers. AG		1998	779	1,719	AAA °
Westfalische Provinzial-Feuersozietat		1998	756	1,354	Api
Albingia Versicherungs AG		1998	672	1,212	Api
Nordstern Allgemeine Versicherungs-AG		1998	661	2,039	NR
Bayerischer Versicherungsverband Vers. AG		1998	661	1,023	Api
Agrippina Versicherung AG		1998	642	758	AApi
Provinzial Brandkasse Vers. Schleswig-Holstein	1998	416	547	Api	
VHV, Vereinigte Haftpflichtvers AG	1997	160	1,059	BBBpi	
Hong Kong	Ming An Insurance Co. (HK) Ltd.*	1998	68	142	BBpi
	HSBC Insurance Ltd.	1998	52	50	BBBpi
	Hang Seng Insurance Co. Ltd*	1998	48	150	Api
India	New India Assurance Co. Ltd.	1998	492	1,274	BBBpi
	General Ins. Corp. of India	1998	382	894	BBBpi
	United India Insurance Co. Ltd.	1998	355	549	BBBpi
	National Insurance Co. Ltd.	1998	320	659	BBBpi
	Oriental Insurance Co. Ltd.	1998	313	660	BBBpi
Indonesia	PT Asuransi Jasa Indonesia	1997	30	39	CCC-
Ireland	Hibernian Group P.L.C.*	1998	340	332	Api
	Church & General Corporate Insurance	1998	194	139	BBBpi
	FBD Insurance P.L.C.*	1998	158	79	BBBpi
Italy	Assicurazioni Generali SpA	1997	3,013	3,958	AA °
	SAI - Societa Assicurazione Industriale	1997	1,716	679	AA- °
	Assitalia	1997	1,669	818	AA °
	RAS, Riunione Adriatica di Sicurtà	1997	1,518	2,779	AAA °
	La FONDARIA Assicurazioni SpA	1998	1,066	1,113	BBBpi
	Toro Assicurazioni SpA **	1998	884	1,156	Api
Japan	Padana Assicurazioni SpA	1997	120	159	Api
	Tokio Marine & Fire Insurance Co. Ltd.	1998	10,116	20,627	AAA °
	Yasuda Fire & Marine Insurance Co. Ltd.	1998	7,105	7,517	AA+ °
	Mitsui Marine & Fire Insurance Co. Ltd.	1998	4,819	8,973	AA+ °
	Sumitomo Marine & Fire Insurance Co. Ltd.	1998	4,272	7,384	AA+ °
	Dai-Tokyo Fire & Marine Insurance Co.	1998	3,341	3,594	AA °
	Nippon Fire & Marine Insurance Co. Ltd.	1998	3,315	5,077	AA- °

Continued from previous page

- A (strong), 68 companies, 34%.
- BBB (good), 42 companies, 21%.

Among the Top 200, vulnerable ratings were limited to eight companies rated BB (marginal); seven companies rated B (weak); and one company rated CCC (very weak). Ten companies are not rated by S&P.

The "pi" after some ratings denotes that a rating is based on public information. Information on companies located in the United Kingdom is based on their Department of Trade and Industry returns.

Eighty-five companies are designated as

"Standard & Poor's Security Circle Insurers," which are insurers that have voluntarily undergone S&P's most comprehensive review and achieved one of its top four rating categories.

The data for this annual report was taken from Standard & Poor's CLASSIC Ratings Database of 1,400 international insurers. The decision to include an insurance company in the Top 200 Global Business Insurers is based on suggestions S&P received from several large commercial insurance brokers, risk managers and other market participants.

Total premiums and total adjusted share-

holder funds have been listed for the companies, because differentiating between commercial and personal lines of business is impossible for many insurers included in this list.

Indeed, very few of the companies are predominantly commercial lines writers, and many may have as little as 10% of their portfolio in commercial risks. The main criterion for inclusion has been whether the company is believed to write a significant amount of commercial risks, in dollar terms, relative to the local market.

S&P's list is one of the most comprehensive of its kind; however, due to the obvi-

ously subjective criteria for including companies in the report, it welcomes suggestion, additions and corrections from *Business Insurance* readers.

For more information on the Top 200 Global Business Insurers, or to obtain a copy of the S&P list, contact Alan M. Levin, Standard & Poor's Corp., 55 Broadway, New York, N.Y. 10041; 212-438-7214; David Anthony, Standard & Poor's, Garden House, 18 Finsbury Circus, London EC2M 7BP, England; 44-171-826-3553; or Ian Thompson, Standard & Poor's, Level 37, 120 Collin St., Melbourne, Australia, 61-3-9631-2100. **B**

Standard & Poor's Top Global Business Insurers

Largest insurers by country, ranked by net premiums written

Country	Company	Year	Net premiums written \$ mil	Adjusted shareholder funds \$ mil	S&P Rating as of 10-11-99
	Nichido Fire & Marine Insurance Co. Ltd.	1998	3,094	6,028	AA °
	Chiyoda Fire & Marine Insurance Co. Ltd.	1998	3,036	3,351	AA- °
	Fuji Fire & Marine Insurance Co.	1998	2,751	1,681	BBB-
	Koa Fire & Marine Insurance Co. Ltd.	1998	2,236	2,793	A+ °
	Nissan Fire & Marine Insurance Co. Ltd.	1998	2,161	2,622	A+ °
	Dowa Fire & Marine Insurance Co. Ltd.	1998	1,786	3,315	AA- °
	Kyoei Mutual Fire & Marine Insurance Co.	1998	1,426	595	BBBpi
	Nisshin Fire & Marine Insurance Co. Ltd.	1998	1,211	1,267	Api
	Taisei Fire & Marine Insurance Co. Ltd.	1998	754	666	BBBpi
	Dai-ichi Mutual Fire & Marine Insurance Co.	1998	470	130	Bpi
Malaysia	Malaysia National Insurance Sdn. Bhd.	1998	33	208	A-pi
Mexico	Seguros Comercial America SA	1998	1,053	586	BBB °
	Grupo Nacional Provincial	1997	802	363	BBB °
	Seguros Monterrey Aetna SA	1998	373	178	BBB °
Netherlands	Nationale Nederlanden Schadeverzekering Mij. NV	1998	1,064	1,856	AApi
	ASR Verzekeringgroep	1998	745	1,655	Api
	N.V. Interpolis Schade	1998	744	416	Api
	Delta-Lloyd NV	1998	593	3,885	AApi
	Aegon Schadeverzekeringen NV	1998	538	393	AAA °
	UAP-Nieuw Rotterdam Verzekeringen	1998	504	747	BBpi
	Royal Nederland Verzekeringgroep N.V. *	1998	413	597	Api
New Zealand	State Insurance Ltd.	1998	172	92	AA °
	NZI Insurance New Zealand Ltd. *	1998	171	122	AA °
	Royal & SunAlliance Insurance (New Zealand) Ltd.	1998	112	74	AA- °
Norway	Storebrand Skadeforsikring A/S*	1998	1,030	747	A+ °
	Gjensidige Skadeforsikring	1998	688	794	A °
	Vesta Forsikring AS	1997	492	454	A °
	Zurich Protector Forsikring AS	1998	37	35	A °
Oman	Oman National Insurance Co.	1998	34	36	BBBpi
Pakistan	Adamjee Insurance Co. Ltd.	1998	47	21	Bpi
Philippines	Malayan Insurance Co. Inc. *	1998	29	64	BBpi
Poland	Warta Insurance & Reinsurance Co. Ltd.	1997	248	78	Bpi
Portugal	Imperio Cia. de Seguros	1998	317	318	BBBpi
	Cia. de Seguros Fidelidade SA	1998	303	271	Api
	Cia. de Seguros Tranquilidade SA	1998	291	217	BBBpi
	Mundial Confianca, Cia. de Seguros SA ***	1998	269	1,423	BBBpi
	Bonanca Cia. de Seguros S.A.	1997	224	103	A+ °
Saudi Arabia	National Co. for Cooperative Insurance (NCCI)	1998	55	174	BBBpi
Singapore	Insurance Corporation of Singapore Ltd. *	1998	33	130	BBBpi
	Asia Insurance Co. Ltd.	1998	27	106	A+ °
South Africa	Mutual & Federal Insurance Co. Ltd. *	1998	596	609	BBB+pi
	Santam Ltd. *	1998	559	244	BBB+pi
	Guardian National Ins. Co. Ltd. *	1998	312	139	BBBpi
	South African Eagle Ins. Co. Ltd. *	1998	234	209	BBB+pi
	Commercial Union Ins. Co. of S. Africa Ltd.	1998	191	75	BBBpi
South Korea	Samsung Fire & Marine Insurance Co. Ltd.	1998	1,297	335	BBpi
	Hyundai Marine & Fire Ins. Co. Ltd.	1998	740	70	Bpi
	LG Insurance Co. Ltd.	1998	610	173	BBpi
	Oriental Fire & Marine Insurance Co. Ltd.	1998	453	90	Bpi
Spain	Banco Vitalicio de Espana	1997	581	827	Api
	AGF Union-Fenix Seguros y Reaseguros SA	1997	438	374	BBpi

Country	Company	Year	Net premiums written \$ mil	Adjusted shareholder funds \$ mil	S&P Rating as of 10-11-99
	Mapfre Seguros Generales S.A. *	1998	379	180	Api
	Catalana Occidente S.A. de Seguros y Reaseguros	1998	313	334	BBBpi
Sweden	Skandia Insurance Co. Ltd.	1998	644	3,187	NR
	Folksam Mutual General Insurance	1998	641	613	BBBpi
	Trygg-Hansa Forsakrings AB	1997	583	668	NR
Switzerland	Zurich Versicherung AG	1998	5,866	4,542	AA+ °
	Winterthur Schweizerische Vers. Ges. AG	1998	2,449	2,454	AA- °
	Schweizerische Mobiliar Vers. Ges.	1998	1,050	850	Api
	Helvetia Schweizer Versich	1998	1,017	625	Api
	Baloise Ins. Co. Ltd. (Basler Vers. Ges. AG)	1998	972	1,426	Api
	Elvia Schweizerische Vers.-Gesell.	1998	593	383	AA- °
	Schweizerische National Vers. Ges.	1998	536	151	Api
	Berner Allgemeine Vers. Ges. AG	1998	379	115	BBBpi
	Vaudoise Generale, Cie d'Assurances	1998	334	87	BBBpi
Taiwan	Fubon Insurance Co. Ltd.	1998	229	1,043	Api
	Taian Insurance Co. Ltd.	1998	89	125	NR
	Mingtai Fire & Marine Insurance Ltd.	1998	87	114	BBpi
Thailand	Bangkok Insurance Public Co. Ltd.	1998	87	137	BBBpi
UAE	Abu Dhabi National Insurance Co. *	1998	23	257	Api
United Kingdom	Royal & SunAlliance Insurance P.L.C. *	1998	11,455	12,532	AA- °
	Lloyd's	1998	10,063	11,910	A+ °
	Guardian Royal Exchange Assurance P.L.C. *	1998	2,727	2,089	Api
	General Accident Fire & Life Ass. Corp. P.L.C. *	1998	2,717	5,563	AA °
	Norwich Union Insurance Soc. Ltd. *	1998	2,482	1,132	Api
	Commercial Union Assurance Co. P.L.C.	1998	2,358	4,694	AA °
	Eagle Star Insurance Co. Ltd. *	1998	2,163	1,924	A+ °
	London & Edinburgh Insurance Co. Ltd.	1998	1,239	534	A °
	Cornhill Insurance P.L.C.	1998	1,192	972	AA °
	Independent Ins. Co. Ltd.	1998	652	338	A °
	National Farmers Union Mutual Ins. Soc. Ltd.	1998	539	2,289	AApi
United States	Zurich Group (US) *	1998	13,675	8,284	AA+ °
	American International Group *	1998	11,090	12,299	AAA °
	CNA Group *	1998	9,875	7,572	A+ °
	Nationwide Group *	1998	8,495	10,561	AA °
	Citigroup (Travelers) *	1998	8,292	7,237	AA- °
	Liberty Mutual Group *	1998	6,517	7,023	AA °
	Hartford Group *	1998	6,467	8,736	AA °
	St. Paul Group *	1998	5,972	4,015	AA °
	Chubb Group *	1998	4,779	2,770	AAA °
	Allianz Group *	1998	3,582	3,690	AAA °
	Kemper National Group *	1998	2,839	2,575	A+ °
	American Financial Group *	1998	2,439	1,840	A+ °
	Reliance Group *	1998	2,334	1,747	A- °
	ACE USA (CIGNA) Group *	1998	1,665	1,750	A+ °
	Cincinnati Financial Group *	1998	1,558	3,020	AA+ °
	Royal & SunAlliance Group *	1998	1,524	2,959	AA- °
	Orion Group *	1998	1,522	732	A °

* Consolidated figures. ** Includes Life Shareholder Funds that are stated at book, not market, value. *** Includes Life Shareholder Funds. ° Denotes a Standard & Poor's Security Circle Insurer, which is one that voluntarily has undergone S&P's most comprehensive review and has achieved one of S&P's top four rating categories; "pi" denotes a rating that is based upon public information.

Source: Standard & Poor's Corp.

Property

Continued from page 2

Insurance Management Society Inc.

The first priority of a company scrambling to mitigate potential Y2K problems should be arranging a safe and operational backup heat source, Mr. Anderson said. This would sustain critical operations in the event of a power loss.

"Loss of heat is probably the biggest vulnerability" for most businesses, said Mr. Anderson. He advises that if a facility's location exposes it to temperatures below 40 degrees Fahrenheit, any equipment prone to freezing should be identified and internal water sources, such as sprinkler systems, should be drained immediately before the date change.

Because draining off water trapped in such systems would put a business in a vulnerable state if a

fire were to break out, those monitoring the facility during the turn of the year should be especially wary of ignition sources, said Mr. Anderson.

"When you're already at that vulnerability, don't be running around with a torch trying to thaw things out," he said. "You don't have to burn too many of today's plants down before you're talking real money."

Mr. Anderson also discourages stockpiling materials, because there may not be adequate fire protection measures in place if those goods are kept in areas not traditionally used for storage. He said it's critical to make sure measures taken to avoid Y2K problems become problems themselves.

Some of Mr. Anderson's additional recommendations for minimizing possible property losses linked to the Y2K glitch are:

- Devise contingency plans for critical processes and services.

- Consider shutting down certain processes.
- Educate employees on procedures.
- Line up alternative power sources.
- Check fire-protection systems.
- Eliminate ignition sources.
- Watch for increased hazards introduced by prevention efforts.
- Prepare for recovery efforts needed after the event.

"It's once in a lifetime. I think the prudent thing to do is to make sure everyone has the knowledge that we have, that we use an incredibly high level of common sense, that we avoid harm's way as much as we can, and that we're prepared for everything plausible that might happen," Mr. Anderson concluded. "This thing has got to be like a little military operation."

Elizabeth Stockli, risk analyst for Brunswick Corp. in Lake Forest, Ill., moderated the session. **BI**

Generosity urged for serious injuries

By AMANDA MILLIGAN

CHICAGO—Employers that are willing to give more to improve the lifestyle of a worker who has suffered a catastrophic injury may reap rewards and cost efficiencies from their generosity, according to panelists speaking about loss-sensitive claims.

Patsy Baumgartner, a senior vp and director of field operations with IIT Specialty Risk Services Inc. in Hartford, Conn., said employers need to stop addressing catastrophic injuries solely within the parameters of their state's benefits administration laws.

Ms. Baumgartner was a panelist at the 1999 Risk Management & Employee Benefits Conference & Exhibition, held last week in Chicago. The conference is sponsored by the Chicago and Wisconsin chapters of the Risk & Insurance Management Society Inc.

"Stop thinking of it as a claim," she said. Instead, Ms. Baumgartner recommends working on a case as "a business issue," establishing clear outcomes and strategies and approaching a case with a team of professionals from different areas of expertise. Medical management providers, the employer and crisis

vendors all could provide valuable input, she said.

"Pay what the law says you owe, but pay more to get to whatever outcomes your strategy team has established at the beginning," said Ms. Baumgartner.

Sometimes, Ms. Baumgartner said, "doing the right thing can produce the right financial outcome." In addition to enhancing the individual's quality of life, he or she also might be able to return to work sooner, and other employees are likely to view the employer's efforts positively.

Joseph Adamczyk, vp of medical rehabilitation for American Re-Insurance Corp. in Princeton, N.J., agreed that the extra effort makes a huge difference. Paying to modify the house of a quadriplegic upon the person's return from the hospital, for example, may prevent the employer from having to pay for costly nursing home care or assisted living arrangements, he noted.

Thomas C. Schell, vp of strategic partnerships for Concord, Calif.-based Paradigm Health Corp., also spoke. Braxton Anderson, a claims manager for Household International in Prospect Heights, Ill., moderated. **BI**



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Assessing cover for online risks

Companies may need more protection

By AMANDA MILLIGAN

CHICAGO—As more companies develop an Internet presence, risk managers must assess whether their current insurance adequately covers the host of risks of doing business online, according to panelists speaking on e-commerce.

"You have to recognize the business value—but also the security issues," said Pamela Sylwestrzak, a senior vp in Chicago for Marsh FINPRO, a unit of Marsh & McLennan Cos. Inc. She noted that hackers can find a way into virtually every Web site, no matter how secure. "You have to start taking steps on how to protect rather than how to prevent."

Ms. Sylwestrzak spoke at the 1999 Risk Management & Employee Benefits Conference and Exhibition, held last week in Chicago. The event was sponsored by the Chicago and Wisconsin chapters of the Risk & Insurance Management Society Inc.

In addition to information that passes through Web sites, information stored on shared networks also should be protected, she said. Accounting information, proprietary material and competitive know-how

could be vulnerable should unauthorized users gain access to such a network, she said.

Errors and omissions coverage may be needed at companies that did not have an E&O exposure prior to developing a presence online, Ms. Sylwestrzak said. Risk managers should work with technology, legal and marketing staffs to assess all aspects of a company's risks.

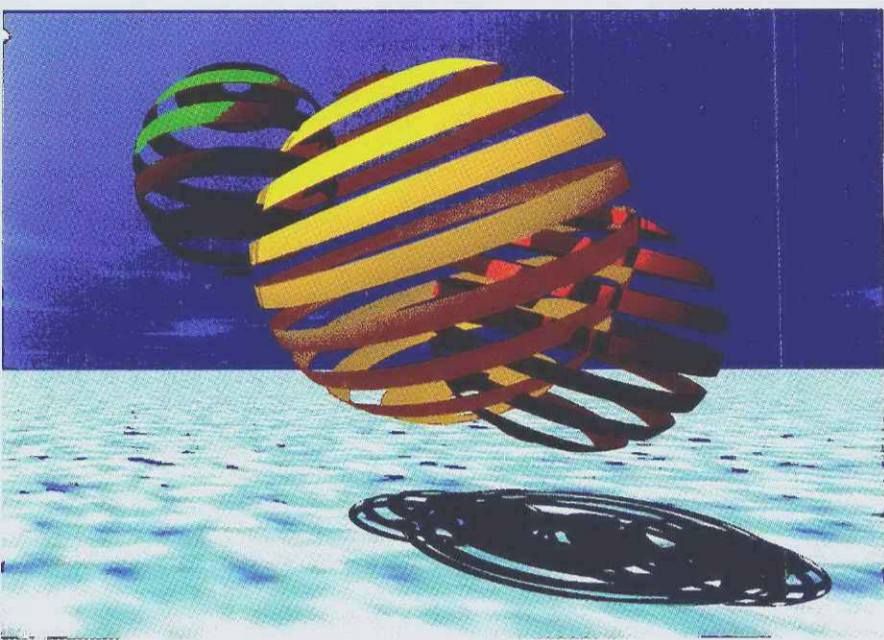
Companies also could face directors and officers liability exposures if crucial Web capabilities become impaired, Ms. Sylwestrzak said. For example, contracts with Internet service providers often do not address liability issues should a site impairment cause first- or third-party income losses.

Patti Orbell, client adviser for Marsh FINPRO in Chicago, said, "It's not once in a blue moon" that sites become impaired and are out of service for hours or even days. "Risk managers are thinking of the liability that snowballs with these downtimes," Ms. Orbell said.

Lance Ferris, secretary and director of risk management for Zurich-American Insurance Group in Schaumburg, Ill., moderated the panel.



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Sunday, November 14, 1999

Golf and Tennis Tournaments and Barbecue Luncheon for Players

Registration and Welcome Reception with Exhibitors

Monday, November 15, 1999

- **Captives 101: The Benchmark Course**
 - Nicholas Dove, President, Skandia International Risk Management
 - D. Hugh Rosenbaum, Principal, Tillinghast-Towers Perrin
- OR ■ **Basics of Employee Benefits for Captives Owners**
 - John Woyke, Esq., Principal, Towers Perrin
 - P. Bruce Wright, Esq., Partner, LeBoeuf, Lamb, Green & MacRae

Keynote Address: David Wasserman, President, Centre-Solutions

- **Group Captives**
 - George Chaffee, President, Skandia International Risk Management Ltd. (VT)
 - Michael Ducey, Assistant Vice President and Managing Director, Bermuda Operations, Liberty Mutual Insurance Group
 - Robert S. Wilkinson, Executive Vice President for Plan Operations, Health Services Medical Corporation, A Univera Company
 - Moderator: Gaelen W. Cole, Marketing Director, Fireman's Fund Insurance Company
- OR ■ **The Capital Market Landscape**
 - Joe Kavanagh, Vice President, Marsh & McLennan Securities Corporation
 - Additional panelists to be announced
 - Moderator: Thomas Wronski, Director, Insurance & Risk Management, Fidelity Investments
- **New Ways to Better Use Your Captive**
 - James D. Cameron, Esq., Partner, Baker & McKenzie
 - Mitchell J. Cole, Principal, Towers Perrin
 - Moderator: Michael Maglaras, Principal, Michael Maglaras & Co.
- OR ■ **Capital Markets vs. Reinsurance**
 - John Berger, CEO, Chubb Re
 - John Kiernan, Senior Vice President, Lehman Re
 - Moderator: D. Hugh Rosenbaum, Principal, Tillinghast-Towers Perrin

Reception at the Spa Terrace

Tuesday, November 16, 1999

- **Rent-a-Captives and Segregated Cell Facilities**
 - Philip J. Harvey, President, Philip J. Harvey & Company, Inc.
 - Philip J. Stevens, ARM, Vice President, Aon Group Inc., Alternative Markets Organization
 - William Watson, Executive Vice President, Reliance National
 - Moderator: Nicholas Dove, President, Skandia International Risk Management
- OR ■ **Improving Financial Performance**
 - Patrick C. Jensen, FCAS, Senior Manager, Deloitte & Touche LLP
 - Jan Lommele, Principal, Deloitte & Touche LLP
 - John M. Lummis, Senior Vice President and Chief Financial Officer, RenaissanceRe Holdings Ltd.
 - Moderator: Mitchell J. Cole, Principal, Towers Perrin
- **New Reinsurance Products for Captives**
 - R. Lincoln Trimble, Vice President, Chubb Atlantic
 - Michael Woodroffe, President, Meadowbrook International
 - Moderator: Robert J. Rosser, Senior Vice President, Skandia International Risk Management
- OR ■ **Expanding Captive Horizons to Employee Benefits**
 - Nancy Bern, Senior Vice President, John Hancock
 - Richard M. Inserra, Assistant Treasurer, Union Carbide Corporation
 - Gary Matson, Director, Global Benefits, HJ Heinz
 - Moderator: Mitchell J. Cole, Principal, Towers Perrin
- **Shutdowns and Windups: Has Your Captive Run Its Course?**
 - Sanford Bragman, Vice President Risk Management, Tenet HealthSystems
 - James M. Dineen, Principal, The Knowledge Guild, Inc.
 - Moderator: Robert J. Rosser, Senior Vice President, Skandia International Risk Management
- OR ■ **Integrated Risk Financing/Enterprise Risk Management/Basket Aggregates**
 - Michel Cournier, Director of Risk Management, Alcatel
 - P. Richard Hackenbourg, President & CEO, XL America, Inc.
 - Brian Kawamoto, Director, Enterprise Risk, Swiss Re New Markets
 - Moderator: Kathryn J. McIntyre, Publisher and Editorial Director, Business Insurance
- **Using a Captive in Mergers and Acquisitions — A Healthcare Perspective**
 - C. Richard Cornelius, Vice President Insurance Services, VHA Inc.
 - Corbette Doyle, Chief Executive Officer of Healthcare, Aon Healthcare Alliance
 - Moderator: Michael Maglaras, Principal, Michael Maglaras & Co.
- OR ■ **Getting Ready for a Merger or Acquisition**
 - Peter Gentile, CEO, Gerling Global
 - Ken Krenicky, Vice President, Risk Management, Rhone-Poulenc Rorer Inc.
 - Gary Peruse, Senior Vice President, Risk Management, Ogden Corporation
 - Moderator: Kathryn J. McIntyre, Publisher and Editorial Director, Business Insurance

Reception, Dinner and Entertainment at the Pavilion

Wednesday, November 17, 1999

- **Captive Case Studies Reception, Dinner and Entertainment at the Pavilion**
 - Janet Evans, Corporate Risk Manager, Snow Summit Ski Corporation
 - Barry Port, President, Public Utility Mutual Insurance Company
 - Philip Thomas, Director of Risk Management, Bass
 - Moderator: D. Hugh Rosenbaum, Principal, Tillinghast-Towers Perrin

Every manufacturer should consider recall risks

Many parties will want to know how the problem is being handled

By AMANDA MILLIGAN

CHICAGO—As the severity and frequency of product recall and contamination cases increase, risk managers across all industries should prepare themselves for such crises before they occur, according to panelists at a conference held last week in Chicago.

Although many recalls and product contaminations have involved food and pharmaceutical companies and automakers, there were more than 400 recalls in other industries last year—a sign that all manufacturers now should evaluate the potential impact of such a crisis on their operations, panelists said.

In addition to the costly task of locating the source of the problem and isolating the damaged products, companies face severe risks

to reputation, market share and financial well-being, said Walter D. Kerr, president and chief executive officer of The Hays Group of Illinois, a broker in Hoffman Estates, Ill.

"We've seen losses so severe that they have brought some companies to the point of financial ruin and, in some cases, driven them out of business," said Mr. Kerr.

Mr. Kerr was a panelist at the annual Risk Management and Employee Benefits Conference and Exhibition, held last week in Chicago and sponsored by the Risk & Insurance Management Society Inc.'s Chicago and Wisconsin chapters.

Depending on the type of company and other factors—including

the size of the customer base and the potential for business interruption and third-party liability exposures—risk managers may want to consider purchasing product recall or product contamination coverages, the panelists agreed.

Currently, total marketplace capacity for product recall insurance is \$250 million, while product contamination insurance has a total capacity of \$350 million, said Mr. Kerr.

In the event of a recall or contamination crisis, shareholders, regulators, customers and others will be anxious about how the company is handling the situation, said Steven N. Ambort, a senior manager in the business in-

surance consulting practice of DeLoitte & Touche L.L.P. in Chicago.

It is critical, Mr. Ambort said, that the CEO and other high-ranking officers are seen as diligently monitoring the remediation efforts immediately after the event.

"If you've ever been through a recall, at one point or another, you've probably felt like the world was caving in on you," he said, noting that contingency plans and a task force to handle the multifaceted crises of contamination or recall should be in place at all times.

Beyond responding quickly to a recall or contamination, risk managers also should have an operational strategy for removing and destroying the damaged goods, said Mr. Ambort.

A plan to communicate with customers about compensation should be set forth, he said, and risk managers should plan for how to restart production after a

loss.

"Once you've determined what the cause of origin is, where the 'cancer' is in the product chain, then you need to very quickly establish a plan for re-establishing normal operations," Mr. Ambort said, noting that, even though a product is being recalled, companies don't want to interrupt the manufacturing process indefinitely. Otherwise, the insurance company is going to want an explanation for why no attempt was made to reduce the damage.

"There is a burden on you to try to mitigate the loss," he continued. "Insurance or no insurance, that's what you're going to want to do for the long-term viability of the company; you want to retain your customers."

The session was moderated by Sigfred Sundholm, an insurance analyst for the Evanston, Ill.-based General Council on Finance & Administration of the United Methodist Church. **BI**



Full Y2K impact won't be clear until March or April: Senator

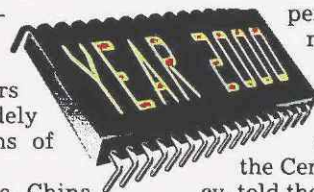
By MARK A. HOFMANN

WASHINGTON—The full impact of the Year 2000 computer problem may not be apparent until next spring, says the chairman of a Senate panel examining the situation.

As witnesses made amply clear to the Senate Special Committee

on the Year 2000 Technology Problem earlier this month, the impact also appears likely to vary widely among the nations of the world.

"Russia, Ukraine, China and Indonesia are among the



countries most likely to experience significant Y2K-related failures," Lawrence K. Gershwin, national intelligence officer for science and technology at the Central Intelligence Agency, told the panel.

"Countries in Western Europe are generally better prepared, although we see the chance of some significant failures in countries such as Italy. Major economic powers such as Germany and Japan are making great strides in Y2K remediation, but their late start and the magnitude of the effort suggest that even those countries are at risk of some failures. Canada, the U.K., Australia, Singapore and Hong Kong are very well prepared and have a lower chance of experiencing any significant Y2K failures," Mr. Gershwin told the committee last week.

He cited several industries where foreign failures could affect U.S. interests—both public and private—abroad.

"Disruptions and failures in telecommunications, electricity generation and transmission and transportation pose the greatest threat because of their fundamental importance to all other critical services," he said.

He added that Y2K-related dis-

ruptions could occur in countries planning major tourist events— notably Italy, Egypt, Brazil and some Caribbean nations—if local systems fail.

Several witnesses noted that Y2K-related failures overseas could have a "cascade effect," as seemingly minor glitches mounted and disrupted trade and financial services.

'Russia, Ukraine, China and Indonesia are most likely to experience significant Y2K failures,' says the CIA's Lawrence K. Gershwin.

"The total effect—if there is an effect—won't hit us until March or April," said the committee's chairman, Sen. Robert Bennett, R-Utah, after hearing Mr. Gershwin and other government witnesses describe their assessments.

Sen. Bennett asked Mr. Gershwin how serious the long-term effects of Y2K could be.

The CIA official replied that the severity of the impact will depend greatly on the quality of contingency planning that public and private entities undertake. He

noted that no one knows how well contingency plans will work.

Another witness warned against viewing the Y2K problem as a sort of electronic version of Hurricane Floyd.

"Don't get fooled into thinking these events are really similar—they are not," said Howard Rubin, professor and chairman of the department of computer science at New York's Hunter College. People facing a hurricane can protect their property by nailing up plywood, he said.

"We are not faced with the potential, however low, for a global hurricane/cyberstorm for which we have been given a very long-range forecast. But the problem is, because of the very nature of the potential event, we don't even know what the 'plywood' is," he said.

Following his prepared remarks, Mr. Rubin said that, while corporations are preparing "playbooks" with which to deal with Y2K, there's no way the playbooks—which may be based on contradictory strategies—can be tested simultaneously to see how they work together.

"I stand by my sense that we really aren't going to know where we are until March or April," said Sen. Bennett as he adjourned the hearing. **BI**

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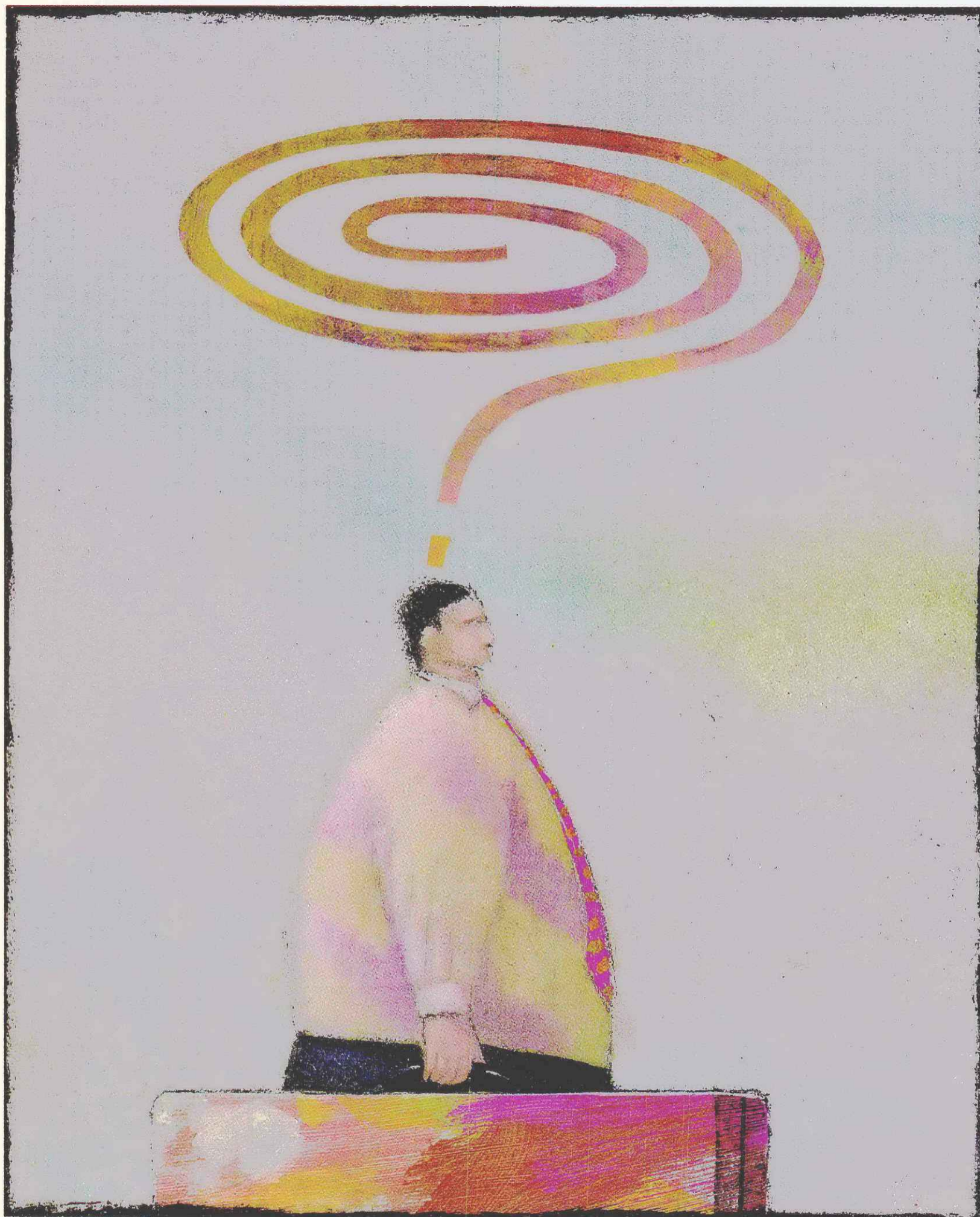
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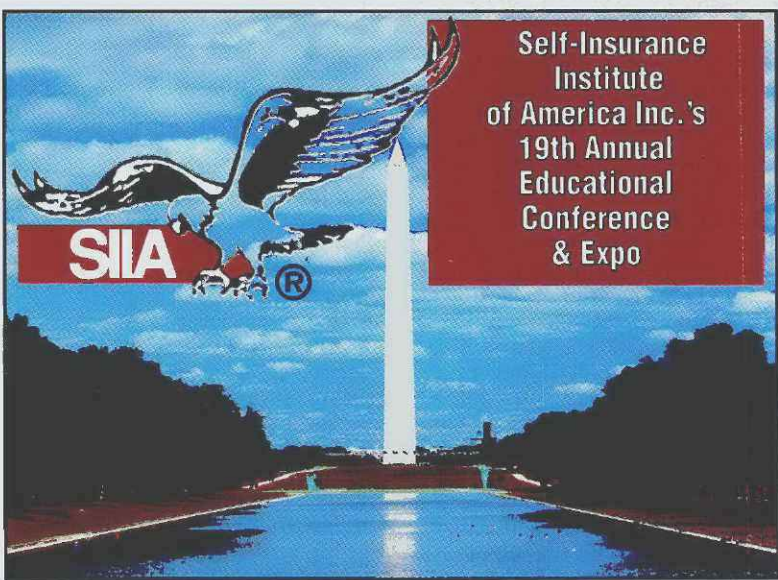
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Vigilance gaining on work comp fraud

Prevention, investigation more common

By MICHAEL BRADFORD

WASHINGTON—Employers, third-party administrators and insurers can do a lot to prevent workers compensation fraud just by making sure incidents are reported, recommends an investigator.

"Please report it or make sure your carrier or TPA reports it to the National Insurance Crime Bureau," urged Alan J. Dark, president of Faticon Inc., a Chadds Ford, Pa.-based investigation services company.

Multiple claims by the same worker, for example, can tip an employer that fraud may be in the works, he said.

Insurance fraud is a billion-dollar

'Sometimes the claimants honestly don't know' they are committing a crime, says Alan Dark.

problem, Mr. Dark said during a presentation at the Self-Insurance Institute of America Inc.'s 19th Annual Educational Conference and Expo this month in Washington. And while the problem is far from solved, investigative techniques and vigilance to reduce the amount of fraud are much more common than they were in the past, he stressed.

He outlined several other steps that employers can take to lessen the chances that they will be hit by workers comp fraud.

"When a claim is filed, take pictures, if possible, of the accident site," Mr. Dark said. The names of witnesses and their statements of what happened are "very, very important," he added.

Any comments overheard by co-workers could be important to record as well, Mr. Dark suggested. "I hate this place," "I can't wait to get out of here," "I'm going to take a couple of weeks off because hunting season is around the corner," are examples he gave of things some workers say before filing a fraudulent claim.

Employers should, if possible, share with an adjuster "everything that is on the employment application" of someone suspected of fraud, Mr. Dark told his audience. Some applications include information on hobbies, for example, that can give investigators clues as to what claimants may be doing with their

time while they could be working.

Look for a reason that a person suspected of filing a fraudulent workers comp claim might have for doing so, he said. "We've had some situations where we've found out that the alleged injured employee was a female, was pregnant and wanted to stay home. We've found situations where people were financially strapped. They were looking for a settlement" and intended to get another job to supplement their workers comp payments.

Be suspicious of the timing of a claimant's report of injury, Mr. Dark warned. Red flags should be raised if a worker reports to the job at 8 a.m. on Monday and is complaining of a back problem at 8:15, he said.

"We've found through background investigation that a claimant was in a bar fight on Sunday evening, got themselves injured" and reported the injury as work-related because the claimant had no insurance to cover off-the-job injuries, Mr. Dark said.

He said employers should ask themselves: "Was there anything preceding the accident" that could tempt a worker to fake an injury? "Was there an announcement of layoffs? Was the employee about to be terminated?"

Building a case against a claimant means collecting as much documentary evidence as possible, Mr. Dark said, urging employers to tape-record statements made by the claimant, if possible.

Faticon relies on videotape as one of its tools to demonstrate illegal collection of claim payments. Mr. Dark showed the group a video that included footage of a baseball umpire, a tow truck operator, roofers and others who were collecting workers comp payments while working second jobs.

While fraud is widespread, there are cases in which claimants make honest mistakes by taking the comp payments and another job, he said.

The baseball umpire, for example, thought it was legal to supplement his income a couple of times each week by calling a game, Mr. Dark said. He wasn't prosecuted, but his future workers comp payments were reduced by the amount of income he received as an umpire.

"Sometimes, the claimants honestly don't know" they are committing a crime, Mr. Dark noted.

Harry Tipper III, senior vp-operations at the North American Reinsurance Division of Duncanson & Holt Group in Wayne, N.J., moderated the session. **BI**

The 'absolutely last' list on Y2K compliance is here

By MICHAEL BRADFORD

WASHINGTON—Among the morass of suggestions that have confronted third-party administrators regarding Y2K compliance, there are 10 that absolutely are the last to worry about, says an expert on the millennium bug.

The countdown to year-end is growing short, and companies don't have time to do much more to make sure computer systems can handle the date change, said Ernest A. Clevenger III, chief information officer with Alliance Underwriters L.L.C., a Brentwood, Tenn., underwriter of stop-loss and other coverages for self-insured companies.

But with less than three months to go, it remains particularly important that third-party administrators do all they can to make sure they are Y2K-ready, Mr. Clevenger pointed out. That's because the U.S. Department of Labor has established that it's the TPA's fiduciary responsibility to make sure self-funded health plans don't run into problems because of millennium computer glitches.

In a presentation at the Self-Insurance Institute of America Inc.'s national educational conference and expo, held Oct. 12-16 in Washington, Mr. Clevenger offered his definitive list of the most important Y2K measures to be taken during the rest of the year.

He said TPAs and employers with self-funded plans should, in ascending order:

- Review computer systems. "It's too late," Mr. Clevenger said, nullifying this No. 10 suggestion. A company that hasn't begun to review its systems for possible Y2K problems doesn't have a prayer of finding and correcting everything by the end of the year,

he said.

"Do some scenario planning," Mr. Clevenger told TPAs and others who might be far behind schedule on compliance. "Have a game plan in mind. What if we cannot pay a bill, we cannot process a claim? Have a contingency planning team, a group that is at least thinking about this and doing a what-if."

- Review your infrastructure. Most utility companies have Web sites with information on whether

'Have a game plan in mind. What if we cannot pay a bill, we cannot process a claim?' says Ernest Clevenger.

they are Y2K-compliant. If they aren't compliant, "I'd get worried," said Mr. Clevenger, and begin making plans for backup power, water and other services, if possible.

- Know where health care provider problems can occur. "Hospitals have spent time and energy on their health delivery systems," Mr. Clevenger pointed out. "They've left their administrative systems" until the end. And physicians are more at risk for Y2K problems than hospitals, he added.

- Limit your liability. Mr. Clevenger urged TPAs and employers with self-funded plans to be careful about saying anything that sounds like a guarantee of compliance. If problems do arise, such statements could prove harmful.

- Understand your insurance policy. "Does it cover Y2K?" Mr. Clevenger asked. That would

mean coverage for things such as business interruption losses and directors and officers liability insurance if a computer problem causes down time. Irate shareholders could decide to sue if they think a company did not disclose the risk of losses, he said.

- Arrange for backups of files and communications services. If telephones don't work, cell phones probably will, Mr. Clevenger said. Communications through the Internet over trunk lines also should be possible if telephone lines don't function, he said.

- Be aware that clients may try to assess blame for non-payment of a claim or reimbursement as a Y2K problem. Audits may increase next year as clients suspect Y2K as the cause of claims payment problems, Mr. Clevenger said.

- Have an understanding with key customers. Mr. Clevenger suggested that TPAs work closely with clients who are renewing or terminating contracts around Jan. 1 to make sure communication problems or other Y2K disruptions can be overcome.

- Identify business partners and, if possible, determine whether they are Y2K-compliant. Mr. Clevenger suggested testing systems with business partners on Jan. 3 and again on Feb. 1 to make sure processes run smoothly after the millennium date change.

And Mr. Clevenger's No. 1 tip among the "absolutely last" list on Y2K compliance: Stay informed.

As Dec. 31 approaches, some companies are backing off rosy predictions of their systems' abilities to handle the date change, Mr. Clevenger pointed out, and TPAs and employers need to know who could have problems that might affect them. **BI**

Norwood-Dingell presents a formidable challenge

By MICHAEL BRADFORD

WASHINGTON—It will take an employer revolution to fend off federal legislation that could mean the end of protections for self-funded health plans, warns a counsel for the Self-Insurance Institute of America.

The SIIA is rallying the troops in its efforts to defeat H.R. 2723, the so-called Norwood-Dingell bill, which, among other things, would give individuals in coverage disputes the right to sue their health plans, employers and plan administrators in state court for any damages allowed under state law.

That right is not currently available for participants of health plans regulated by the federal Employee Retirement Income Security Act. ERISA plan participants can only seek recovery for actual losses, such as the cost of a procedure that was improperly denied.

"We have heard from many people on Capitol Hill that unless the employer community comes forward with a very strong revolution, a rebellion,"

then the Norwood-Dingell bill has "an excellent chance of passing," said George Pantos, Washington counsel for the SIIA. He made his remarks in a presentation at the SIIA's national educational conference and expo, held Oct. 12-16 in Washington.

'There's a lot of political pressure on the Republican moderates in the Senate,' says George Pantos

The legislation has passed the House; reconciliation with an already-passed Senate bill is the next step (*BI*, Oct. 11). The Senate bill would retain ERISA's shield against damage suits.

Those who believe the conferees will agree on a final version that does not allow such lawsuits may be mistaken, Mr. Pantos warned.

"There's a lot of political pressure on the Republican moderates in the Senate who are running for re-election next year" from powerful lobbyists with groups that want the House bill passed in its current form, according to Mr. Pantos. He named the American Medical Assn. and Consumer Federation of America as among the major supporters of the legislation.

Rep. Tom Coburn, R-Okla., said in a separate presentation at the conference that if a bill isn't before President Clinton by early next year, supporters of limits on lawsuits against health plans will have big problems. That's because the patient protection debate will then become a campaign issue in the presidential race.

Rep. Coburn and Rep. John Shadegg, R-Ariz., sponsored a managed care reform bill that would have limited the ability of individuals to sue their health plans, but the bill lost in the House vote to the Norwood-Dingell proposal.

See Bill on next page

Bill

Continued from previous page

"I think there will be a lot of pressure that this will be solved, voted on and gone to the president by March," Rep. Coburn said of reconciliation of the House and Senate bills. "Maybe that's wishful thinking, but I will predict to you that if this is a campaign issue, the conservatives in Congress will lose."

Democrats who favor allowing suits will "attach an emotional word-picture on some person who has had a catastrophe and that will be what the campaign is all about," Rep. Coburn warned. And opponents of such a stance will be unable to explain in 30-second ads that "you are going to lose your health insurance if we allow the trial bar to sue everybody," he said.

Mr. Pantos also suggested that federal pre-emption of state regulation of self-funded plans may be compromised by the Norwood-Dingell bill. "If this bill goes

through as currently drafted, this is the beginning of the end for ERISA pre-emption," he said.

"There is an intense, fierce lobbying campaign" to enact the bill, said Mr. Pantos. "My opinion is, the only way to stop it is going to be by employers saying to their

lose. This bill has a lot of momentum, there's a lot of political pressure behind it and it's going to require a huge effort."

Legislators need to know that the ranks of the uninsured will rise if the bill passes, he urged.

"We need an army of employ-

'This bill has a lot of momentum, there's a lot of political pressure behind it and it's going to require a huge effort' to defeat it, George Pantos says of the Norwood-Dingell measure.

senators and their congressmen, 'Please don't pass this bill or I'm going to discontinue my plan or I'm going to increase costs or I'm going to cut coverage.'"

Discontinuing coverage "is not a patient protection," Mr. Pantos said. "Coverage is the ultimate patient protection."

Unless employers rise up, Mr. Pantos warned, "we are going to

enforce" that will make it clear to lawmakers that if the bill becomes law they will not put their companies at risk for multimillion dollar-awards because a benefit was denied.

"Employers voluntarily adopt these health plans, and they're not going to let this happen," Mr. Pantos remarked. "But you know what? The legislators don't be-

lieve it. They have not heard from the employer community."

Employers will have to reassess their relationships with their third-party administrators if the bill becomes law, Mr. Pantos said. "Contracts between self-insured employers and TPAs are going to have to be rescrutinized in terms of who bears certain obligations in compliance with this requirement."

Mr. Pantos pointed out that Congress adjourns in mid-November and may not have time to act on the legislation until next year. "So we have our work cut out for us," he said.

An emerging concern for SIIA members is growing support for a shift from the current employer-based health care system to one that leaves health care purchasing to individuals.

"There are stirrings afoot" to make such changes, according to Mr. Pantos. "Even conservative Republicans have taken this up and believe that health insurance under the employer-based system as we know it today should be

phased out."

Those Republicans who support such a change want to restructure the federal tax code to end employer tax deductions for the cost of group health care plans and replace them with tax credits for individuals who are responsible for finding their coverage, Mr. Pantos noted.

Also of concern to SIIA members are efforts by states to classify stop-loss insurance as health insurance, Mr. Pantos said. The coverage is sold to reimburse employers for claim amounts above a predetermined level.

Some states allow such regulation, and in others, court rulings have blocked states from assuming that responsibility.

The SIIA argues that ERISA pre-empts such regulation if stop-loss coverage is defined as health insurance. And, the association claims, state regulators are attempting to restrict employers from establishing ERISA plans in efforts to steer them into state-regulated plans in the insured market.

Reducing worker cholesterol levels can cut risk of serious illness: Doctor

By MICHAEL BRADFORD

WASHINGTON—A wellness program that lowers employees' cholesterol levels can greatly reduce the chances that expensive illnesses will strike the workforce, according to a doctor who supports such an approach.

"Cholesterol is now seen by medical experts as the cause of heart disease," said Otis A. Plunk, a physician and chief executive officer of Lifesigns—Physical Examination Facility in Brentwood,

Tenn. Therefore, lowering the cholesterol level means lessening the chance of heart attack and stroke, he said.

In a presentation at the Self-Insurance Institute of America Inc.'s 19th Annual Educa-



tion Conference and Expo in Washington earlier this month, Dr. Plunk pointed out that "over half of all Americans die of heart attack and stroke." Health care efforts to prevent those deaths cost \$274 billion last year, he said.

Most people aren't aware of the "cause-and-effect relationship between cholesterol and heart attack and stroke," Dr. Plunk suggested. He said that "treating cholesterol has a major impact" on reducing the numbers of those illnesses.

A wellness program aimed at lowering cholesterol is more effective today than in the past because of new drugs that can bring levels down, according to Dr. Plunk. Getting a worker who has high cholesterol to take a pill each day is effective in lowering those levels, he explained. Diet and exercise are other techniques used to lower harmful cholesterol levels.

Lifesigns' wellness offerings include a computerized medical profile that workers can access over the Internet. It includes a breakdown of levels of cholesterol and other blood components and can indicate problem health areas. Employers are given information on the percentage of the workforce that suffers from maladies such as obesity, diabetes and other conditions. In addition, employers are informed of the percentage that participates in unhealthy behaviors such as smoking.

Dr. Plunk explained that the numbers give employers a quick read on the health of their workers and can provide direction on which wellness programs are

needed. If a large percentage of workers smoke, for example,

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offering a smoking cessation program could bring that number down and reduce claims for smoking-related illnesses.

Dr. Plunk said it can be hard to convince management, in some cases, that wellness programs will save them money. But some programs are obvious money-savers that should be implemented, he urged.

"There are some things that you just can't argue against, like prenatal care," said Dr. Plunk. "Premature deliveries can cost so much money," he said, that a few cases "can impact even a big organization."

"And I would say," Dr. Plunk remarked, "that we are going to get into the arena here pretty soon where the prevention of heart disease by way of controlling cholesterol" is seen as an obvious money-saver.

Dr. Plunk urged employers that haven't tried wellness offerings to start with something simple that will be easy to sell to workers and that can show top management that the programs work.

"Pick out a program that you're confident will be well-accepted and have good benefits. Maybe something small like mammograms, blood pressure checks, flu shots or something like that."

He said human resources professionals are good choices to lead the wellness efforts and that they should partner with "someone in the organization who is pro-wellness. Maybe someone higher up, perhaps, or someone who controls the purse strings. If there is a CFO who runs marathons and is a veg-

etarian, that would be a great person to be pulling for you."

Even with such support, management will need to be convinced they are saving money when the programs are in place, Dr. Plunk noted. And that is difficult when you can't, for example, prove you have prevented heart attacks, he pointed out.

But the good thing, Dr. Plunk said, is that "the people in your organization you have to convince of this" typically are CFOs or others who are familiar with statistical models and spreadsheets, which will be needed to convince them that illnesses likely have been avoided. There is enough statistically valid data available that it should be easy to convince management that wellness is not "hocus pocus," he said.

The models should indicate that over time reductions in illnesses will occur, Dr. Plunk stressed. "And when you consider one bypass surgery is about \$45,000 or \$55,000, whereas (cholesterol) medication is about \$60 a month, it's pretty easy to see that there are a lot of savings to be gained."

When implementing wellness efforts, "It's not a bad idea to take advantage of catastrophic losses," Dr. Plunk said. "That sounds kind of bad," he acknowledged, but he explained that if, for example, it is well known that a worker has prostate cancer, co-workers likely would be receptive for screening to detect that condition.

The doctor said he finds self-insured companies often have more interest in wellness programs than employers who buy coverage because self-insureds are "in it for the long haul, and it does take a little bit of time for wellness to pay off."

Employers that implement the programs find the added benefit that they "signal a certain amount of caring on the part of the employer for the employee," Dr. Plunk pointed out, which provides "a little better environment for wellness to work."

Stan R. Smith, director of risk management at Boyd Gaming Corp. in Las Vegas, moderated the session. **BI**

Meeting draws 1,500

WASHINGTON—The Self-Insurance Institute of America Inc.'s 19th Annual Education Conference & Expo drew about 1,500 attendees to four days of meetings in the nation's capital.

A golf tournament kicked off the conference Oct. 12; it was followed by a series of educational sessions, briefings, presentations and entertainment that ended Oct. 16. The event was held at the Washington Hilton & Towers.

Industry professionals spoke on a variety of topics, covering issues of interest to third-party administrators, self-insured employers, stop-loss insurers and others.

SIIA will hold its 20th conference and expo Oct. 24-28 at the Anaheim Hilton & Towers in Anaheim, Calif. For information, contact SIIA, P.O. Box 15466, Santa Ana, Calif. 92735-0466; 714-508-4920; fax: 714-508-4904; or www.sii.org.

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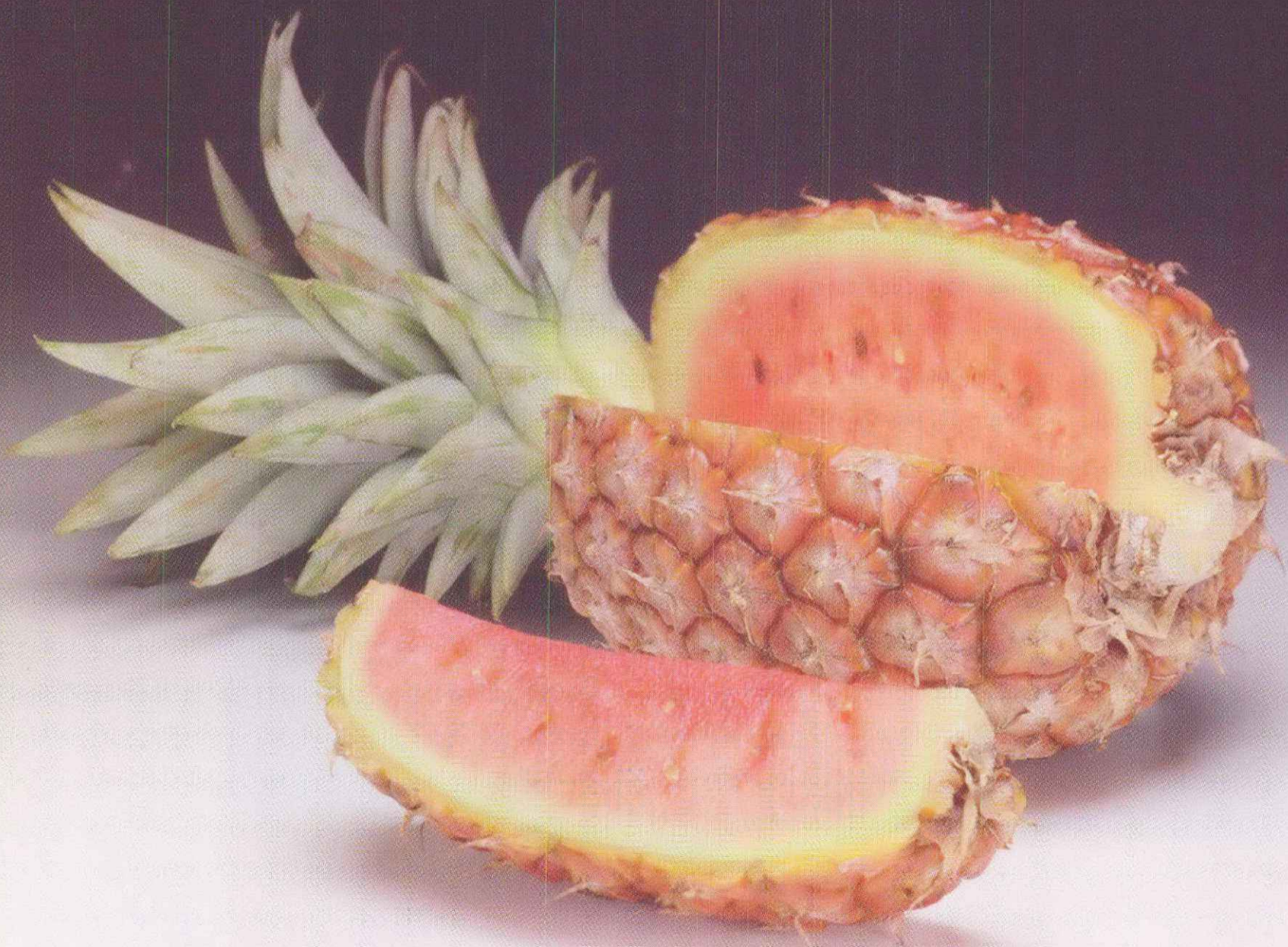
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INTERNATIONAL

German insurers see Y2K perils

By DON LEWIS KIRK

German insurers concede that, in general, their contracts in Germany cover Y2K-related losses.

Concern is growing, however, that too many companies are willfully ignoring Y2K problems, placing themselves and their insurers in jeopardy.

Heinz Teichmann, director of industrial business at Allianz A.G., admitted that most standard German commercial policies do not have Y2K exclusions, except for the loss of profit.

"Property and business interruption losses are covered for risks insured, even if the cause is a millennium problem," Mr. Teichmann said.

Even if they wanted to, insurers would have a hard time excluding Y2K risks in Germany.

Contract law supports automatic renewals, making the annual renewals that are common in the United Kingdom and United States an exception in Germany. As a result, most commercial policies cover most Y2K risks.

"Even when policies expire, insurers are reluctant to change conditions due to competitive pressures," said Gabrielle Hoffmann, director of communications for the German Insurance Assn.

Ms. Hoffmann said she expects Y2K compliance will test the insurance industry's limits.

"The problem is not large businesses, but smaller companies. We have very little Y2K compliance information. That is the unknown factor," she said.

Both German industry and insurers are touchy about the negligence issue.

"Negligence is a key legal point," said Friedrich von Westphalen, a prominent commercial law attorney and a senior partner in the Cologne, Germany-based law office of Graf von Westphalen, Fritze und Modest.

"Companies have known about this problem since the '80s, so it is foreseeable. Insurers will have to prove clients willfully intended to avoid Y2K compliance," Mr. von Westphalen said.

Under German law, an insurer providing liability, transportation and even directors and officers coverage is obligated to pay a claim, even if the client is found to be grossly negligent. But "They do not need to pay claims to clients in the case of willful intent," said Mr. von Westphalen.

Courts will have a hard time making such distinctions, predicted Mr. von Westphalen. "Business are running a high risk when they do not prepare for Y2K problems. It is

See Y2K on page 47

Despite need, EPLI demand small

By CAROLYN ALDRED

Although employment practices liability is a growing concern for U.K. employers, few risk managers have tapped the EPL policies recently introduced in the U.K. market, insurers and brokers say.

Compensation awards for racial and sexual discrimination and harassment have increased in both frequency and size since a £12,000 (\$20,040) cap on awards was removed in the early 1990s. That, together with claims arising out of disability discrimination laws that took effect in late 1996 and a voluntary code on age discrimination launched by the government this summer, have pushed discrimination well up on employers' agendas.

Other employment issues, such as working hours, also are leading to compensation claims, whether for unfair dismissal or stress-related injuries. Last month, a compensation settlement of £47,000 (\$77,893) from a metropolitan borough for a U.K. schoolteacher who took early retirement set a precedent in the acknowledgement of stress as an occupational hazard among teachers (BI, Oct. 18).

In 1998, the Advisory Conciliation and Arbitration Service, a government-funded body that works to resolve workplace disputes, received 6,882 sexual discrimination cases, up 4.5% from 1997; 3,173 racial discrimination cases, up 9.9% from 1997; and 2,758 disability discrimination cases, up 95.9% from 1997, according to the ACAS 1998 annual report. The sharp rise in dis-

crimination cases is largely the result of the new laws in that area.

"It is becoming much more important for employers to put good employment procedures and practices in place as the level of litigation is increasing," said employment lawyer Andrew Leverland, a partner with the Manchester and Liverpool law firm of Davies Wallis Foyster.

Basic risk management steps a company should take include setting up anti-discrimination procedures, as well as disciplinary procedures for employees who violate the policies; training managers in the procedures; and keeping good records, including records of reported incidents and any follow-up actions by the employer, said Mr. Leverland.

See EPL on page 47

Japan lags other nations in risk management

But survey shows companies eager to catch up

By JOANNE WOJCIK KOCHANIEC

Japanese companies' use of risk management concepts and programs trails that of companies in other industrialized nations, a new survey has found.

However, the survey by Tillinghast-Towers Perrin also revealed that Japanese companies were eager to learn about advanced risk financing methods, risk mitigation, and environmental liability and insurance.

And the recent deregulation of Japanese insurance markets will make it easier for these companies to take advantage of the more-advanced techniques, according to Paul Pinckney, a principal at Tillinghast-Towers Perrin in Irvine, Calif.

"While the Japanese insurance practice is currently behind many other industrialized nations with regard to some key risk management concepts and programs, their deregulated markets will enable them to compete quickly with other industrialized nations," Mr. Pinckney said in a press release announcing the survey findings.

"It's in the process of opening up," he said later in an interview with *Business Insurance*.

The New Insurance Business Law, passed by the Japanese government in April 1996, permits the entry of foreign life and non-life companies into the Japanese market via subsidiaries, Mr. Pinckney explained.

Before passage of the law, which was sought by the U.S. Commerce Department, perhaps 99% of the Japanese insurance market was controlled by domestic companies, he said.

The law, which is being phased in incrementally between 1996 and 2001, also permits the liberalization of policy conditions and rates, which previously were controlled by Japan's Ministry of Finance, as well as the introduction of an independent insurance brokerage system, he said. Traditionally, most

large Japanese companies have used in-house agents or brokers to place their insurance, Mr. Pinckney explained.

Captives are one risk financing technique that Japanese companies are generally not using much, the survey found. Only 12% of the Japanese survey respondents owned their own captive, well below the U.S. Fortune 500 company average of 50%.

Of the companies that do not have a captive, the vast majority, or 72%, have not been advised by their agent or broker on the potential benefits of having one.

This finding is the primary reason Tillinghast-Towers Perrin decided to make public the survey results this week at the Hawaii Captive Insurance Forum, Mr. Pinckney explained.

Tillinghast-Towers Perrin hopes that, as more Japanese companies decide to form captives, they will choose Hawaii as the domicile, he said.

Tillinghast-Towers Perrin also participated in a seminar held Sept. 29 at the Tokyo American Club, where Hawaii's governor and insurance regulators pitched their domicile to some 270 Japanese businesspeople in attendance, he said.

Just 78 of the 4,100 captive insurers listed in the current Tillinghast Captive Insurance Company Directory are owned by Japanese companies.

"Tillinghast expects there will be many captive insurance formations by Japanese corporations in the months and years ahead," the survey report said.

"While our companies have been slow to increase their level of self-insurance, we expect this to change as the potential cost savings are recognized and companies become more comfortable with their ability to take on risk," said Hiroyuki Takahashi, a Tillinghast-Towers Perrin senior consultant based in Tokyo.

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Global Briefs

A new London liability insurer, **Underwriter Insurance Co.**, has been launched by a group of senior insurance executives with up to £50 million (\$83.2 million) of backing from Morgan Stanley Dean Witter Capital Partners. It will underwrite mainly long-tail liability coverage for industrial, commercial and contracting businesses in the United Kingdom. Robert McCracken and Keith Rutter, two of the founders, will be its chairman and chief executive, respectively. ... A U.K. poultry bin cleaner has been awarded £215,277 (\$358,027) plus interest by Norwich Combined Court after being left unable to do his job because of **repetitive strain injury**. The award to Kim Godfrey for loss of earnings was against his employer, food producer Bernard Matthews. His lawyers, Nockolds Solicitors of Bishop's Stortford, England, said it was an important case because U.K. courts have generally refused to recognize the existence of RSI. ... Lloyd's of London **corporate syndicate 1211**, managed by St. Paul Syndicate Management, has acquired a global property team. The team—Martin Pope, Colin Clulow, Christian Corby and Simon Duke—will write for syndicate 1511, a subsyndicate of 1211, beginning Nov. 15. ... U.K. insurer CGU P.L.C. plans to enter an **investment joint venture in China**. It has signed a memorandum of understanding with Commonwealth Development Corp., a private equity investor in emerging markets, whereby they will jointly commit \$100 million to private equity investments in China. Details of the venture are expected to be finalized by April 1, 2000. ... A.M. Best Co. has assigned an A rating to **General Insurance Corp. of India**. It said the rating is based on the Mumbai, India-based reinsurer's "monopolistic position as reinsurer for the entire Indian market, which has enabled it to record strong earnings and maintain an excellent capital position." ... The new non-life insurer owned 33% by Uni Storebrand Skadeforsikring A/S of Norway, 42% by Skandia Insurance Co. Ltd. of Sweden and 25% by Pohjola Group of Finland, expects to start operations by the end of 1999, pending final government approval. To be based in Stockholm, Sweden, it will merge the property and casualty interests of the three investors and be the **biggest non-life insurer in the Nordic region**. ... **Hannover Re** is reorganizing its life and health reinsurance business from next Jan. 1. It will combine offices in 13 countries into an independent division named Hannover Life Re, to be headed by board member Wolf Becke. As part of the change, it set up Hannover Life Re (Ireland) in Dublin, Ireland, earlier this month with start-up capital of 100 million euros (\$107.5 million) to act as its center for financing transactions. Hannover Life Re's initial annual consolidated gross premium income will be about 2.1 billion euros (\$2.26 billion), almost one-third of the premium income of the Hannover Re Group. ... **Allianz Holding A.G.** has denied allegations from the World Jewish Congress that it is delaying the settlement of Holocaust-era claims. Elan Steinberg, executive director of the Congress, has called for a consumer boycott of the German insurer and called on insurance regulators to sanction Allianz if it doesn't comply with demands for the publication of details of all unpaid policies from the Holocaust period. ... **Price-waterhouseCoopers' Dispute Analysis & Investigations** practice has added four people to its insurance claims services team. The appointees are Chris Barrett, who will develop insurance claims services in mainland Europe; Mike Bennett, who will develop commercial claims support in the insurer and broker market; Graeme Berry, who will develop specialist claims support; and Brian Gibson, who will develop insurance claims services in central and northern England.



PHOTO: AP WIDE WORLD

The dark-skinned faces of minority workers were replaced with white faces in this 1991 Ford promotional poster.

Racial bias claim roils Ford plant

By CAROLYN ALDRED

Ford Motor Co. Ltd. in the United Kingdom is facing a major disruption at its main British assembly plant because of mounting employee complaints that the company is failing to keep its word to implement policies against racial discrimination.

Workers at the company's plant in Dagenham, in East London, are planning to strike: a strike ballot is being prepared by the Transport & General Workers Union in London, a TGWU spokesman confirmed. If the

See Ford on next page

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INTERNATIONAL

Ford

Continued from previous page
workers vote to strike, it will be the first major industrial action in the United Kingdom prompted by an employer's alleged failure to implement anti-racist policies. The vote is expected in the coming weeks.

The action is being taken to protest Ford's "failure to carry out agreed procedures to deal with equal-opportunities issues," the spokesman said.

On Sept. 30, Ford lost production of 1,200 Ford Fiesta automobiles when two shifts, each of 800 production workers, stopped work at the Dagenham assembly plant, a Ford spokesman confirmed. TGWU estimates that the unofficial strike action cost the company an estimated £4.5 million (\$7.5 million), the spokesman said.

Last month, Ford admitted liability in an industrial tribunal case in which a worker of East Indian ethnicity complained of almost four years of racial abuse while he was a Ford employee. Sukhjit Parma, a production operator at the East London engine

plant, alleged he had endured racist comments written on his paycheck and death threats written on a bathroom wall, as well as verbal threats and racial comments, according to court papers. A financial award from a court ruling is expected soon.

A second, similar case is being brought by another worker at the same plant, the TGWU spokesman said.

The cases follow several racial incidents involving the company. In 1996, Dagenham workers threatened to strike over an advertising campaign directed at Eastern Europe when it was revealed that the faces of black employees had been airbrushed out of a photograph for a promotional poster and replaced with white faces.

After that, Ford adopted what it called a "zero tolerance" campaign against all kinds of racism, but union representatives say Ford has failed to adopt promised procedures and that racism still is rife in the company.

A spokeswoman for Ford said the company does have a "zero tolerance" policy for racial discrimination, but she declined to comment on the possible strike. **BI**

Germans disagree on effect on rates if health reform fails

By DON LEWIS KIRK

BONN, Germany—The head of Germany's largest health insurance fund predicts that "drastic" rate hikes will be necessary if current government health care reform efforts collapse, as looks likely.

Gert Nachtigal, chairman of the Bonn-based Bundesverband der Allgemeine Ortskrankenkassen, or AOK, estimates that compulsory contributions to Germany's health insurance funds could climb to 14% from the current level of 13.6% of wage costs should a government plan to limit health care spending fail. Certain caps, including those for doctors' fees and prescription drugs, have been in place since 1993 but expired this year. As a result, employers and employees could face total additional annual health insurance costs of 8 billion to 10 billion deutsche marks (\$4.29 billion to \$5.37 billion) from such rate increases, Mr. Nachtigal said. Under Germany's health insurance system, employees and employers pay a fixed, wage-based contribution into their industry's health insurance fund, which pays their medical benefits.

Others, however, say they don't think failure to pass the reforms will necessitate immediate rate hikes.

"Most company insurance funds don't plan rate hikes," said Wolfgang Schmeinek, chairman of the Bonn-based Federation of Company Health Insurance Funds, an association of 325 company funds with more than 9 million members. "At the same time, we think key elements of the reform would lead to rate stability," Mr. Schmeinek said.

Those "key elements" include certain spending caps for some hospital services and prescription drugs; better integration of outpatient and hospital care; and the elimination of unnecessary procedures, said Mr. Schmeinek.

The German government plans to introduce therapy guidelines; controlled quality management in practices and clinics; a restricted list of prescription drugs that doctors can use for patients whose treatment is covered by health insurance funds;

caps on physician fees; and the elimination of benefits and medicines considered unnecessary—from the catalog of benefits, according to Andrea Fischer, Germany's health minister.

But concern is growing among reform proponents after the ruling coalition of Social Democrats and Greens lost majority control of the Bundesrat, or upper house of Parliament, in recent state elections.

The government had planned to pass its Health Reform 2000 package by November, but the new majority in the Bundesrat will likely hinder passage of portions of the bill, including key hospital budget provisions.

Bundesrat majority conservatives favor watering down health care spending cuts for hospitals, and several opposition leaders completely reject the reforms.

The social minister of Baden-Wuerttemberg is Friedhelm Repnik, a member of the conservative Christian Democratic Union party. Mr. Repnik said that the bill offered "no basis for negotiation" and that the government should recall the bill and submit a new draft next year in consensus with the states.

He said the CDU-governed states "completely rejected" both the takeover of hospital spending by the health insurance funds and the spending caps for physician fees and prescription drugs.

Jochen Muskalla, corporate benefits manager for Ludwigshafen-based diversified manufacturer BASF A.G., said failure to pass reforms will not mean higher rates for everyone. "We'd miss some reform incentives, like those for more outpatient treatment," he said. "But we don't plan higher rates should the reform fail."

Insurance funds have different risk structures, said a spokesman for the Bundesverband der Innungskrankenkassen, a group of insurance funds that represent German trade professionals. "The AOK has a large number of elderly, high-risk members and would benefit most from reform," he said. "Other funds are more efficient and have better risks, but all health insurance funds would benefit from rate stability." **BI**

INTERNATIONAL

Y2K

Continued from page 45
likely the courts will draw a fine line in this case."

Mr. von Westphalen pointed out that German managers could face criminal charges if computer malfunctions cause bodily harm. In addition, they may face lawsuits from their boards of directors and shareholders for any production breakdowns. "Managers must, by law, do everything in their power to avoid risks to the company. As a result, they must be informed about Y2K risks and how they affect their companies."

Germany's changing legal environment is putting additional pressure on managers, said Mr. von Westphalen. In April 1997, the federal Supreme Court ruled that boards of directors were obligated

to sue negligent managers. The ruling preceded last year's changes to corporate governance laws—known as KonTraG—that promote diligent corporate risk management.

"Because of KonTraG, public accountants will now attest to the presence of risk management and risk control systems," said Mr. von Westphalen. "In my opinion, these would stand up in court as proof of making Y2K provisions."

KonTraG governs only corporations, but Mr. von Westphalen said all companies—including small, so-called GmbH companies—fall under the same legal guidelines. "The important thing for managers is to document what they do in respect to Y2K problems," he said.

Yet a September 1999 poll of 25 German industries by Hamburg, Germany-based credit insurer

Hermes Versicherung A.G. confirmed what many critics have long feared. Seventy percent of the 2,300 companies that responded have no Y2K contingency plan,

A Hermes poll found that 29% of German companies do not know if their suppliers can deliver next year.

and nearly one-third said they had not considered external factors, including suppliers and consumers.

"That is a most disconcerting thing for us," said Barbara Stieghen, an executive management assistant for Hermes. "Manufacturing processes are so inter-

woven that a single subcontractor failing to deliver a single part can bring a manufacturer down. Over 20% of companies admit they would shut down in a month should a single major supplier fail to deliver."

Hermes's poll found that 29% of German companies in 25 industries do not know if their suppliers can deliver next year. Almost half said they had not yet taken action or planned to take action to secure deliveries. Forty-one percent admitted they are so dependent on suppliers that a delivery stop would threaten their existence.

"That's unsettling," said Ms. Stieghen, "especially since 7% of companies admit they have serious time constraint problems with Y2K. Seventeen percent of the companies with (information technology) exposures admit they are just starting with the test phase. One-third said they would adjust systems this quarter. Experience shows that's too late."

The European Commission estimates that 50,000 German companies—15% of the total—will not meet Y2K deadlines and go bankrupt. The German weekly Der Spiegel cites an internal report of German service companies predicting that 20% of German companies—including large corporations—will experience serious solvency problems because of the millennium bug.

Solvency problems are a big concern for Hermes. "Should subcontractors fail, Hermes would compensate the manufacturers," said Ms. Stieghen.

Like most German insurers, Hermes has essentially no exclusions for Y2K risks. "We decided it was not practical to impose Y2K exclusions. When a supplier defaults, it defaults," she said.

Over the last 15 months, Munich, Germany-based Allianz A.G., Germany's leading insurer, sought information about commercial Y2K risks through questionnaires. Only 10% of its 20,000 industrial clients answered.

Critics such as the Frankfurt, Germany-based Assn. of German Machine & Factory Constructors fear the information the insurer sought would be used against policyholders. But Allianz insists the only reason for circulating its questionnaires was to make industry more sensitive to potential Y2K problems. Mr. Teichmann points out that only 10 of its policies were

anceled as a result of the questionnaires.

In the past two years, trade associations, banks and insurance companies have sent Y2K checklists to companies to help them evaluate risks. Mr. von Westphalen recommended that managers document what they do to check for Y2K problems. "Should it come to a lawsuit, documented information based on questionnaires can be used as evidence," he said.

Such checklists cover future, present and past production. German law makes it possible for a technology consumer to file a lawsuit based on a Y2K failure, as long as the consumer has given the company time to fix the problem. "The KonTraG law and the federal court ruling, in effect, compel companies to disclose the potential adverse affects of Y2K on their business and come up with a contingency plan," Mr. von Westphalen said.

An analysis of 9,000 companies was published in September by Gerling Consulting Group, a subsidiary of German industrial insurer Gerling A.G. The analysis estimates that 26% of German companies with sales under 20 million deutsche marks (\$11 million) had little or no chance of meeting Y2K deadlines; another 20% has less than a 50% chance of making adjustments on time. The study indicates that 24% of large companies are equally endangered, because "they have not taken the problems seriously."

The viewpoint of German Chancellor Gerhard Schroeder regarding the millennium bug is clear. In a recent interview with Der Spiegel, he called the Y2K problems "harmless," mirroring the position taken by many businesses. Ironically, Chancellor Schroeder contradicted a progress report by his own government that cites the "potential for extensive economic disruptions."

"It is yet unclear if the pessimists or optimists are right," concludes the report published this year by the federal Interior Ministry. "Speculation varies between everything being OK to a total breakdown of public life."

In the final analysis, Mr. von Westphalen said, one good thing to come out of the publicity surrounding the varying views about Y2K is that companies have been made more conscious of possible risks. **BI**

Companies making preparations

Germany's experience with Y2K risks is as diverse as its industrial landscape. Corporate giants such as Siemens A.G., Lufthansa and Audi have been doing exhaustive Y2K checks and adjusting their systems.

Munich-based Siemens A.G. is using an enhanced Internet site to inform customers of its Year 2000 product compliance. Siemens provides technical assistance for several product lines, including automobile technology, robotics, nuclear energy, communication systems and medical technology. The Siemens' Web site has a link to a data bank with scan tools, upgrades and information downloads for its products.

Based on its Web site and other research, Siemens was offered worldwide insurance coverage without Y2K exclusions by a leading commercial insurer, according to Steven Bechhofer, an assistant director of Siemens' liability insurance division.

Ralf Oelssner is the managing director of Albatros Versicherungsdienste GmbH, the insurance captive of the Cologne, Germany-based airline Lufthansa. Mr. Oelssner said Lufthansa has budgeted 80 million deutsche marks (\$43.9 million) over the past 30 months to test for and fix Y2K problems.

"We do not have a Y2K problem," asserted Mr. Oelssner. "The

only thing suspicious was an in-board entertainment system, which we updated."

By the end of 1999, Lufthansa "will have everything covered" and will have 16 planes in the air on New Year's Eve, insisted Mr. Oelssner.

"All systems have been checked and rechecked for Y2K compatibility," he said. "We have contingency plans for possible problem areas in the Pacific and Russia. Flights will be reduced, and, should we lose contact, a (global positioning system) can guide the plane safely."

Lufthansa has worked closely with its insurers. The airline has liability coverage of 3.5 billion deutsche marks (\$1.92 billion) through the German Luftpool, a consortium of international insurers and reinsurers, in conjunction with Gerling A.G. and Lufthansa's own primary and reinsurance captive.

Lufthansa completed a risk assessment, made indicated adjustments and, by midyear, worked out a contingency plan for routing aircraft. "There are no guarantees for what happens on the ground," admitted Mr. Oelssner. "Passengers may have to wait for their luggage, but they will be safe getting there."

To minimize its risk, pharmaceutical maker Hoechst Marion Rous- sel, a subsidiary of Frankfurt-based

chemical giant Hoechst A.G., is scheduled to shut down its Russelsheim, Germany, plant between Dec. 30 and Jan. 1. Hoechst will close down, check and restart most of its other plants between Dec. 25 and Jan. 5. Over the next 10 weeks, the company plans to step up production and stockpile pharmaceuticals in anticipation of consumer hoarding.

German automakers plan to make their last checks over the Christmas holiday. Audi A.G., leaving nothing to fate, will use the New Year's holiday weekend to run a final test. In case there are any problems, a reduced workforce is scheduled to come in for the morning shift on Jan. 4. If any problems cannot be resolved, the night shift will also be reduced; if all goes well, however, the night shift workers will be informed that they are all to come to work, and the plant will resume full production.

At its Russelsheim plant, giant German automaker Opel A.G. has asked 100 additional workers to help an inspection crew run tests on equipment over the Christmas holiday. German carmakers have requested detailed information from suppliers about Y2K compliance, and those suppliers who do not reply are being inspected by the manufacturers.

—By Don Lewis Kirk

EPL

Continued from page 45

As employment practices exposures at such well-known employers as Ford Motor Co. Ltd. have received significant attention (see story, page 45), several insurers in the United Kingdom are marketing EPL policies to protect employers from a growing spate of suits in this area.

Employer demand, however, has thus far been limited.

EPL policies have only become available in the last couple of years, and "there has been little take-up so far," said broker Martin Beagley, a director of Willis Global Financial & Executive Risks in London, a unit of Willis Corroon Group Ltd.

This lack of demand stems, in part, from risk managers not budgeting for additional premium expenses in this area, Mr. Beagley said. He predicted that more risk managers will purchase EPL coverage next year.

"You can hardly pick up a newspaper these days without reading of a discrimination claim," he noted.

ACE Europe, part of Bermuda-

based ACE Ltd., launched a U.K. EPL insurance product in July. Employment-related compensation claims are increasing—as are the awards for such claims—and demand for coverage will increase, predicted Julian Elms, London-based manager for the United Kingdom and Ireland for directors and officers liability coverage.

While D&O policies have been expanded to cover discrimination issues, this "hasn't been an ideal answer," Mr. Elms said.

"We are anticipating that there will be increasing (discrimination) claims and that demand (for EPL coverage) is going to grow," said Mr. Elms.

St. Paul International Insurance Co. Ltd. introduced an EPL policy in the United Kingdom about six months ago in anticipation of a growing demand for such coverage, said senior underwriter Jim Gaskin in London.

Like other insurers, St. Paul had been expanding D&O policies to cover employment practices, but these policies were limited in that they covered only individuals and not the

company itself, he noted.

St. Paul initially is gearing the policy toward local authorities, a sector in which it specializes. So far, the insurer "has sold a few" policies in that sector, said Mr. Gaskin.

"We are certainly getting an interest from local authorities," he noted, predicting that interest in EPL policies will come, in particular, from

'Large companies are becoming more aware (of EPL) and are trying to manage it,' says Andrew Leverland.

large companies and municipal governments.

Liz Taylor, chief executive of the Assn. of Local Authority Risk Managers, agreed that employment practices risks—including claims relating to discrimination, unreasonable working hours and stress—are areas of increasing concern for local gov-

ernments.

Although employment issues traditionally fall under the province of human resource departments, more risk managers in her sector are now working with human resource and health and safety officers, advising on risk assessment and risk control.

Despite local governments' growing concerns, Ms. Taylor does not foresee a huge rush by risk managers to buy EPL insurance.

More likely, risk managers will address exposures through other risk management approaches, she said, because of high retention levels in the public sector. Many local authorities now carry retention levels that would exceed most discrimination settlements, she added.

A spokesman for Zurich Municipal in Fareham, England, a unit of The Zurich Financial Services Group that specializes in insuring local authorities, agreed with that assessment.

"Over the last five to seven years, there has been a huge shift by larger local authorities to a very high degree of self-insurance. Deductibles of £100,000 to £150,000 (\$167,000 to

\$250,500) would mean that most claims would not be insured anyway," said the Zurich spokesman.

David Ketley, a director of the Assn. of Insurance & Risk Managers and insurance manager for the European and Far Eastern operations of Cobham, Surrey-based Cargill P.L.C., said he does not believe that discrimination issues currently warrant a risk transfer. He said he regards such issues as a business risk, or something considered by most companies as part of doing business but does not require insurance.

Moreover, other sources who did not wish to be quoted pointed out that the current rates for EPL products are considered too high by risk managers.

But EPL coverage will likely be a growth area for insurers "if they pitch the price right," said employment attorney Mr. Leverland.

Employment practices are going to be a big issue in the next millennium, he predicted.

"Large companies are becoming more aware (of the issue) and are trying to manage it and promote equal-opportunity policies," he said. **BI**

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INTERNATIONAL

Japan

Continued from page 45

Japanese companies responding to the survey also ranked advanced risk financing methods and insurance products as the topic in which they have the greatest interest. This was followed by risk mitigation/control, environmental liabilities and insurance coverage, and integrated insurance/risk management approaches.

Surprisingly, only 40% of Japanese companies responding to

the survey have a staff function dedicated to insurance and/or risk management.

"Most Japanese companies assign the insurance responsibility to either 'administration' or 'treasury/accounting,' rather than to a separate risk management function," Mr. Takahashi said.

While most Japanese companies do not have corporate risk managers, they do have in-house agents or brokers, according to the survey. This is because historically close regulation of coverage and premium costs by

the Ministry of Finance permitted little, if any, flexibility in the cost of insurance in Japan. As a result, many large Japanese corporations have used owned insurance agencies and brokerage operations as "pockets" to receive commissions on corporate insurance placements and, thus, reduce overall insurance costs, the survey explained.

The majority of Japanese companies with global insurance exposures—63%—manage them at headquarters, while 37% delegate insurance management to the local region

or country.

The study also revealed that 40% of Japanese companies have earthquake insurance, but only 31% have business interruption insurance.

By contrast, Mr. Pinckney estimated that perhaps 85% to 90% of large U.S. companies buy some form of contingent business interruption coverage.

"This disparity is expected to change as corporate management becomes more aware of the potential impact of business interruption losses on overall operating results," Mr.

Takahashi said.

The 1999 Japan Risk Management Survey Report was based on responses from 123 Japanese companies representing a cross-section of industries.

Copies of the survey cost \$175 and may be ordered by mail from Linda Wyse, Risk Management Publications, Tillinghast-Towers Perrin, 263 Tresser Blvd., 1 Stamford Plaza, Stamford, Conn. 06901; by telephone at 203-326-5469; or by fax at 203-326-5498.

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 The Circuit Court of Cook County entered an order on August 16, 1999, directing and authorizing the Rehabilitator to seek out and effectuate policy buy-backs as part of a plan to finalize and fully resolve Centaur's liability for direct claims and to wind down and close the Centaur receivership.
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 Following approval by the requisite majority of creditors of the Scheme of Arrangement ("the Scheme") between The Charter Reinsurance Company Limited and its Scheme Creditors (as defined in the Scheme) on 22 September 1999 and sanction of the Scheme by the High Court on 11 October 1999, a copy of the order sanctioning the Scheme was delivered to the Registrar of Companies on 12 October 1999.
 The Effective Date of the Scheme is therefore 12 October 1999.
 The Joint Scheme Administrators are Philip John Singer and Christopher John Hughes of PricewaterhouseCoopers.
 The deadline for return of amended Provision of Information Forms and Broker Statements is 11 January 2000. Unless amended forms are received by that date at the address set out below, the Scheme Creditor concerned will be bound by information contained in that form.
 Amended forms must be returned to the following address:
 The Charter Reinsurance Company Limited
 c/o PricewaterhouseCoopers
 3 St Phillips Central
 Bristol BS2 0XJ
 United Kingdom

HELP WANTED
DIRECTOR OF WORKERS' COMPENSATION AUDIT
 Staff Leasing, Inc., the nation's largest professional employer organization ("PEO"), provides clients with a broad range of services, including payroll administration, risk management, benefits administration, unemployment and human resource consulting. In providing these services, Staff Leasing becomes the employer of record for workers' compensation purposes. As such, ensuring correct payroll volumes and workers' compensation classifications are a critical part of our business.
 We are seeking an experienced Workers' Compensation Auditor to direct and manage our clients' payroll and Classification Code audit process and authorize workers' compensation classification code changes as necessary. The successful candidate will possess a Bachelors degree in a related field combined with at least 5 years of progressively responsible premium audit/classification coding experience. APA, ARM and/or CPCU certifications highly desirable.
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Financial:
 Chief Financial Officers and Vice Presidents of Finance 4,190
 Secretaries, Treasurers, controllers and other Financial Personnel 4,945

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 13,572

Sub-total **30,866**
 Associations 237
 Government, Unions and Educational Institutions 972

LEGAL NOTICES
IN THE HIGH COURT OF JUSTICE No. 6669 of 1999
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF THE HAWK INSURANCE COMPANY LIMITED (PROVISIONAL LIQUIDATORS APPOINTED)
 AND
IN THE MATTER OF THE COMPANIES ACT 1985
 NOTICE IS HEREBY GIVEN that, by an Order dated 19 October 1999 made in the above matter the Court has directed that a meeting ("the Meeting") be convened of the Scheme Creditors (as defined in the Scheme of arrangement referred to below) of the above named company (the "Company") for the purpose of considering and, if thought fit, approving (with or without modification) a scheme of arrangement proposed to be made between the Company and the Scheme Creditors (the "Scheme of Arrangement") and that the Meeting will be held at the offices of Dibb Lupton Alsop, 125 London Wall, London, EC2Y 5AE, United Kingdom on Thursday 9 December 1999 commencing at 11am at which place and time all such Scheme Creditors are requested to attend either in person or by proxy.
 The Scheme Creditors may vote in person at the Meeting or they may appoint another person, whether a Scheme Creditor or not, as their proxy to attend and vote in their place.
 A copy of the text of the Scheme of Arrangement and a copy of the Explanatory Statement required to be furnished pursuant to Section 426 of the Companies Act 1985 as well as blank forms of proxy are available from the offices of PricewaterhouseCoopers, Plumtree Court, London, EC4A 4HT, United Kingdom (Ref: PC429/241/PJS/WT).

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November 1st
Closing:
October 26

Commercial Consumers
Sub-total **32,073**
 Insurance Agents and Brokers 7,763
 Insurance Companies 6,357
 Accountants, Actuaries, Attorneys & Consultants 2,361
 Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,347
 Others Allied to the Field 1,008
Total Qualified **50,909**
 Non-qualified/Paid Subscriptions 21
 Single Copy Sales 3
TOTAL CIRCULATION **50,933**

★ Source Business/Occupational breakdown of qualified circulation, May 31, 1999 Issue, as submitted to BPA for June 1999 BPA Publisher's Statement

Ford to appeal status ruling

CHICAGO—Ford Motor Co. will appeal a federal court ruling that granted class-action status to a sexual harassment and sexual discrimination lawsuit against the automaker.

The ruling comes despite a settlement Ford reached last



month with the Equal Employment Opportunity Commission on the same issues. Under that agreement, Ford agreed to establish a \$7.5 million fund to be distributed among a class of 700 to 900 eligible claimants. Dearborn, Mich.-based Ford also agreed to pay two female employees a total of \$250,000 to resolve their individual claims. The automaker also agreed to train employees on preventing job discrimination and to increase the level of female representation in supervisory levels.

Finding fault with the settlement, U.S. District Court Judge Elaine E. Bucklo ruled that the claimants had a right to file suit separately rather than accept the settlement.

The action consolidates two cases brought by 14 women that alleged a pattern and practice of sexual harassment and discrimination at the Chicago assembly plant and the Ford stamping plant in Chicago Heights over a period of several years.

Privacy efforts costly: Study

WASHINGTON—Patient medical records confidentiality efforts could cost employers, insurers, health care providers, governments and consumers about \$43 billion over a five-year period, according to a Blue Cross & Blue Shield Assn. study released last week.

The study, conducted for the association by Simsbury, Conn.-based management consultant Robert E. Nolan Co. Inc., was released on the eve of the Department of Health and Human Services' proposing patient confidentiality regulations. Those rules are expected to be released this week.



The Health Insurance Portability and Accountability Act of 1996 required Congress to pass confidentiality legislation by August 1999. When Congress missed that deadline, the task fell to HHS (BI, Aug. 16).

The Nolan study was not based on a particular measure, but rather on elements common to major confidentiality bills that did not pass by the August deadline. The study broke down the costs associated with the proposals into five categories: \$23.4 billion for infrastructure changes; \$9.1 billion for tracking and disclosure; \$4.4 billion in added medical costs from reduced medical management; \$4 billion for inspection, copy and amendment; and \$1.9 billion for authorization.

The study did not, however, outline how those costs would be distributed, said Steve L. Williams, a Nolan senior consultant. Mr. Williams said the costs would be a "hot potato" passed back and forth among potential payers.

Copies of the study are available from Bill Pierce at the BC/BS Assn., 202-626-4818.

New reinsurance broker formed

FARMINGTON HILLS, Mich.—In an effort to capitalize on what it views as scarce in the reinsurance market, managing general agent Burns & Wilcox Ltd. has formed a new reinsurance brokerage affiliate.

Burns & Wilcox Re, with offices in Farmington Hills, Mich., and Saddle River, N.J., began operations last month, acting on behalf of primary insurers, MGAs, and alternative market groups seeking advice on program structure and access to global reinsurance markets.

"Increasing consolidation in the broker community and the resulting scarcity of fully client-oriented reinsurance brokerage firms has significantly reduced the options available to mid-sized or independent firms seeking support in the reinsurance market," Steven P. Kiernan, who

has been named president and chief executive officer of the new company, said in a statement. "Burns & Wilcox Re will fill that niche, capitalizing on the opportunity to provide service and quality with a willingness to work with all clients, helping them achieve their goals."

Mr. Kiernan previously was a senior vp with Aon Re Worldwide.

U.S. Supreme Court to hear rail case

WASHINGTON—The U.S. Supreme Court will clarify the circumstances under which railroads can be held liable for allegedly inadequate warning signals at crossings if the signals were built with federal funds.

The case, *Norfolk Southern Railway Co. vs. Dedra Shanklin*, arose out of the 1993 death of Eddie Shanklin, whose car was struck by a train in Gibson County, Tenn. His widow, Dedra, sued Norfolk Southern under Tennessee law, alleging the railroad had not provided adequate warning devices. Norfolk Southern countered that it was exempt from liability because the signal—a reflectorized sign without flashing lights or a gate—had been installed as part of state program funded by the federal government.

The case went ahead, and a jury found that the deceased had been 30% at fault in the accident, while Norfolk Southern had been 70% at fault. The court awarded Ms. Shanklin \$430,765.30 in damages, and Norfolk Southern appealed.

On April 13, 1999, the 6th U.S. Circuit Court of Appeals rejected Norfolk Southern's argument, saying federal law would pre-empt the suit only if the Federal Highway Administration had approved the gateless and lightless warning signs. The fact that federal money had been used to pay for the signs is not enough to pre-empt a suit, the appeals court ruled.

Norfolk Southern, citing a difference of opinion among appellate courts, sought Supreme Court review, which was granted last week. No date has been set for oral arguments.

IPA may seek bankruptcy protection

DENVER—Colorado Associated Primary Care Physicians, an independent practice association of two dozen primary care physicians and dozens of affiliated specialists in the Denver metropolitan area, has voted to dissolve and is considering filing for bankruptcy protection.

HMO capitation payments have not been adequate to cover the cost of providing care, because some patients had higher-than-anticipated utilization, according to a spokesman for Pacific Health Dimensions, the IPA's management company.

The IPA has stop-loss insurance, but the insurance was not adequate to cover the shortfall, he said. He did not know the name of the stop-loss insurer.

The group has contracts covering 7,600 enrollees of PacifiCare, Rocky Mountain HMO, CIGNA and Aetna U.S. Healthcare, the spokesman said.

Illinois regulator issues emergency rule

SPRINGFIELD, Ill.—Citing a desire to protect consumers, Illinois Department of Insurance Director Nat Shapo recently issued an emergency rule to implement a majority of the provisions of the state's new Managed Care Reform and Patients Rights Act.

Without the rule, many of the law's provisions would not have become effective until Jan. 1, 2000, when many policies renew.

This emergency rule was implemented to ensure that all policyholders with renewing policies, regardless of the renewal date, would get the benefits the law provides and would have uniform information upon enrollment, said an Insurance Department spokeswoman.

The emergency rule, which became effective for 150 days

starting Sept. 27, addresses disclosure issues that require health plans to explain the details of coverage and provide policyholders with a definition of emergency services. After the law takes effect in January, the emergency rule will expire.

Copies of the rule may be obtained from the department's Web site at www.state.il.us/ins/part5420.htm, or for \$10 from the Secretary of State's office at 217-782-0630.

AIG launches new Web site

NEW YORK—American International Group Inc. has moved into e-commerce with the launch of www.aigdirect.com, an Internet site offering personal lines coverages



direct to consumers, as well as information on small-business products.

The site features 24-hour, seven-day-a-week price quoting, online premium payment and Web-based customer service.

Coverages available on the site include auto, homeowners, renters, life, accidental death and dismemberment, and home warranty.

Currently, available transactional and customer service functions vary based on the line of coverage and the state in which the customer resides. AIG said it will add products and functions to the site in the future.

Comings & Goings: Industry

New York-based American International Group Inc. has named **Alan Belthoff** executive vp and chief operating officer of AIG member company Audubon Insurance Co. He previously was AIG's resident vp in Tampa, Fla. . . **Jim Ebel** has been named chairman of McLarens Toplis North America Inc. in Chicago; he previously was president and CEO. Succeeding Mr. Ebel in those positions is **Joe Dotoli**, former chief operating officer. **Steve Leggett** has been named the new chief operating officer. . . Zurich U.S. of Schaumburg, Ill., has named **Mary Fran Callahan** treasurer. She previously was director-treasury operations at St. Paul Federal Bank. . . John Hancock Mutual Life Insurance Co. has named **David F. D'Alessandro** CEO. Mr. D'Alessandro, who previously was president and chief operations officer, will remain company president in his new position. **Stephen L. Brown**, who previously was chairman and CEO, will continue to serve as chairman for the Boston-based insurer. . . Employers Reinsurance Corp. has promoted **Henry Slack** to vp and chief information officer.

Information in brief

Los Angeles-based **Farmers Insurance Group of Cos.**, a unit of Zurich Financial Services Group, has entered into an agreement to acquire Caledonia Township, Mich.-based **Foremost Corp. of America**. Farmers is the country's third-largest auto and home insurer; Foremost is the nation's leading insurer of manufactured homes and a prominent insurer of recreational vehicles and other specialty lines. . . **Brown & Brown Insurance of Arizona Inc.**, a wholly owned subsidiary of broker Brown & Brown Inc., acquired the assets of **The Policy Writers Inc.**, effective Oct. 1. That agency will be combined with the Brown & Brown office in Phoenix. . . A coalition of consumer, environmental and free-market advocacy groups has launched an effort to block passage of H.R. 21, the Homeowners' Insurance Availability Act. The House Banking Committee is scheduled to vote later this week on the act, which would create a **federal disaster reinsurance fund**. Opponents charge that the private reinsurance market can respond to most catastrophe demands and that there is no evidence that passage of the act will increase the availability of homeowners insurance. **BI**

Notices

Continued from page 2
employers must provide when employees first enroll in a health care plan.

The latest guidance largely deals with annual notification requirements set forth by the mastectomy benefit law.

Most significantly, according to the guidance, the annual notice does not have to be provided as a separate document. It can be included, for example, as part of a benefits newsletter, or the annual statement many companies provide employees at the end of year

listing deductible and copayment changes or "any other written communication."

"There are a lot of options in how the information can be delivered," said Andy Anderson, a consultant with Hewitt Associates L.L.C. in Lincolnshire, Ill.

The information to be included in the annual notice would be fairly brief. Among other things, participants would have to be informed of the availability of benefits for treatment of mastectomy-related services, including reconstructive surgery, and the notice would have to provide information on where more detailed de-

scriptions of the mastectomy-related benefits available under the plan could be obtained.

Using model language provided in the guidance, an employer could simply say as part of a benefits newsletter: "Did you know that your plan provides benefits for mastectomy-related services including reconstruction and surgery to achieve symmetry between the breasts, prostheses and complications resulting from a mastectomy (including lymphedema)? Call your plan administrator [insert phone number] for more information."

"You do not have to go into a great level of detail, and that is

good news," said Mary Case, a principal with Pricewaterhouse-Coopers L.L.P. in New York.

"You can be very short and to the point," concurs Mark Hamelburg, an attorney and principal with William M. Mercer Inc. in Washington.

Other guidance provided by the Labor Department included:

- The annual notice can be distributed at any time during a plan year.

- Employers, if they so choose, can satisfy the annual notice requirement by using the more detail-rich enrollment notice and delivering it to employees on an annual basis.

- Employees who enroll in a health care plan and receive the enrollment notice do not also have to receive the annual notice that year.

The enrollment notice, for example, must inform participants that health care coverage after a mastectomy will be provided in a manner determined in consultation with the attending physician. The enrollment notice also must describe any deductibles and coinsurance that will apply to coverage.

The Labor Department intends to make the guidance available on its Web site, which is at www.dol.gov/dol/pwba. **BI**

Quake

Continued from page 1

The Silicon Valley region, centered around San Jose, incorporates most of the South San Francisco Bay area.

Mr. Yanev explained that, although many of the buildings in the Hsin Chu Science Park in Taiwan sustained little structural damage, many companies there will suffer business interruption of varying degrees for six to 12 months because they did not take appropriate steps to safeguard against earthquake damage inside their buildings.

"The equipment was not adequately protected against an earthquake, neither anchored nor secured internally to resist an earthquake," said Mr. Yanev.

Equipment in some of the science park facilities moved three-quarters of an inch during the Taiwan earthquake, which necessitates realigning the machinery, said Mr. Yanev. Power failures caused pressure to drop in semiconductor clean rooms, contaminating the rooms. In addition, ground motion caused pipes to break and sprinkler heads to leak. All of those things resulted in what Mr. Yanev described as "unnecessary and expensive headaches."

Because of the global nature of the business world, the Taiwan earthquake "is going to have some ramifications" for high-tech companies that depend on Taiwanese suppliers, said Kenneth Linder, assistant vp-loss prevention technology services for HSB Industrial Risk Insurers in Hartford, Conn.

But, Mr. Yanev said, "what happened (in Taiwan) is almost irrelevant. What is important is the warning... what could have happened" there. He calls the Taiwan quake "the first significant wake-up call that Silicon Valley has had."

The damage tolerances of the machinery and the work environments are so narrow, "that it's difficult to believe that a company in Silicon Valley would be able to continue production without substantial disruption," said Michael Enfield, chairman and chief executive officer of Metro/Risk Inc., a San Francisco-based brokerage that specializes in catastrophic property and earthquake coverages.

"Loss control and mitigation make a great deal of sense for everyone," Mr. Enfield said. "We're all at risk, and chance will deal a bad hand to some of us."

In the early 1980s, Amdahl Corp. did a risk assessment on all of its buildings in the Silicon Valley area, said Ed Hartford, vp-corporate facilities for Sunnyvale, Calif.-based Amdahl, which manufactures large mainframe computers and servers and develops software.

Seismic strengthening was done to upgrade older buildings to meet or exceed building codes of that time, Mr. Hartford said. Racks, motors and pumps in warehousing facilities were bolted to the floor, securements were placed at the top of each rack to prevent swaying, and ceiling reinforcements were installed.

As a result, Mr. Hartford said, Amdahl did not sustain any structural damage in the 1989 Loma Prieta earthquake. The company currently has 13 facilities in the Silicon Valley area.

Because building codes are upgraded often, especially after an earthquake, Mr. Hartford said, Amdahl is considering conducting another risk assessment of its facilities.

But "once you start getting into these large quakes of (magnitude) 7.5

The August earthquake in Taiwan was 'the first significant wake-up call that Silicon Valley has had,' says Peter Yanev.

or above, it's hard to tell what will happen," said Mr. Hartford.

Certain approaches can be used to secure equipment against shifting during an earthquake.

One way to prevent damage to a computer terminal in a smaller earthquake is to strap the monitor to the desktop, said Doug Norris, property specialist for Travelers Property Casualty Corp. in Walnut Creek, Calif. Sometimes a rubber pad is used along with the straps to prevent sliding, he added.

"A lot of things could be better braced," Mr. Norris said. "I see a lot of servers just sitting on metal cabinets," he said.

High-tech companies that use compressed gases in manufacturing processes are more diligent than are other industries about securing gas cylinders, said Mr. Norris. Cylinders are strapped into large cabinets to keep the toxins safely contained.

Jackie Hair, corporate risk manager for San Jose, Calif.-based Cisco Systems Inc., said the company is in the process of looking at various Silicon Valley buildings and making sure the equipment is properly anchored and in line with the most current code. She said this process also includes ensuring that emergency response plans are viable.

Ms. Hair said upgrading and retrofitting company facilities is "an ongoing process."

Mr. Linder of HSB IRI said, "The Silicon Valley accounts that we deal with are aware of their exposures and

are as prepared as anybody else."

Kenneth Devlin, senior vp for Factory Mutual Insurance Co. in Los Angeles, said, "Our impression is North American companies or subsidiaries of the Far East (companies) are doing a pretty good job building these large (plants) to withstand significant ground shaking—but it can vary from company to company."

"If the company just relies on the latest building codes, as opposed to building them to what is described as 'essential code,' they're likely to have significant damage," Mr. Devlin said, noting that building to essential code would enable the business to continue operations after a major quake.

Today's engineering standards, Mr. Devlin said, have advanced to the point that it is possible to construct a building that could withstand violent ground shaking. But "you can't make that same statement for the manufacturing equipment," he said.

Mr. Linder described the California building code as "one of the best," because it is constantly undergoing adjustments and upgrades. But he acknowledged that the goal of the building code is protecting lives, not sensitive equipment and business operations.

Mr. Linder said he expects clients to use bracing and anchoring devices in maintaining a level of overall diligence, but, he said, "I would not say that we would go back and look at individual pieces of equipment and say that we would pay for this and not for that" based on whether the equipment was secured.

Although some high-tech companies in Silicon Valley are very vigilant about protecting their assets, some fall short on maintaining a high standard of earthquake readiness as their operations age and machinery is replaced, EQE's Mr. Yanev said.

"Plants will begin with equipment anchored, but, as maintenance occurs and equipment is changed, much of the equipment is not re-anchored," Mr. Yanev said. "Slowly, the quality of the earthquake (mitigation) equipment deteriorates."

Semiconductor companies, in particular, must take appropriate steps to anchor and brace machinery and allow for flexibility around gases and liquids, according to Rod Okimoto, San Francisco-based president of Aon Technology Risk Consultants, a division of Aon Risk Services, in a written statement.

"Most companies have done some of this, but, because of changes and maintenance issues with setup, moving and servicing production equipment, the internal earthquake risk mitigation devices can become compromised over time," Mr. Okimoto said. "Complying to meet the minimum code requirements is not enough."

Wherever Factory Mutual underwrites earthquake insurance, the insurer has the option to conduct a loss control inspection of a policyholder's facilities, Mr. Devlin said.

Traditionally, he said, "most earthquake insurance is underwritten without any loss prevention or any specific underwriting knowledge of the risk." Most policies also have limited liability, he said, with limits of \$25 million.

"As an insurer, we have a concern that the same degree of diligence is taking place in modifications to facilities (as well as) new design and new construction," said Mr. Devlin.

Cedric Hughes, director of risk management for Hewlett-Packard Co., said the Palo Alto, Calif.-based company has been aggressively managing its seismic risk. The company does this by developing contingency plans and business recovery strategies, in addition to exercising care about the types of facilities it builds in quake-prone areas and making sure that its buildings meet or exceed existing building codes.

Mr. Hughes said the company has about 20,000 employees and 50 to 75 buildings in the San Francisco Bay Area. But while the earthquake exposure in Silicon Valley is significant, it is only part of the company's worldwide seismic risk. Other operations, such as those in Mexico, Japan and Taiwan, also are susceptible to earth-

'Earthquake insurance, as a usable risk management tool, has atrophied over the past 15 years,' says Michael Enfield.

quakes, he said.

Hewlett-Packard will experience "some impact" on fourth-quarter operations as a result of the Taiwan earthquake, Mr. Hughes said. Earthquake risk is listed on the company's Web site as having an "unknown" effect on the company, but, according to the site, "operating results could be materially affected in the event of a major earthquake."

When a company develops operations in other countries, the level of risk is "part and parcel with the jurisdictions you operate in," Mr. Hughes said.

There are operations going on in "facilities that have varying degrees of risk management. It's not a risk-free industry," he said.

Hewlett-Packard is predominantly self-insured, Mr. Hughes said. "It's far better for us to manage the risk rather than transfer it via insurance."

Insurance isn't going to solve all of

a company's problems after an earthquake, Mr. Hughes said. "It's a smoothing vehicle, but since high-tech firms are dependent upon product technology brought to market in an efficient way and market share, insurance is not going to mitigate these exposures." For several reasons, many Silicon Valley companies do not purchase earthquake insurance, said Metro/Risk's Mr. Enfield.

One argument is that if there ever is a significant earthquake, damage will be so widespread that insurers won't be able to pay claims sufficiently.

"The amount of earthquake insurance purchased in the San Francisco Bay Area vs. the amount at risk is an insignificant fraction," said Mr. Enfield. "Every property owner has to review relative susceptibility to seismic levels."

Earthquake insurance isn't always affordable or adequate to cover the inherent risks, said Mr. Enfield. "Earthquake insurance, as a usable risk management tool, has atrophied over the past 15 years."

In the 1980s, Amdahl decided against purchasing earthquake insurance. The capital that was used for building improvements would have purchased only about two years' worth of earthquake insurance, said Mr. Hartford.

"It was really a no-brainer," he said. "Insurance has too many limits on it. You're much better off to have your buildings fixed up so that you never go out of business."

Many lenders also have stopped requiring that property have earthquake protections, said Mr. Enfield. "The insurance industry has managed to convert buyers away from quake insurance."

Deductibles, Mr. Enfield said, range from 15% to 20% of policy limits in difficult years, typically averaging about 10%. But, he notes, if earthquake insurance is bought only at times of low cost, the value of purchasing it at all comes into question.

"Cisco does buy earthquake insurance when it's economically feasible and required contractually," Ms. Hair said. But, she said, "insurance would not be the preferred mechanism for protecting yourself," noting that it is better for companies to put their money toward updating buildings and emergency response plans.

With insurance, she said, "you're paying a lot and getting a little."

It is too early to forecast what impact the Taiwan temblor will have on the earthquake-related efforts of the scientific and engineering communities, said Mr. Devlin.

Speaking figuratively, he said, "Every quake provides a unique laboratory experience for the earthquake engineering community... Unlike a fire, earthquakes don't destroy all of the evidence. There's a lot to learn." **BI**

Fee

Continued from page 2

That is because a purchasing group is not an insurer or a company with assets, liabilities or any computer hardware, he said. A purchasing group—a structure authorized under the federal Risk Retention Act—is simply a group of buyers that are organized to purchase insurance on a group basis from a commercial insurer. The Risk Retention Act pre-empted state laws that had made it difficult or impossible to establish purchasing groups.

For buyers, the attraction of purchasing groups is that they give buyers more clout in the market than they would have as individual purchasers. For insurers, dealing with a single purchasing group rather than many individual companies cuts their costs of doing business.

In all, about 750 risk purchasing groups have been established under

the law, according to the Risk Retention Reporter, a Pasadena, Calif.-based newsletter.

After mailing off the survey, Mr. O'Leary said, the purchasing groups he represents received letters, in which each group was addressed as "licensee," from the Indiana Department of Insurance, informing them that the initial phase of the Y2K survey—the sending out the questionnaires—was complete and that the next phase was about to begin.

For this phase, the Insurance Department letter said, it retained Peterson Worldwide L.L.C., a Lawrenceville, N.J.-based research firm, to assist in the review and analysis of the completed surveys.

The letter also said the cost of the survey was to be borne by insurers and other licensees. An accompanying invoice from Peterson Worldwide said \$650 was due and requested payment be made directly to Peterson.

Mr. O'Leary refused to pay. "I

hate to pay something that is completely wrong," he said, adding that the survey was a "tripoff."

He also wrote to Sally McCarty, commissioner of the Indiana Insurance Department, noting that purchasing groups he represents are not licensees of the department, that they are not domiciled in Indiana, and that they have no data on computers relevant to a Y2K survey.

"What is there to examine?" he asked her in his letter, asking that any survey fees be waived for the purchasing groups.

In turn, Mr. O'Leary received a form letter from Ms. McCarty. That letter said purchasing groups were included in the survey because "their ability to meet their contractual obligations after Jan. 1, 2000, is every bit as important as that of larger companies."

Mr. O'Leary responded to Commissioner McCarty and noted that purchasing groups consist of consumers and that they do not sell in-

surance or service insurance products.

He wrote that imposing such a survey examination fee on purchasing groups—but not on every other insurance buyer in Indiana—may violate the federal Risk Retention Act. That is because the federal act pre-empted any state law, rule or regulation that discriminates against purchasing groups or their members.

"It would be discriminatory—and a violation of the federal law—to insist upon an examination of" purchasing groups "if you are not examining every other buyer of insurance in the state," he wrote.

After sending that letter, Mr. O'Leary received a personal response from Amy Strati, the department's chief counsel. Ms. Strati wrote that if there were objections to the survey examination, they should have been raised at the time the purchasing groups were notified of the survey instead of after the de-

partment had completed its examination.

"In voluntarily complying with the examination through completion of the survey, the purchasing group has agreed to cooperate with the department's examination and has accepted its terms," Ms. Strati wrote.

More recently, Mr. O'Leary received a form letter from the department, saying that the \$650 payment to Peterson Worldwide had not been made and that his cooperation in remitting payment to Peterson would be appreciated.

Mr. O'Leary said that if he had known what it would lead to, he never would have returned the Y2K survey. He said he has no intention of paying the \$650 fee.

Ms. Strati, the chief counsel at the department of insurance, said she is not authorized to speak on the issue and referred a call to a spokeswoman, who said Ms. Strati's letter to Mr. O'Leary addresses the issues he raised. **BI**

Commentary

The iceman cometh, at 0.4 miles per hour

Every so often, just as we are focused on the minutiae of our daily lives and jobs, along comes some event or occurrence to remind us that there are greater forces at play in the world.

No, I'm not talking about the seemingly supernatural intervention that has prevented the Boston Red Sox and Chicago Cubs from winning another World Series before the 20th century ends.

Instead, what has caught my eye and captured my imagination is news that a gigantic—and I mean gigantic—iceberg is barreling through the South Atlantic on a collision course with South America.

This is not your small and deadly North Atlantic iceberg of the Titanic-sinking variety.

Rather, this Antarctic iceberg—which has been officially dubbed "B10A" but which I prefer to re-dub Bubba—is about 42 miles long and 11½ miles wide. Its highest point is 180 feet above sea level, while its depths reach 900 feet underwater.

That's bigger than most major cities of the world. And, unlike Cleveland or Rome, Bubba is moving.

It would be like Manhattan Island suddenly breaking free of its moorings and tearing down the coast until it plowed into North Carolina or Florida. It would be a wild ride for New Yorkers while it lasted.

News reports indicate that Bubba used to be twice the size it is now, before it broke in two in 1995. Since then, it has been sort of swirling around aimlessly in the Drake Passage that separates South America from Antarctica. No mention is made of where its twin might be lurking these days.



Paul D. Winston

Bubba is moving northward at a speed of about 0.4 miles per hour. At that rate, it will plow into Tierra del Fuego in about one month.

Argentine navy experts are keeping an eye on Bubba but are not overly concerned. In fact, according to a recent Reuters wire report, they note that, in the past five years, there have been a couple of icebergs that made Bubba look like a Popsicle.

Those icebergs also were seeking to emigrate to Argentina from Antarctica, but, as they moved northward, their progress was overcome by their rate of decay. In other words, they melted.

Bubba is expected to meet a similar fate. But just as it was not the first ice cube the size of Rhode Island to break off the bottom of the Earth and head northward, it also won't be the last.

Scientists recently reported in the journal *Science* that Antarctica is shrinking and that more bits will break off and float away as this process continues.

Antarctica's grounding line—the line between ice that floats and ice that is so deep it reaches the sea floor—has been receding steadily for thousands of years, the report says.

This means more big pieces of Antarctica are potentially at risk of going adrift in the years to come, meaning more giant icebergs, more Bubbas.

The scientists also say that Antarctica inevitably will disappear entirely, breaking into ever-smaller bits that eventually go the way of all ice. In the process, the world's oceans will rise by 15 to 20 feet. But don't worry; that is expected to take 7,000 years, giving us plenty of time to sell our oceanfront condos and buy property along the future Appalachian coastline.

This being an insurance magazine, I had to contemplate, however briefly, the insurance implications of a fleet of frosty frigates moving through the oceans.

Sure, there are obvious exposures to ocean marine hull policies, but I'm more curious as to whether typical property policies would cover claims for buildings or homes crushed in the path of a Bubba?

Could coverage be denied on the basis that a block of ice almost as big as the Dallas-Fort Worth metroplex and moving at 0.4 mph is hardly an unforeseen event? Maybe, maybe not.

Although property owners could get out of harm's way, even with weeks to prepare, how would you ice-proof your house? Set it on fire? Would the sue-and-labor clause pay for that?

To be sure, the vast majority of icebergs are not the giants that are the subject of my serious dissertation here. Most are much smaller and more mobile and a threat only to shipping lanes in the Atlantic. These smaller bergs, in fact, are given the ominous name of "growlers."

The southernmost growler ever identified was spotted in 1926 at about 30 degrees 20 minutes north latitude and 62 degrees 32 minutes west longitude. That's only about 150 nautical miles southeast of Bermuda.

On second thought, maybe there is an insurance angle here. . .

Editor Paul D. Winston's commentary appears fortnightly. He can be reached at pwinston@crain.com.

Panelists

Continued from page 1

"I think no one should be surprised by that analysis," added Heidi E. Hutter, chairman, president and chief executive officer of Swiss Re America in New York. "We have all heard about the period of big price decreases."

But, Ms. Hutter added, the question of whether a company is fiscally fit will grow in importance for some members of the industry, "and it needs to, if the overall situation is going to improve."

"I think we're going to see people make decisions to stop writing, stop expanding, whatever the corporate decision may be," she said.

Ms. Hutter cautioned that she's not predicting "large-scale failures" of insurers. "What I was trying to say is we'll see a major period of corporate restructuring," she said. "It doesn't mean policyholders won't get paid."

She went on to express concern about what she believes is a widespread lack of understanding by



PHOTO: DAVID LUBARSKY

"If anybody thinks their balance sheet results are going to be saved by some magical turn in the market, I think you're waiting for the wrong thing."

— Heidi E. Hutter

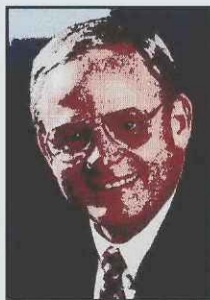
buyers of the element of credit risk assumed when purchasing coverage.

"I think one of the major areas that is misunderstood is the buildup of credit risk when you buy insurance," she said. "I think that is an area we have not explained to our customers and we have not encouraged our customers to understand."

Susan Meltzer, assistant vp of risk and insurance management at Sun Life Assurance Co. of Canada in Toronto, suggested that insurance buyers bear some responsibility for that lack of understanding.

"I would put some of that issue squarely in the laps of risk managers who don't seem to understand that the issue of counterparty risk in the decision they're making is the same as all the other counterparty risks the company has," said Ms. Meltzer, who also is president of the Risk & Insurance Management Society Inc.

Bernard L. Hengesbaugh, chairman and CEO of CNA Financial Corp. in Chicago, stressed the importance in the future of "enlightened" consumers working with agents and brokers who understand the need to price coverages more appropriately. "We're seeing some acknowledgement on the part of our distribution partners that this only makes sense,"



"This is a time, when you deal through intermediaries, when you see who your real partners are' in implementing more-appropriate pricing."

— Bernard L. Hengesbaugh

Mr. Hengesbaugh said.

He said, though, that an insurer cannot simply end longstanding relationships with agents and brokers. To maintain those relationships, it will try to find ways to do business with loyal producers, he conceded. "You don't just turn it off altogether."

J. Patrick Gallagher Jr., president and CEO of Arthur J. Gallagher & Co. in Itasca, Ill., noted that he has seen "a very substantial change in the

industry's rhetoric," regarding the adequacy of pricing in the current market. "But it won't change until the whole industry needs it to change."

Insurers trying to raise premiums to more realistic levels without others in the industry taking similar action will just prompt brokers to take their accounts to those lower-priced companies, Mr. Gallagher said.

Ms. Hutter said insurers shouldn't expect higher rates alone to save them financially.

The alternative market, she said, is "willing and eager" to step in to address risk transfer needs if the traditional market should harden.

"If anybody thinks their balance sheet results are going to be saved by some magical turn in the market, I think you're waiting for the wrong thing," Ms. Hutter said.

One thing a market turn might do, however, is expose "a huge skills gap," in the insurance industry, suggested Ms. Meltzer.

She and several other panelists expressed concern over the number of people now in the industry who've never experienced a hard market.

"Everybody we've hired in the past 13 years has only brought customers lower prices and broader coverages," said Mr. Gallagher, who added that most of his staff has never seen a market turn.

"When everywhere you go their answer's a flat 'No,' you know the panic that can set in," Mr. Gallagher said. His company is trying to train younger brokers who've never seen a hard market to be prepared for one.

Ms. Meltzer said she's especially concerned about a backlash if the extended soft market does suddenly turn. What will the reaction be of "all the underwriters who've had their backs to the wall and been forced to do things they didn't want to do" through the extended soft market, she questioned.

Ms. Meltzer suggested that perhaps risk managers should act as though the market already is hardening and now "start building the relationships that we're going to need" for when that occurs.

CNA's Mr. Hengesbaugh suggested a similar approach in the current market by underwriters seeking to work with agents and brokers in implementing more-appropriate pricing. "This is a time, when you deal through intermediaries, when you see who your real partners are."

Meanwhile, Mr. Hengesbaugh said the current litigation environment in the United States is a cause for concern as the insurance industry moves into the next century.

"We are extremely concerned about the mass tort environment," he said.

"I think one of the things that will hang over the industry for a long, long time is the value of occurrence-based coverage in a time when science, the-

ories of causality, are changing very rapidly," he said. "I think history will show that the buyers of occurrence-based coverage over the past few decades got a very good buy."

Mr. Gallagher said he's also concerned about the litigation environment, but he suggested the insurance industry has itself to blame for part of

Risk managers should 'start building the relationships we're going to need' when the hardening of the market does occur.

— Susan Meltzer



PHOTO: DAVID LUBARSKY

the problem. "The industry taught our clients to sue their insurers to get coverage," he said.

The Year 2000 situation is the latest example of this, Mr. Gallagher said.

"We've got a huge middle-market book of business," he said. "Fortunately not a lot of them have sue and labor clauses, but those that do, what do I tell them?"

Sun Life's Ms. Meltzer again said buyers should shoulder part of the responsibility for this litigiousness, saying there's a tendency by many corporations to push policy language to seek coverages that were never intended in the policy, often to offset the adverse financial impact of their own business decisions.

"I couldn't have imagined that the sue and labor litigation would have happened," she said. "I think the inability to properly underwrite these risks because of competitive factors is the real problem."

The panelists agreed that industry consolidation would continue into the next century.

One benefit of consolidation in the business, Ms. Hutter said, is that it increases and further diversifies insur-

Insurers are using different rhetoric about the adequacy of pricing, but 'it won't change until the whole industry needs it to change.'

— J. Patrick Gallagher Jr.



ers' and reinsurers' bases of risk.

"The danger of consolidating is the danger of being big and slow and bureaucratic," Ms. Hutter said.

Mr. Hengesbaugh said some small acquisitions that have been "niche-oriented plays" have had excellent results.

But "on the high end, the insurance company to insurance company major consolidations. . . have shown that there are some hidden costs that don't necessarily serve the industry well," he said.

In such transactions, "The process of integration is a very intense process," said Mr. Hengesbaugh, and could potentially distract a company from its core business.

Ms. Meltzer suggested that while many risk managers' insurance programs have benefited from consolidation among insurers, that hasn't always been the case with broker consolidations.

"The current consolidations that are occurring aren't about increased efficiency," she said. "They're about increased shareholder value. And that's OK. I just don't know why they can't admit that."

Donna Galer, executive vp of Zurich U.S. and North American regional manager of Zurich Financial Services Group in Zurich, Switzerland, was the panel moderator. **BI**

IRS

Continued from page 1

has," said Larry Sher, a principal with PwC Kwasha in Teaneck, N.J.

The IRS gave no reason for seeking public comment. But the agency, along with several others, has been under intense pressure from some members of Congress to take a position on such issues as whether cash balance plan conversions discriminate against older workers.

That pressure intensified when Armonk, N.Y.-based International Business Machines Corp. this summer announced it was converting its traditional plan to a cash balance plan. That triggered an employee revolt, and an angry reaction from legislators in districts with high concentrations of IBM workers, when older workers calculated that the conversion could cut the pension benefits they expected to receive at retirement by 20% to 50%.

IBM later defused some of that employee anger when, on the eve of congressional hearings on cash balance plans, it agreed to let more older employees remain in its traditional plan, which provides full benefits after 30 years of service regardless of an employee's age.

Legislators, as well as some employees in cash balance plan conversions, have attacked conversion approaches, which can result in situations where it can take employees years to accrue benefits in the new plans equal to what they already have earned.

This result, known as "wear away," is one the IRS singled out for public comment.

It isn't known if the comments will lead to new IRS regulations dealing with cash balance plans. While the first cash balance plan was established 14 years ago by BankAmerica Corp., the IRS has yet to publish definitive guidance on the plans.

"There is a real lack of guidance right now," Mr. Lofgren said, adding that the request for comments could lead to new regulations "in this very important area."

Alternatively, the request for comments could lead the IRS in another direction, some say.

Rather than promulgating new regulations, some believe the IRS instead could make suggestions for Congress to enact through legislation.

A wide variety of proposals dealing with cash balance plans has been introduced during the current congressional session. From an employer perspective, the most extreme proposal would require that an employer that is converting an existing plan to a cash balance arrangement give all vested employees a choice between the two plans.

Congress, employer benefit lobbyists say, is unlikely to go in that direction, but lawmakers could require employers to disclose more information, so that employees whose plans are being converted to cash balance arrangements could more easily compare how their benefits would be affected by a conversion.

Cash balance plans get their name from their account balance feature.

Benefits are expressed as a lump sum, rather than as a monthly annuity payable at retirement, which is how defined benefit plans typically express benefits.

In addition, the cash balance benefit formula is relatively simple to understand. Employees earn annual pay credits, such as 5% of pay, which, for recordkeeping purposes, are added to their accounts. In addition, the accounts are credited with a designated interest rate, such as the one-year Treasury bill rate.

While younger, more-mobile workers will earn greater benefits from the plans after a few years of service compared with traditional plans, some older workers have charged that cash balance plan conversions can hurt them.

That is because these older workers would not yet have qualified in the traditional plan for the rich benefits that typically are earned during the years just before retirement. But they would not be in the new plan long enough to earn significant benefits.

To prevent that from happening, many employers, while not required to do so, have given older, longer-service employees the option of remaining in the traditional plan.

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Comments on cash balance plans should be sent to the IRS, Attention: CC:DOM:CORP.R (Cash Balance Plans & Conversions), Room 5226, P.O. Box 7604, Ben Franklin Station, Washington, D.C. 20044. Comments also may be submitted through the "Tax Regs" option on the IRS World Wide Web site, www.irs.gov.

seen, there appears to be a pattern or practice on the part of California Insurance Co./Coregis to refuse to defend or indemnify in these types of cases, forcing the insured to fend for themselves, and then reimbursing the insured only after being ordered to do so by the court," according to a portion of the letter contained in Coregis' cross-complaint.

The accompanying questionnaire inquired about risk managers' experience with Coregis, according to the cross-complaint, filed in Sacramento County Superior Court.

About 430 of the questionnaires and letters were sent to public-entity risk managers whose names were on a mailing list of the San Jose, Calif.-based Public Agency Risk Management Assn., said L. Brian Frohmuth, director of benefits and risk management for Fresno Unified School District in Fresno, Calif.

"We think it's your basic coverage dispute," Mr. Frohmuth said. "But, given the three times it's occurred to us and the number of times it appears to have occurred to others, it looks like a pattern and practice, in my opinion. Therefore, we are pursuing it as such."

Of the mailing's results, Mr. Frohmuth would say only that it turned up a number of "potentially fruitful responses."

The school district's attorney, Albert E. Haverkamp of Lucas Mullany Boyer & Haverkamp in San Diego, said the plaintiff has received 15 to 20 responses from school districts and that the responses showed several "bad experiences."

The plaintiffs still are examining the responses to see whether those experiences are similar enough to be of value to the Fresno school district case, Mr. Haverkamp said. The school district's suit is still in the discovery phase.

In July, a Superior Court judge ruled in favor of the school district on several points regarding Coregis' cross-complaint.

The judge found that, taken in context, the aspects of the letter to which Coregis objects are no more than opinion and are not actionable. The judge also found that "the letter, on

its face, reflects a legitimate purpose and audience; the statements are privileged as a matter of law."

Insurers regularly argue in court that it is impossible for them to produce all the complaints that have been filed against them, said Eugene R. Anderson, a policyholder specialist at Anderson Kill & Olick P.C. in New York. Courts often side with them and rule that insurers don't have to produce those complaints that might show a pattern and practice, he said. That means policyholders must find other means of establishing a pattern and practice of denying claims.

As for the Fresno Unified School District, it is no longer insured by Coregis. Genesis Insurance Co. provides its liability coverage; Chubb Corp. provides property insurance. The district maintains a \$150,000 self-insured retention for liability and property.

Between 1988 and 1995, the district was insured under a Coregis property/casualty policy called a "California School Package Policy," according to court records and Mr. Haverkamp. The Coregis package was popular among school districts from the late 1980s through mid-1990s, Mr. Haverkamp said.

During Coregis' coverage period, the school district was sued by three employees with separate discrimination claims. Two of those cases have been settled, and one is ongoing, Mr. Frohmuth said.

The school district's complaint against Coregis alleges that the insurer has denied a contractual duty to defend against the claims or indemnify the school district for judgments entered against it.

Arguments in the case could center on a liability issue unique to public-sector entities, the district's lawsuit shows. The lawsuit claims that the policy the school district purchased incorporates government code sections specific to public-sector entities.

That code allows public-sector entities to insure against events that private-sector companies generally cannot, such as intentional acts, Mr. Frohmuth said.

A trial date has not been set. **BI**

Updates

Japanese insurers to merge

TOKYO—Three of Japan's largest property/casualty insurers plan to combine their operations to form what would be Japan's largest non-life insurer.

Mitsui Marine & Fire Insurance Co., Nippon Fire & Marine Insurance Co. and Koa Fire & Marine Insurance Co., currently among Japan's 10 largest property/casualty insurers, announced last week that they will set up a holding company by April 2002 and integrate their life, reinsurance and overseas operations by 2005.

The new entity would have total assets of 6.1 trillion yen (\$57.91 billion), surpassing Japan's current largest insurer, Tokio Marine & Fire Insurance Co., which has assets of 5.4 trillion yen (\$51.27 billion).

The merger still requires regulatory and shareholder approval.

Merger negotiations, which began in August, also included Sumitomo Marine & Fire Insurance Co., Japan's fourth-largest P/C insurer. Sumitomo President Hiroyuki Uemura said his company may yet decide to join the alliance.

Mutsuharu Okamoto, president of Koa, said that deregulation and the entrance of non-Japanese companies into the insurance market influenced the merger. "Our new partnership will help us withstand the formidable foreign competition," he said.

Takeo Inocuchi, president of Mitsui, estimated that the merged company would cut its combined workforce of 18,715 by 3,000 within the next five years, and halve the combined number of offices.

ERC exits some business

OVERLAND PARK, Kan.—Employers Reinsurance Corp. said last week it has stopped writing property facultative business in North America and Latin America.

ERC will focus instead on casualty facultative, casualty treaty, property treaty and bond treaty in the regions, the reinsurer said. The company cited low prices in the property market, the abundance of property facultative competition and market capital, and significant loss volatility from catastrophic events as factors in its decision.

ERC's move follows a decision by St. Paul Re, the New York-based reinsurer operation of The St. Paul Cos. Inc., that it will stop writing facultative property reinsurance in the United States (BI, Oct. 18).

Health care questioned on Y2K

WASHINGTON—Health care providers may be less well-prepared for dealing with the Year 2000 computer problem than previously thought, a high-ranking federal official told a House panel last week.

George Grob, deputy inspector general for the Department of Health and Human Services, told a joint hearing of the House Commerce Committee's Subcommittee on Health and the Environment and the Subcommittee on Oversight and Investigations that he is "less confident" than he was in April that providers will be ready for likely computer problems on Jan. 1, 2000. He cited lack of contingency plans and lack of systems testing as reasons for his concern.

The Food and Drug Administration, on the other hand, is "very optimistic" that medical devices will work and that priority drugs will be available without Y2K problems, testified William Hubbard, senior associate commissioner for policy, planning and legislation at the FDA.

Briefly noted

A Florida appeals court has ruled that **jurors can award punitive damages** against five cigarette makers the jurors had earlier found liable for marketing a defective product as a lump sum rather than on an individual by individual basis. The appeals court had earlier agreed with tobacco companies that punitive damages in the class-action suit—which involves about 500,000 smokers—should be awarded on an individual basis (BI, Sept. 13). . . . The House Judiciary Committee is expected to continue debate this week on a measure that would **cap punitive damages and abolish joint-and-several liability** for non-economic damages for businesses with fewer than 25 employees under certain circumstances. . . . **Allstate Corp.** last week announced a drop in operating and net income, which the insurer attributed to ongoing price competition, rising auto and catastrophe losses and increased reserves for asbestos-related claims. Revenues rose 2.7% to \$19.95 billion for the first nine months of this year from \$19.43 billion last year, but operating income fell 13.4% to \$1.67 billion from \$1.93 billion and net income fell 9.4% to \$2.30 billion from \$2.53 billion. . . . A federal appeals court has thrown out virtually all of the damages awarded to **Food Lion Inc.** against ABC News for a 1992 television broadcast. A jury originally awarded Salisbury, N.C.-based Food Lion \$5.5 million in punitive damages, which was later reduced to \$315,000 by the trial judge. And that amount was thrown out last week by a three-judge panel of the 4th U.S. Circuit Court of Appeals. The suit stems from a 1992 broadcast on "PrimeTime Live" that documented unsafe food handling practices at Food Lion supermarkets in North Carolina and South Carolina. Much of the broadcast consisted of undercover videotape footage taken by two ABC News reporters working as employees of Food Lion. A spokeswoman for Food Lion said the company has not decided whether to appeal. . . . Tax legislation passed by the Senate Finance Committee last week would allow employers next year to reimburse employees for up to \$5,250 in **educational expenses for graduate-level work** without the reimbursement being added to employees' taxable income. The measure also would extend the tax-favored status of employer-paid educational expenses for undergraduate work through Dec. 31, 2001. Under Section 127 of the Tax Code, which expires on May 31, 2000, only educational expenses reimbursed by employers for undergraduate-level work are eligible for tax-favored treatment. . . . Amid a lack of consensus, the House Ways and Means Committee last week indefinitely postponed consideration of a minimum-wage increase bill that includes a broad array of **pension reform** provisions. . . . Congressional conferees last week agreed to strip a provision in a Department of Labor appropriations bill that would have barred the agency from enforcing health care **claims processing rules** regulators now are developing.

Letters

Continued from page 2

But mailing letters to other risk managers, especially by using a risk management organization's mailing list, to find those with similar experiences is an unusual strategy, attorneys said.

One growing practice in coverage disputes is to use the Internet to identify other policyholders who have had similar experiences, said Thomas W. Hyland, a partner specializing in insurer defense at Wilson, Elser, Moskowitz, Edelman & Dicker L.L.P. in New York. Use of the Internet also has grown in popularity for searching out potential plaintiffs for possible class-action suits.

But mailing out numerous letters to other policyholders is not common strategy because of the greater effort required and because such solicitations often are ignored, he said.

In reference to the school district's suit, Coregis' general counsel, Enid Tanenhaus, said that it is standard policy for the insurer not to comment on pending litigation. But, according to Coregis' cross-complaint, the insurer seeks injunctive relief, punitive damages and a retraction. The insurer alleged that statements in the district's letter were false and recklessly disparaged its reputation by implying that Coregis and its California Insurance Co. unit "lack integrity and/or fail to honor their obligations as insurers authorized to do business in California."

The April 19, 1999, letter sent to risk managers by the school district says the district is suing Coregis and California Insurance Co., alleging they refused to defend or indemnify the district in three employment discrimination lawsuits filed by school district employees, according to court records.

The letter also says the plaintiffs have found two other similar lawsuits with similar facts and circumstances filed by school districts against "California Insurance Co./Coregis."

It further states that, "from the pleadings and documents we have

Scorecard

Continued from page 1

The ratings in the survey illustrate risk managers' general dissatisfaction with insurers and brokers, said Mr. Kelly.

But if commercial insurance buyers were rated on quality criteria that might apply to them, they might receive similarly low marks, he said.

Buyer criteria might include: a thorough knowledge of all aspects of their organization globally; ongoing access to and communication with executive management; solid grounding in finance and statistical analysis; an understanding of technology developments; and a clear definition and communication of what is expected of brokers and insurers, Mr. Kelly suggested.

Another shortcoming of the Quality Scorecard is that the survey results do not provide insurers and brokers with any information on how they could improve their quality, Mr. Kelly said. "Quality remains undefined except as it may be subjectively understood by each individual risk manager responding to the survey," he said.

To provide a more objective view of the industry, some questions in survey should be reworded, Mr. Kelly said. For example, instead of asking, "Do you feel this firm is innovative?" a better question might be: "How many new policy forms or coverage types has this firm brought to market in the past 36 months?"

Similarly, rather than asking risk managers to reflect on whether they "feel" an insurer is efficient, they may provide more informed responses by first looking at an insurer's expense ratio, Mr. Kelly said. "Unless we define and quantify, we can never measure," he said.

Risk managers should strive to define the standards they expect from brokers and insurers in a way that allows those service providers to strategically plan how to improve and be objectively evaluated, he said.

Despite the generally poor marks that the commercial insurance industry received in the scorecard, risk managers should focus on their own relationships with insurers and brokers, said Mike Phillipus, manager-risk management at Penzoil-Quaker State Co. in Houston.

Risk managers should review the survey questions and assess how their own local service providers measure up, regardless of the companies' national marks, he said.

By using the Quality Scorecard questionnaire and the "tool kit" provided by RIMS, risk managers can strive to improve their own relationships, Mr. Phillipus said.

The Quality Scorecard tool kit was published last year outlining ways for risk managers to rate their insurers and brokers; assess what they expect from the insurers and brokers; establish a dialogue with them; negotiate with them; and

solve problems.

Policyholders, brokers and underwriters need to work together to improve quality, said Richard Hackenburg, president of XL America, a Stamford, Conn.-unit of XL Capital Ltd. "I was a risk manager, a broker and now an underwriter...the grass ain't any greener. We all have to contribute to this."

Insurers need to provide more efficient services, but risk managers also ought to be realistic in their expectations, he said.

"If you are nothing but a price shopper and you shift from carrier to carrier, always looking for the bottom buck, don't be surprised if what you get ain't so hot," he said.

Insurers, in particular, should strive to understand their policyholders' needs better, said Mary L. Stewart, risk manager at the Metropolitan Washington Airport Authority.

"It took me more than two years to have aviation underwriters in London understand what I was trying to say," she said.

Ms. Stewart was trying to convince the underwriters that rather than have two simple classifications for her airport risks—"land side" and "air side"—there should be a third category—"secured side"—which includes land on airport property that does not house planes and runways but is accessed through a security checkpoint. This is now separately rated, she said.

"It's a new way to look at things and it came from a client," Ms. Stewart said.

Insurers also need to work harder to deliver accurate policies quickly, said Ms. Stewart, noting that she once received a policy 10 months late. In another instance, she was sent a policy for the transit authority in Washington.

"Those things should not happen," she said.

One way to encourage insurers to produce the right documentation on time is to withhold premium payments, said Susan R. Meltzer, assistant vp-insurance and risk management for Sun Life Assurance Co. of Toronto, and president of RIMS. "I don't pay until I get a policy," she said.

One of the main things that policyholders should look for in selecting an insurance company is the ability to trust the insurer, said R. Suzen

Shaw, vp-risk manager and quality officer at the First National Bank of Anchorage.

After a claims manager denied one claim, Ms. Shaw called the underwriter she had originally dealt with and he affirmed that despite the policy wording the insurer had said in earlier discussions that it intended to cover the liability. Her claim was paid.

"That's the reason why we do pay our current insurer without a policy," Ms. Shaw said.

The need for an improvement in quality is apparent just by looking at the number of errors found in insurance policies, said John C. Bloomstine, president of Insurance Management Co., a brokerage in Erie, Pa. "A third of my time as a broker is spent on re-work," he said.

To try to fix the problem of policy errors: policyholders should help brokers develop exact underwriting information in a usable format; brokers need to reconfirm with underwriters the exact terms and conditions agreed upon; and, once coverage has been agreed, underwriters need to ensure that policy wordings provide that coverage, he said.

At renewal, more time could be saved if insurers issued renewal certificates showing any changes instead of issuing a completely new policy, Mr. Bloomstine said.

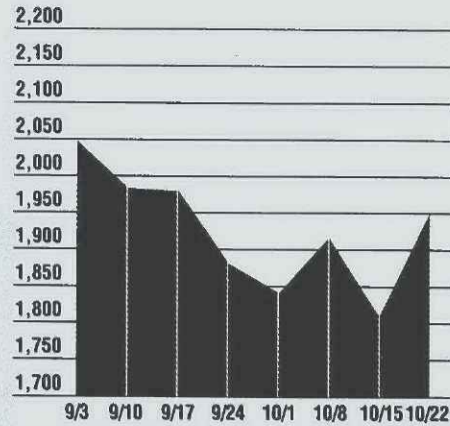
Zurich Financial Services Group was disappointed that it received poor marks on the Quality Scorecards and has tried improve its standing, said Donna Galer, executive vp of Zurich U.S. and North American regional manager of Zurich, Switzerland-based insurance group. "We realized that we had to improve our communication," she said.

One of the main areas where communications needed to be improved was providing claims information, Ms. Galer said. So the insurer set up some risk manager focus groups to try and determine what to do.

Zurich now provides clients computer access to claims files that provides up-to-date claims and settlement information, as well as documentation, such as adjusters' notes, she said.

"If this doesn't help two-way communication, we'll be scratching our heads," she said. **BI**

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: CNET Investor (investor.cnet.com) Boulder, Colo.

PCS catastrophe options

As of Oct. 22	Call spread	Price bid/ask	Call spread	Price bid/ask	
National Annual 1999	60/80	14.0/19.5	California Annual 1999	60/80	0.1/—
	80/100	1.2/—		80/100	0.1/0.5
	100/120	0.3/—		100/150	0.1/1.0
	150C	0.2/2.0	Western Annual 1999	80/100	—/1.9
Southeastern December 1999	40/60	0.2/—	National Annual 2000	100/150	6.7/—
	60/80	0.1/—		150C	5.0/—
	80/100	0.1/—		190/195	0.3/0.5
Eastern December 1999	10/20	—/4.0		200/250	3.0/—
	20/30	—/2.0			
	40/60	0.2/2.0			
	60/80	0.1/—			

Total volume: 0 Total open interest: 6,737

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.

Source: Chicago Board of Trade

British Issues

Companies	Price pence	P/E	Div. pence	Yield %	52-week high-low
Legal & Gen	170	20.9	3.6	2.4	237-142
Royal & Sun	390	13.6	23.0	5.9	633-390
Brokers					
Lmbrt Fenchurch	82	8.0	4.2	5.2	94-58
JLT	250	11.3	12.0	4.8	286-166

Note: Prices are Oct. 22 closings; other numbers are from Oct. 21.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.

RMIS deadline nearing

Business Insurance will publish its annual Directory of Risk Management Information Systems in the Dec. 6 issue.

The directory is published as an editorial service, and there is no charge to be included. Companies must simply submit a completed questionnaire by the extended deadline of Nov. 5.

If your company produces and supplies

proprietary RMIS software products on a direct, unbundled basis to corporate risk management personnel and you have not received a questionnaire, please request one by calling Assistant Directory Editor Susanne Beal at 312-649-5313. Questionnaires can also be printed from the BI Web site, www.businessinsurance.com/magazine/directories.html.

BI Industry Stock Report OCT. 18, 1999, THROUGH OCT. 22, 1999

BROKERS						INSURERS/REINSURERS						HEALTH MAINTENANCE ORGANIZATIONS											
Company	Price	Weekly % change	Year to date % change	High	Low	Vol. (000)	Company	Price	Weekly % change	Year to date % change	High	Low	Vol. (000)	Company	Price	Weekly % change	Year to date % change	High	Low	Vol. (000)			
Aon Corp.	NYS	31.75	17.87	-15.05	46.69	26.06	4223	EMC Insurance Group Inc.	NDO	9.44	1.34	-25.98	13.38	9.25	15	Seibels Bruce Group	NDO	1.94	-3.13	-44.64	6.25	1.69	605
Clark Bards Holdings	NDO	14.50	5.45	-14.14	21.00	9.00	72	ESG Re Limited	NDO	7.88	-8.7C	-60.25	22.25	7.88	232	Selective Ins. Group	NDO	18.00	1.41	-11.11	23.00	17.25	202
E.W. Blanch Holdings Inc.	NYS	60.38	3.87	29.32	71.75	38.75	598	Enhance Financial Services	NYS	17.75	0.35	-41.32	30.38	16.56	319	Terra Nova Ins Co. Ltd.	NYS	31.38	1.41	28.72	32.63	21.25	402
Gallagher Arthur J. & Co.	NYS	51.50	1.23	17.71	56.50	39.31	266	Everest Reinsurance	NYS	23.50	9.30	-35.95	38.94	20.50	3306	Tokio Marine & Fire	NDO	65.88	17.11	11.89	65.88	50.00	165
Hilb, Rogal & Hamilton	NYS	24.63	-0.51	32.21	25.25	15.56	48	Fremont General Corp.	NYS	7.75	1.64	-67.88	25.69	7.19	1323	Torchmark Corp.	NYS	30.69	16.35	-11.69	45.50	24.56	2891
Kaye Group Inc.	NDO	8.00	0.00	10.34	9.25	5.00	3	Frontier Insurance Group	NYS	8.31	3.91	-33.50	18.75	7.50	2212	Transatlantic Holdings	NYS	72.75	3.84	-3.80	85.63	69.06	123
Marsh & McLennan	NYS	76.19	15.00	28.86	81.50	53.00	4055	Gainsco Inc.	NYS	5.69	-4.21	-9.90	6.94	3.94	118	Travelers Property Casualty	NYS	33.00	13.55	7.76	41.88	27.69	3197
Brown & Brown	NYS	33.75	1.31	-3.40	39.44	29.31	11	Harleysville Group	NDO	15.75	9.09	-38.24	26.13	13.13	263	Trenwick Group Inc.	NDO	19.19	0.99	-39.33	35.25	16.50	282
BROKERS AVERAGE			3.48	19.18				HSB Group Inc.	NYS	36.56	7.54	-9.02	43.31	33.25	370	Unico American Corp.	NDO	7.63	-5.43	-33.88	14.13	7.25	51
ACE Ltd.	NYS	16.94	2.26	-48.18	35.25	15.50	3884	HCC Insurance Holdings	NYS	10.75	-28.63	-36.53	25.13	8.00	5309	United Fire & Casualty	NDO	22.13	-1.39	-33.52	38.50	22.00	11
Accel International Corp.	NDO	0.78	-21.88	-73.96	3.38	0.75	96	ING Groep N.V.	NYS	56.06	0.56	-8.09	70.00	45.06	261	Unitrin	NDO	35.88	5.13	1.23	42.38	30.50	557
Acceptance Insurance Cos.	NYS	13.00	9.47	-34.59	20.63	11.63	178	IPC Holdings Ltd.	NDO	16.50	-5.04	-27.47	26.38	15.38	218	UNUM Corp.	NYS	28.31	-7.36	-52.76	62.50	26.00	12302
AEGON N.V.	NYS	86.50	-0.57	-29.06	130.13	69.63	572	Hartford Financial Services	NYS	43.88	16.61	-21.39	66.44	36.50	6286	Vesta Insurance Co.	NYS	3.94	-1.56	-31.52	9.88	3.38	257
Aetna Life & Casualty	NYS	50.75	-4.13	-36.41	99.88	46.50	5242	LaSalle Re Holdings Ltd.	NYS	11.75	2.17	-43.03	26.00	10.88	679	XL Capital Ltd.	NYS	46.25	-1.60	-35.37	78.13	41.94	1159
AFLAC Inc.	NYS	45.56	5.96	3.55	56.75	33.19	2149	Lincoln National	NYS	47.19	20.99	13.88	57.50	33.50	4121	Zenith National Ins.	NYS	22.63	4.62	-2.16	26.69	20.31	51
Allmerica Financial Corp.	NYS	54.75	10.61	-3.31	64.81	43.88	1388	MAIC Holdings Inc.	NYS	24.19	-2.76	-24.41	33.13	23.88	128	INSURERS/REINSURERS AVERAGE			2.86	-20.32			
Allstate Corp.	NYS	25.00	6.10	-35.06	47.50	22.88	22777	Market Corp.	NYS	174.00	2.20	-3.47	193.00	146.69	42	Foundation Health Systems Inc.	NYS	6.69	-13.71	-39.20	20.06	6.69	2503
Ambac Financial Group	NYS	47.88	3.51	-20.13	62.38	44.69	1337	MBIA Insurance Group	NYS	50.06	5.95	-24.51	71.88	45.00	2413	Humana Inc.	NYS	5.94	-10.38	-68.65	22.13	5.94	5208
American Financial Group	NYS	27.75	5.97	-32.63	43.88	25.31	428	Meadowbrook Insur Group	NYS	8.88	-11.25	-45.59	24.88	8.88	41	Oxford Health Plans	NDO	10.13	-3.57	-27.68	24.25	8.63	5732
American General	NYS	74.75	18.18	-4.47	81.38	61.88	4795	MMI Cos. Inc.	NYS	7.94	-2.31	-52.43	19.06	7.88	210	Pacificare Health Sys.	NDO	33.13	-7.50	-53.67	100.38	31.13	1875
American Heritage Life Ins.	NYS	33.56	4.88	39.48	33.56	19.38	2553	Mutual Risk Mgmt. Ltd.	NYS	14.94	35.80	-60.63	43.25	9.81	4206	Saleguard Health Enter.	NDO	3.63	-3.33	1.75	5.50	2.36	147
American Intl Group	NYS	91.81	12.05	17.86	107.19	62.88	12049	Navigator Group	NDO	13.50	0.93	-11.48	16.25	13.13	14	Sierra Health Services	NYS	7.56	-3.97	-63.77	24.94	7.19	393
American Safety Insurance	NYS	6.94	-2.63	-26.97	10.38	6.63	33	NYMagic Inc.	NYS	12.75	-0.49	-38.92	21.63	12.00	12	United Health Group	NYS	48.56	12.45	8.98	70.00	35.94	5794
Argonaut Group	NDO	22.94	-3.93	-4.43	28.38	22.38	126	Ohio Casualty Corp.	NDO	15.25	0.00	-25.84	21.69	14.88	794	Wellpoint Health Networks	NYS	52.56	1.20	-38.79	97.00	48.25	2514
AXA-UP Group	NYS	66.63	4.92	-6.90	80.25	53.50	392	Orion Capital Corp.	NYS	13.94	-0.89	-34.99	24.00	13.00	1791	HMOs AVERAGE			-3.60	-35.13			
Baldwin & Lyons Inc.	NDO	21.88	6.06	-6.42	26.00	19.63	23	Partner Re Ltd.	NYS	29.88	-5.16	-33.89	46.50	28.88	440	ALL COMPANIES AVERAGE			0.92	-12.09			
Berkley W.R. Corp.	NDO	21.50	-2.82	-36.30	36.50	21.25	603	Penn-America Group Inc.	NYS	7.38	3.51	-20.27	11.44	7.00	225								
Berkshire Hathaway Inc.	NYS	54500.00	-4.39	-20.20	81100.00	54300.00	2	PMA Capital Corporation	NDO	20.25	-0.61	3.51	21.13	17.38	48								
Capital RE Corp.	NYS	13.50	8.00	-30.99	22.25	9.44	1251	Philadelphia Cons. Holding	NDO	14.88	5.31	-30.00	25.50	10.81	149								
Capitol Transamerica Corp.	NAS	12.63	-5.61	-28.62	20.25	12.50																	

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