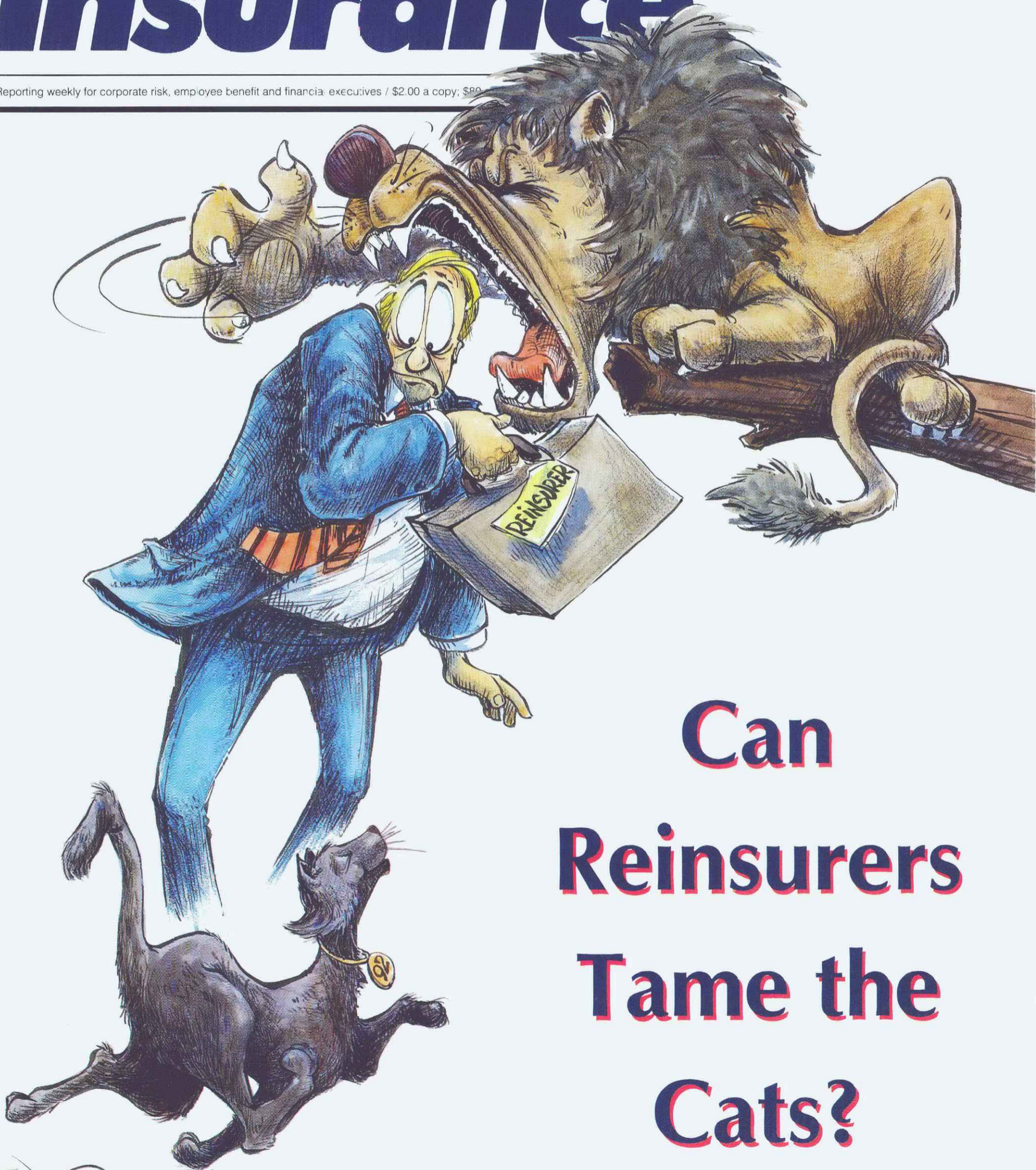


OCTOBER 26, 1992

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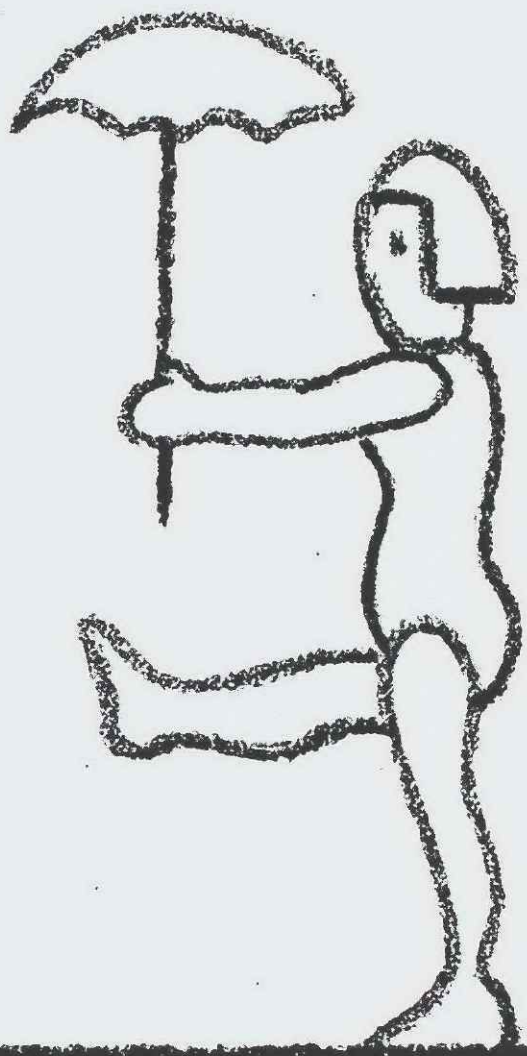


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Update

Skandia rejects \$500 million bid to acquire U.S. reinsurance unit

NEW YORK—Skandia Holding A.B., which last month postponed Skandia America Reinsurance Corp.'s public offering, last week rejected an offer by an investment group to acquire the U.S. reinsurer for \$500 million.

Investors, led by Head Insurance Partners L.P., offered to pay \$20 per share for all 25 million shares of Skandia America, said John C. Head III, chairman of John Head & Partners in New York.

However, Skandia Group "declined the offer," said Head III.

Continued on next page

Andrew loss estimated at \$10.7 billion

By SARA MARLEY and MICHAEL BRADFORD

A 37% increase in official estimates of insured losses from Hurricane Andrew will not cause the primary property/casualty insurance market to turn soon because contractors, which has driven up reconstruction costs, explained Jim Welsh, a claims consultant for PCS.

The estimates, though, do not include insured marine and utility equipment losses. Including these losses, Andrew's toll could hit at least \$11.5 billion.

Florida Power & Light Co., for example, sustained between \$250 million and \$350 million of damage, said George Lloyd-Roberts, chairman of Lloyd's Non-Marine Underwriters' Assn. (BI, Sept. 7). Direct losses to the London marine market could amount to as much as \$500 million, said Ian Agnew, underwriter for syndicate 406 managed by Wellington Underwriting Agencies Ltd.

Continued on page 84

PACs' top vote-getters

The insurance industry's largest political action committees contribute far more to U.S. senators than to House members.

Senator	Amount
Don Nickles, R-Okla.	\$63,250
Christopher Dodd, D-Conn.	52,500
Bob Dole, R-Kan.	48,499
Bob Packwood, R-Ore.	46,650
Thomas Daschle, D-S.D.	45,500
House	
Dan Rostenkowski, D-Ill.	\$38,998
Barbara Kennedy, D-Conn.	38,800
Beryl Anthony, D-Ark.	37,000
Richard Gephardt, D-Mo.	33,500
Marty Russo, D-Ill.	26,500

Source: Federal Election Commission
Contributions made from Jan. 1, 1991, to Aug. 31, 1992. *Deceased in primary.

Shake-up in Congress puts industry PACs on the spot

By DOUGLAS McLEOD

WASHINGTON—The volatility of this year's congressional races is making life more complicated for insurance industry political action committees.

There will be many new faces on Capitol Hill due to congressional redistricting, the retirement of many incumbents, and the House bank and post office scandals, among other factors. This has forced PAC officials to work harder to identify candidates they'll support.

As a result, challengers and candidates for open seats are receiving more insurance PAC support than in any recent election, some PAC officials say.

"This is the most volatile year we've seen since the Watergate year of 1974," said Robert Rusboldt, vp-federal affairs for the Independent Insurance Agents of America in Washington.

The House will see a minimum of 125 new members, and Democrats may pick up the three seats they need in the Senate to give them 60 seats, noted Mr. Rusboldt.

"It's just made it more fun," added David Pratt, vp-federal affairs for the American Insurance Assn. in Washington.

Still, the largest PAC controlling the House and Senate.

Eleven of the largest insurance industry PACs contributed a total of \$3.2 million to congressional candidates between Jan. 1, 1991, and Aug. 31, 1992, according to a report by the U.S. House and Senate.

Are leaders or "rising stars" in the House and Senate to give them 60 seats, noted Mr. Rusboldt.

● Represent districts with a strong insurance industry presence.

● Share PAC members' pro-business views on regulation and other issues.

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Continued on page 83

Managed care milestone

Less than 50% of workers remain in conventional plans

By JOANNE WOJCIK

WASHINGTON—For the first time in U.S. history, more employees are enrolled in managed care programs than in conventional health care plans, a new study shows.

Now more than 55% of employees covered by employer-sponsored health plans are enrolled in either health maintenance organizations, preferred provider organizations or point-of-service plans, according to the study.

Only 29% of employees were enrolled in managed care plans in 1988.

The most dramatic development in employer-sponsored health care is the strong growth of PPO/POS plans, which now account for one-third of enrollments, reports "Health Benefits in 1992," a survey released today by KPMG Peat Marwick.

And growth of managed care enrollment is likely to continue through the decade, predicts the survey's author.

"Health care as we knew it in the 1970s and early 1980s may be becoming a distant memory," said Jon Gabel, director of employee benefit research in Peat Marwick's Washington office.

Indeed, Wall Street analysts predicted during the mid-1980s that managed care plans would constitute three-fourths of private health insurance by 1995, he points out in the study.

That prediction is likely to prove accurate if the current trend continues, Mr. Gabel said. "We've seen this trend since the mid-1980s and it's now accelerating."

One reason for the increasing popularity of managed care plans is the savings they yield for employers, the survey points out.

For example, including employers whose premiums decreased or did not change, the 1992 increases in premiums for HMOs average just 9.8%, compared with 11% for conventional plans and 11.1% for PPOs and point-of-service plans.

However, for the 73% of employers reporting cost hikes in conventional plans, premiums increased 17% on average. Increases averaged 12% for the 77% of employers reporting HMO rate hikes, while premiums rose 18% for the 83% of those reporting rate hikes for PPOs and POS plans.

Continued on page 82

Rochester health care a recipe for success

By CHRISTINE WOOLSEY

Health care providers also are pitching in: Hospitals in the area are sharing expensive, high-technology medical facilities and equipment found in this city on the shores of Lake Ontario. But, the right mix of ingredients for a similar system probably does not exist anywhere else in the country.

Rochester's health care system has outperformed the nation's and New York's in terms of affordability and availability, largely because of an unusual degree of cooperation by large employers, health providers, and local and state governments.

For example, most large employers in the city of 232,000 purchase health insurance from a single insurer rather than self-insuring their health care benefits. In addition, employers agree to be community rated, which cuts premiums for small employers and individuals.

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Continued on page 80

U.S. reinsurers

Continued from previous page

Shell-shocked by Andrew losses that could exceed \$10 billion, ceding insurers and reinsurers now are imagining what would happen if a similar storm squarely hit a more populated area.

"Everyone is aware now that the potential exposure to loss is much greater than Andrew," Mr. Bolland said. "This is what's scaring people."

"The real big lesson is that catastrophe exposures in our marketplace are far worse than people generally expected," agreed N. David Thompson, president of North American Reinsurance Corp. in New York. "Andrew is a reminder of just how big the catastrophe loss potential is."

The expected capacity crunch

for catastrophe reinsurance will result in part from the continued dwindling of the market for the retrocessional protections that reinsurers buy to support their own underwriting, reinsurance sources say.

"There's no question about the fact that retrocessional capacity is disappearing at a very rapid rate," said Paul D. Hawksworth, president of Mercantile & General Reinsurance Co. of America in Morristown, N.J. "It's a major, major problem."

John W. Smithson, chairman of PMA Reinsurance Corp. in Philadelphia, estimated that there may be less than \$20 million in traditional catastrophe retrocessional capacity available Jan. 1, even if a ceding reinsurer were willing to pay the asking price for all available limits. As a result, he noted, reinsurers will

either have to retain more of their business net, cut back the lines they offer—or both.

Capacity will also be hurt by some companies' decisions to get out of the reinsurance business altogether.

'The real big lesson is that catastrophe exposures in our marketplace are far worse than people generally expected. Andrew is a reminder of just how big the catastrophe loss potential is,' says Mr. Thompson of North American Re.

Continental Corp. last month announced plans to stop writing reinsurance and sell its reinsurance unit, largely as a result of losses from Hurricanes Andrew and Iniki (BI, Sept. 28).

Yasuda Fire & Marine Insurance Co. of America has also discontinued writing treaty reinsurance, citing a string of catastrophe losses.

Rumors about other withdrawals are rampant, and more defec-

they've got a much greater loss from those operations than they ever thought possible," observed Stephen A. Crane, president of G.L. Hodson & Son Inc., a reinsurance brokerage unit of Willis Corroon P.L.C.

Some help may arrive with the entry of new players in the catastrophe market, including Mid-Ocean Reinsurance Co., a facility being formed by Marsh & McLennan Cos. Inc. (BI, June 22).

Still, no one is expecting to find the catastrophe capacity they did last year: While ITT Hartford Group Inc. pieced together a \$250 million catastrophe program with large price hikes last Jan. 1, few expect that much capacity to be available this year at any price.

The \$250 million in worldwide capacity apparently available last year actually amounted to \$180 million to \$200 million with gaps in various layers, according to one intermediary, who said he seriously doubts even this much will be available this year.

The retrocessional crunch and withdrawal of some markets could reduce last year's \$250 million total by 25% to 33%, estimated Mark Mosca, vp and manager of the treaty department at NAC Re Corp. in Stamford, Conn.

Willcox's Mr. King estimated that market capacity may drop to \$120 million to \$140 million for Jan. 1 renewals.

"There will be 'Swiss cheese' in many catastrophe programs as ceding companies are unable to find enough capacity to fill out layers," said Edward Jobe, chairman and CEO of American Re Corp. in Princeton, N.J.

In many programs, funded covers and other forms of financial reinsurance will play a larger role than ever before.

"Financial reinsurance is really in vogue now on catastrophe covers," said Philip W. Mitchell, chief executive officer of Philadelphia-based TPF&C Reinsurance, noting that any ceding insurer seeking more than \$100 million in limits will need financial reinsurance or will pay significantly more for traditional capacity.

Demand for funded covers will be much higher this year. Reinsurers will be using the covers mainly to fill out shortfalls in their own retrocessional programs and ceding insurers will use it mainly to fill layers within their catastrophe retentions and to add limits on top of traditional cat cover, said Heidi Hutter, executive vp with Atrium Corp., a New York-based intermediary unit of Swiss Re Corp.

Such covers are not without problems, though.

Some multiyear finite risk deals completed last year have been canceled because they were hit so hard and so early by catastrophe losses that their balance sheet benefits were wiped out, said Gregory E. Leonard, president of Pegasus Advisors Inc. in Simsbury, Conn.

Mr. Leonard cited a hypothetical case of a five-year cover providing \$10 million in limits for a premium of \$2 million per year. If a huge loss hits the cover in the fifth year, the ceding insurer would record a \$10 million recovery against a \$2 million expense for that year's premium.

If the loss happens in the first year, though, the benefit of the ceding company's recovery may be negated if auditors require it

Continued on page 6



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U.S. reinsurers

Continued from page 4

to accrue the full five-year premium of \$10 million immediately, he explained.

This problem has affected both funded retrocessional and reinsurance programs as they attract greater attention from auditors, Mr. Leonard noted.

"It's going to make it more difficult to sell funded covers without adding a lot more risk to them," he predicted.

"It's not going to be that easy to complete funded catastrophe covers Jan. 1, because many of those covers are already in the red," PMA Re's Mr. Smithson agreed.

As reinsurance capacity dwindles, prices for available limits will continue to rise, several brokers and reinsurers say.

The extent of the increases will depend on the size of the ceding company and whether it has built a "bank" with reinsurers from previous profitable years, Mr. Ingrey said. National insurers without banks built up could see increases of 10% to 30% on average, he said.

The upper layers of programs are likely to see the biggest increases, since lower-layer pricing has already risen so dramatically that it can't rise much more, M&G's Mr. Hawksworth and others predict.

While inevitable, price increases themselves are no longer an effective way for reinsurers to control their catastrophe exposures, Mr. King said.

"Property catastrophe covers are being hit so hard and with such frequency that you can never pay it back" with higher

rates, he observed.

Instead, reinsurers struggling to limit their exposure will impose dramatic increases in ceding company retentions, according to Mr. King.

Insurers with retentions ranging from \$50 million to \$100 million last year may have to retain \$250 million to \$300 million after Jan. 1. And the largest national insurers with heavy catastrophe exposures may face \$500 million retentions, he predicted.

Mr. Ingrey said ceding insurers still will have enough clout to negotiate the size of the increases, and publicly held ceding insurers will base their analysis on how much of their quarterly earnings they can afford to lose in a given catastrophe.

Reinsurers will also look for other ways to limit their exposures, Mr. Ingrey added.

Some London reinsurers, for example, are talking about "decoupling" catastrophe perils, writing earthquake and riot risks under a separate cover. Earthquake risks, he said, might be subject to warranties requiring industry losses to reach a given level before coverage attaches, while riot coverage might be excluded excess of defined limits.

Reinsurers may also push to regionalize catastrophe underwriting, applying separate retentions, limits and pricing for different regions of the United States, he added.

All of this will make for an interesting renewal season, Mr. Ingrey and others predict.

"I don't think any two (ceding) companies are going to buy in the same fashion," he said.

"Brokers and buyers will have to be very smart in putting to-

gether programs," agreed Bard E. Bunaes, chairman of Constitution Reinsurance Corp. in New York.

Hurricane losses, meanwhile, have also hammered reinsurers from another direction, devastating many property pro rata reinsurance treaties.

"Everybody has had their heads handed to them on pro rata business," Mr. Hawksworth said, estimating that more than half of all Hurricane Andrew reinsurance losses will be paid under pro rata treaties.

Under these treaties, reinsurers agree to assume a defined percentage of a ceding insurer's loss for a percentage of the original premium; typically there is no dollar limit on losses as there would be under an excess-of-loss reinsurance cover.

"There's nothing to stop a pro rata loss except for the loss to exhaust itself," Mr. Hawksworth noted.

American Reliance Insurance Group of Lawrenceville, N.J., was cited by many as a prime example of the risks of pro rata reinsurance: The company suffered gross losses of about \$500 million from Hurricane Andrew, but with a catastrophe program of only \$100 million, a large part of the loss fell to its pro rata reinsurers.

One result will be an attempt by reinsurers to impose occurrence limits in many pro rata treaties for the first time, reinsurance officials say.

"It will be difficult to buy pro rata reinsurance without some form of occurrence limit," NAC Re's Mr. Mosca said. "They will be imposed in a lot of treaties where they were not before."

Reinsurers will also move to reduce ceding commissions paid to buyers, increasing reinsurers' own margins on the business, Mr. Mosca said.

More property business may thus move to excess-of-loss from pro rata covers, either because reinsurers have lost their appetite for pro rata or because new restrictions have made pro rata less attractive to buyers.

"The catastrophe cover (that ceding companies) were getting for little or nothing will no longer be there, so they may have to re-think their reinsurance strategy," Mr. Mosca said.

A tougher question for brokers and reinsurers is whether this year's catastrophe losses, the reinsurance market's reaction to them and other factors are likely to turn the overall property/casualty insurance market.

Mr. King foresees a two-step turn in the market, with ceding insurers first being forced to accept substantial increases in retentions. If these insurers are hit again next year with huge catastrophe losses—much of which they will retain—a market turn will not be far behind, he said.

Mr. Ingrey gave even odds to the chance of a market turn by the end of next year. A tightening reinsurance market will contribute to any eventual turn, as will insurers' inability to continue bolstering their results with capital gains and gains from profitable business written from 1986 to 1988, he said.

Mr. Hawksworth predicted a gradual shift to "more cautious underwriting by the primary companies," driven by a tighter reinsurance market and other pressures on insurers' earnings.

"It will not fall like a ton of bricks," he said of an eventual turn.



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Opinions

No endorsement

WITH THE PRESIDENTIAL election just a week away, several readers have asked whom *Business Insurance* is endorsing. Our reply: no one. Here's why.

We think it would be shortsighted to endorse a presidential candidate based on a limited set of issues. While the issues that affect the risk management and employee benefits communities—health care and tort reform to name just two—are indeed important, other topics like the economy and budget deficit must be considered.

Of course, that doesn't mean we can ignore the presidential elections and the ramifications the vote will have on risk and benefit management issues.

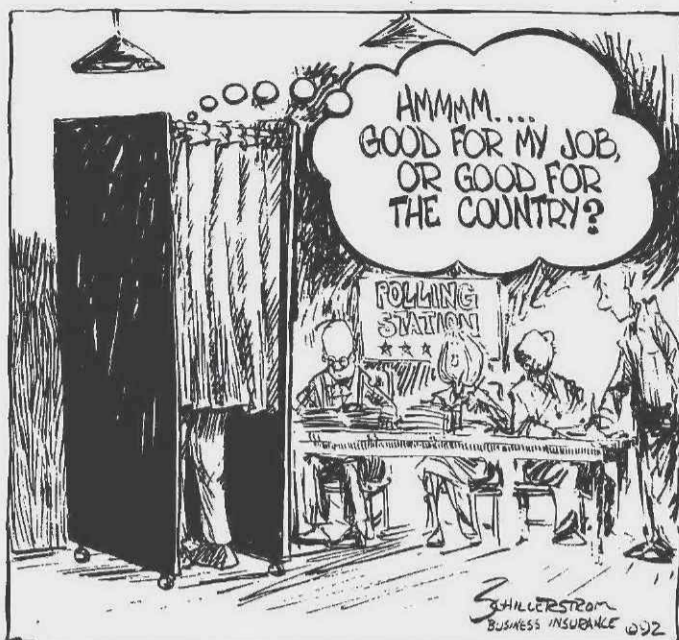
We are impressed with Bill Clinton's commitment to address the health care crisis. That doesn't mean that we support his plan 100%. More details are needed, especially more clarification about the "premium" that would be paid by employers that do not offer a health care program under his version of "play or pay."

But at least Gov. Clinton is addressing the health care problem. We fear that President Bush still is trying to sidestep the health care crisis.

The president did not unveil any type of health care policy until February, after it had become clear that health care would become a campaign issue. And the program that he presented—which would expand access to health care through a system of tax credits and deductions for low-income families—seemingly is so low on the list of presidential priorities that it was never formally introduced in Congress.

While President Bush reiterates that he has attempted to control health care costs through his unflagging support of medical malpractice reform, modifying the malpractice system alone will have only a small impact on the overall cost of health care.

However, we do salute the president for his tort



THE EDITORIAL CARTOONIST'S DILEMMA

reform efforts. He has spoken loud and clear that the civil justice system must be reformed. We hope that if there is a second Bush administration, he will strive to work with Congress to push through stalled product liability reform legislation.

We wish Mr. Clinton would address the civil justice system problems head-on. He has not, though we are encouraged that he recently said he favors changes in medical malpractice laws. We are waiting for more.

While we think Ross Perot at times speaks good common sense, something often lacking from this campaign, it's still difficult to assess his programs. He's long on the sound bites, short on the specifics.

Letters

AIG chairman responds to Hunter's 'naive' criticism

To the editor: J. Robert Hunter's letter disputing the need for rate increases (*BI*, Oct. 12) requires a response. Not only did Mr. Hunter use misleading statistics to attempt to show that commercial insurers do not need rate increases, he selectively quotes analysts out of context.

Many respected analysts have been saying for some time that the soft property/casualty market has not yet experienced enough pain to force a turn to more sensible pricing. Yet, these same analysts and others also have been saying that such a turn is inevitable because the industry cannot continue indefinitely to write business at combined ratios of 110% or more.

For 1991, the average combined ratio was 109.5%; it has ranged between 105% and 120% over the past 10 years, hardly an impressive performance. In each of the last three years, the industry has experienced a combined net underwriting loss of more than \$19 billion—totaling nearly \$60 billion! This year, with the huge catastrophic losses, the figure undoubtedly will be greater.

The property/casualty industry has posted a pathetic, declining return on equity over each of the past four years, sharply lower than the S&P 500 index. Last year, the industry's ROE was 6.6%, compared with 10.1% for the S&P 500.

If this is an industry flush with prof-

its, I don't recognize it. Any well-managed company in a risk business like insurance should expect to earn a return on equity consistent with the risks it assumes. Yet this clearly has not been the case with our industry. To use "return on surplus" with or without workers compensation as a benchmark, as Mr. Hunter suggests, is a novel concept. Why not exclude other lines of business? How would a financial analyst compare an investment in an insurance company to companies in other industries on this basis? This type of distorted "analysis" serves no serious purpose.

The United States holds itself out to the world as a market economy, where market forces determine prices. In our industry, this system has served the buyer quite well over the years. To suggest, as Mr. Hunter does, that market forces should work only in one direction—on the downside—is naive and disingenuous. Why is it that those who do not really believe in market economics are only heard from when there is upward pressure on prices? Let's not push our industry into oblivion by remaining silent when rates are declining but becoming loudly opposed when they move upward in response to market forces.

I hardly think American International Group Inc. or any other company in our industry has "duped" *Business Insurance*. You have reported on the financial plight of the industry extensively. Your reporters have an understanding of how to analyze the results of the industry that is far superior to Mr. Hunter's.

M.R. Greenberg
Chairman
American International Group Inc.
New York

To the editor: Several recent letters have indicated to me naivete, at best, and abys-

mal ignorance, at worst, of straightforward economics.

I refer to the negatives aroused by the internal memo "leaked" by American International Group Inc.'s Jeffrey Greenberg on the need for increased property/casualty rates (*BI*, Oct. 12; Sept. 14).

Hurricane Andrew really was a catalyst. Two billion dollars in losses for State Farm, close to that for Allstate, Prudential's threatened reduction in debt rating, Continental's withdrawal from reinsurance, several smaller Florida insurers' failures—these are indicative of severe problems for the whole industry.

Mr. Greenberg might better have said, "We have the moral imperative to raise rates to keep our industry viable."

More concern for public relations than the bottom line will lead to bankruptcies and contraction in a vital industry.

John J. Dunn
Fort Myers, Fla.

CIGNA comment raises questions

To the editor: "E&S Shakeup at CIGNA" (*BI*, Aug. 31) quotes a CIGNA Corp. executive as stating that excess and surplus business "won't be written just because a broker brought it to us."

Remarkable! Has INA/CIGNA's 200 years of insurance underwriting also taught it any other sound underwriting practices? They must have regressed from the days of the '60s and '70s when I was privileged to place reinsurance on their behalf. Why does the wheel continually have to be reinvented by insurers and reinsurers?

Edward J. King
Denville, N.J.

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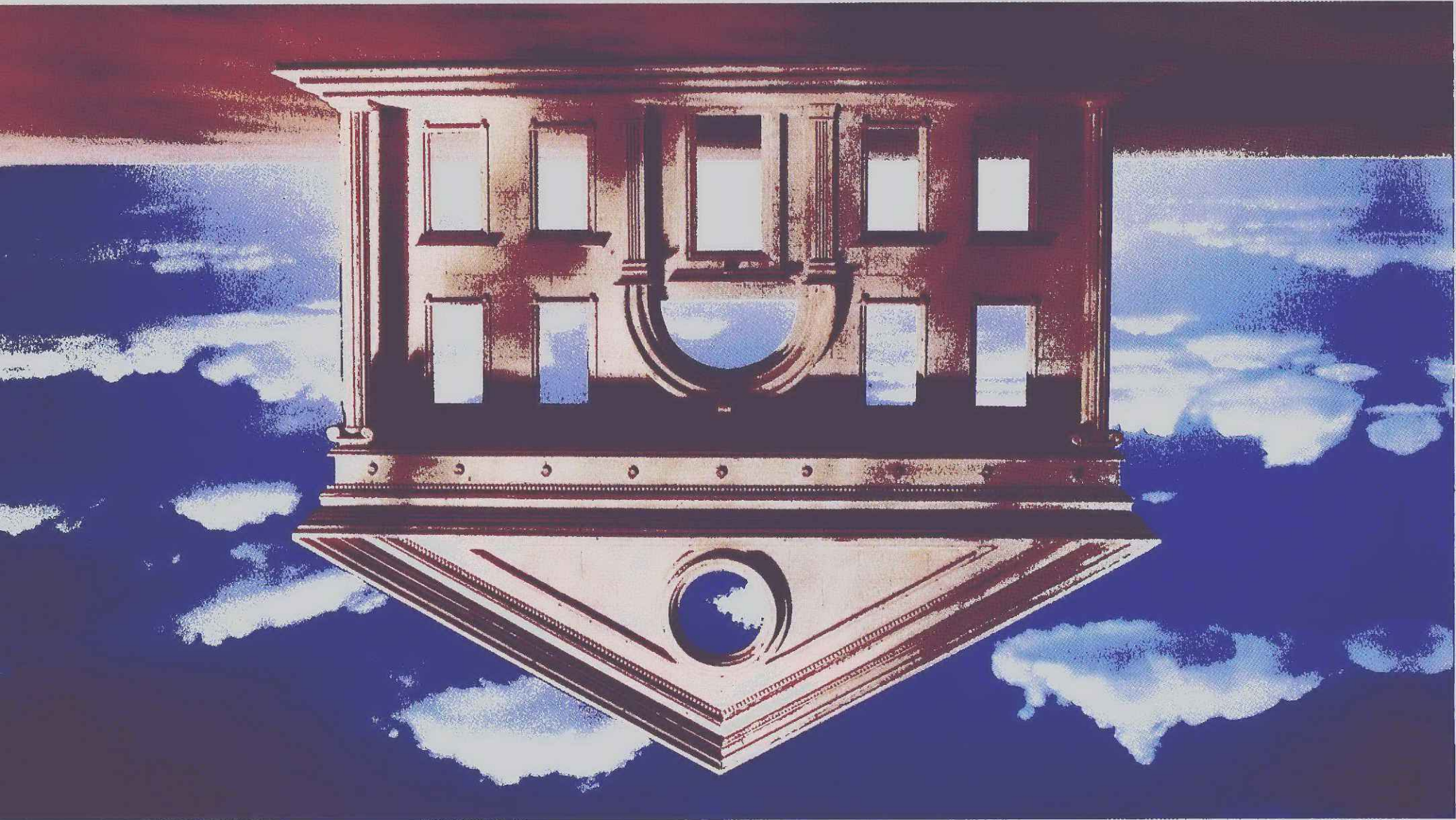
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London reinsurers expect restrictions due to catastrophes

By GAVIN SOUTER

LONDON—Reinsurers in London are set to charge more for less at year-end renewals.

Brokers and underwriters say that large losses from Hurricanes Andrew and Iniki have concentrated the minds of reinsurers on specific coverages for specific areas in the United States and imposing catastrophe limits for pro rata treaties.

U.S. cedants can also expect increased deductibles and cuts in profit commissions as a result of the catastrophe losses, they say.

Some London reinsurers also are looking to restrict coverages by, for example, excluding terrorism coverage. That reaction follows an Irish Republican Army bombing in London earlier this year.

Meanwhile, marine reinsurers will continue to eliminate non-marine risks from marine reinsurance programs, they say.

"Underwriters will make sure that they are getting the right commercial terms for the risks they are covering," said John Wetherell, underwriter for Lloyd's of London syndicate 190, managed by Cater Allen Syndicate Management Ltd.

For ceding insurers, that means higher retentions and rates, he said.

Reinsurers also will look for more information about the risks they underwrite, said Philip Heitlinger, general manager-non-marine at English & American Group P.L.C.

"Deductibles are being increased and, in the U.S., nationwide catastrophe exposures may have to be itemized by area. . . People are reassessing the way they buy and sell reinsurance," he said.

Greater transparency of risks will be one of the key issues during at year-end renewals, agreed Colin Murray, chairman of R.J. Kiln & Co. Ltd.

Hurricane Andrew drove home the point that some areas of the United States are more vulnerable to catastrophe losses than others, said Mr. Murray.

As a result, underwriters will demand much more information on the exposures they cover.

"Hurricane Andrew showed that the technical level of underwriting by some underwriters is generally not as high as it was 25 years ago" after Hurricane Betsy, Mr. Murray said.

Today, some underwriters are less critical of the risks they underwrite, taking on large liabilities in potentially catastrophic areas, he said.

"I was very surprised to see that so many insurers had such large liabilities in Dade County, Fla.," Mr. Murray said.

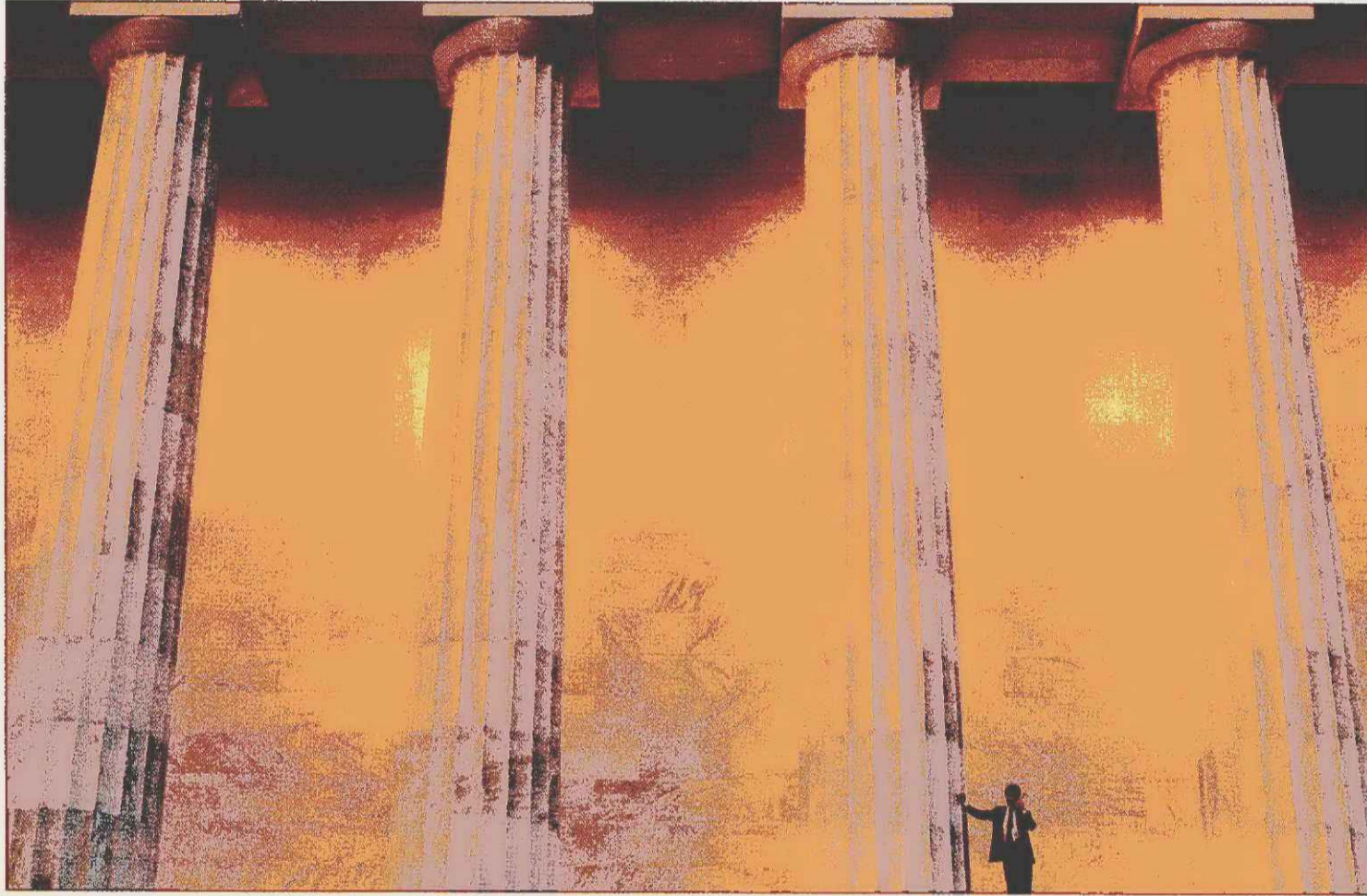
To gain better control of their own exposure, reinsurers will demand more information on risks—like transmission lines and mobile homes—that are susceptible to damage from windstorms.

As in the United States, catastrophe coverage is projected to be one of the main problem areas during renewal negotiations.

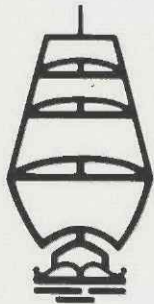
"Underwriters are asking themselves how they can effectively underwrite catastrophe business and still make a profit," said Philip Marcell, chairman and CEO of Unionamerica Insurance Co. Ltd.

One technique they will use is limiting coverage by region, Mr. Marcell said. "(U.S. insurers) may have to buy coverage according to the aggregated risk

Continued on page 14



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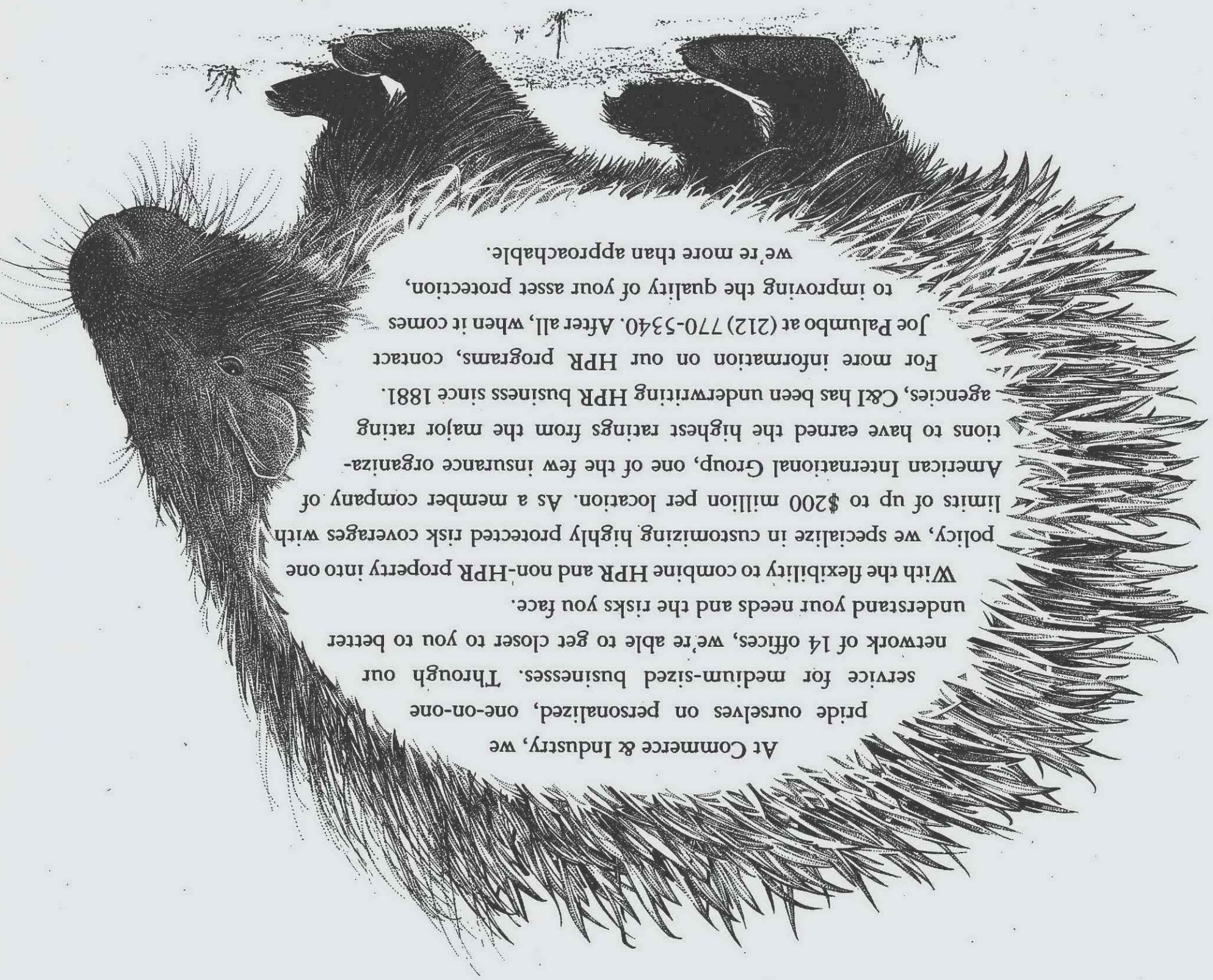
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London reinsurers

Continued from page 10
they have in particular loss regions."

Reinsurers may also impose catastrophe limits on pro rata treaties and exclude some geographical areas from coverage in the treaties, Mr. Murray said.

Reinsurers will try to make sure that catastrophe risks are covered under a separate policy, said another Lloyd's underwriter. "There have been a lot of companies getting their catastrophe coverage under a pro rata treaty and underwriters are going to try and put a limit on that."

Reinsurers also are expected to halve profit commissions following U.S. catastrophe losses, he said.

"People can't continue to expect a fat profit commission just because they are lucky enough not to have a

catastrophe loss one year when we know that with the rising catastrophe losses there's a good chance that they will have a large loss next year," the Lloyd's underwriter said.

More transparency of risks and higher rates are only half the story.

Coverage restrictions are also expected to play a large role in year-end London reinsurance renewals.

One very visible area is terrorism coverage. After an IRA bomb caused an estimated 1 billion pounds (\$1.7 billion) of damage to the London financial district in April, reinsurers reconsidered their stance on terrorism coverage.

Reinsurers of British risks now are undecided whether to include a terrorism exclusion in pro rata policies renewed at year-end or to write it as a separate coverage, Mr. Marcell said.

Some policies contain a terrorism exclusion drafted by the London Insurance & Reinsurance Markets Assn., but "the majority of policies actually written include terrorism coverage," he said.

"Some people want to keep the coverage in the policies, whereas others want to take it out and write it as a separate coverage," he explained. "Whatever happens, there will have to be right premium charged for the exposure."

Professional reinsurers in continental Europe are leading the campaign to exclude terrorism coverage from pro rata treaties, said Mr. Roundell, chairman and managing director of Leslie & Godwin Reinsurance Ltd.

"The continental reinsurers are trying to bring in definitions and terms that will single out and exclude the coverage from pro rata treaties," said Mr. Roundell.

In London, company reinsurers are more keen than Lloyd's underwriters to exclude terrorism coverage, another broker said.

"There is no market stance on the coverage yet, but broadly speaking, Lloyd's syndicates are more willing to include terrorism, albeit at a higher price," he said.

Marine reinsurance underwriters will continue to exclude non-marine exposures from contracts, underwriters and brokers say.

"Last year, underwriters tried to take the refinery risks out of energy programs and this year I think they will try to get even more of the non-marine elements out," said Chris Clark, managing director of the marine U.S./U.K. reinsurance division of Willis Corroon Group P.L.C. in London.

Reinsurers may not be successful in unbundling the programs completely this year but, by the end of renewals next June, many more non-marine risks may have been eliminated from marine energy insurance programs, he said.

"By then, we may get two separate markets for onshore and offshore risks, and onshore production units may be covered as a non-marine risk," Mr. Clark said.

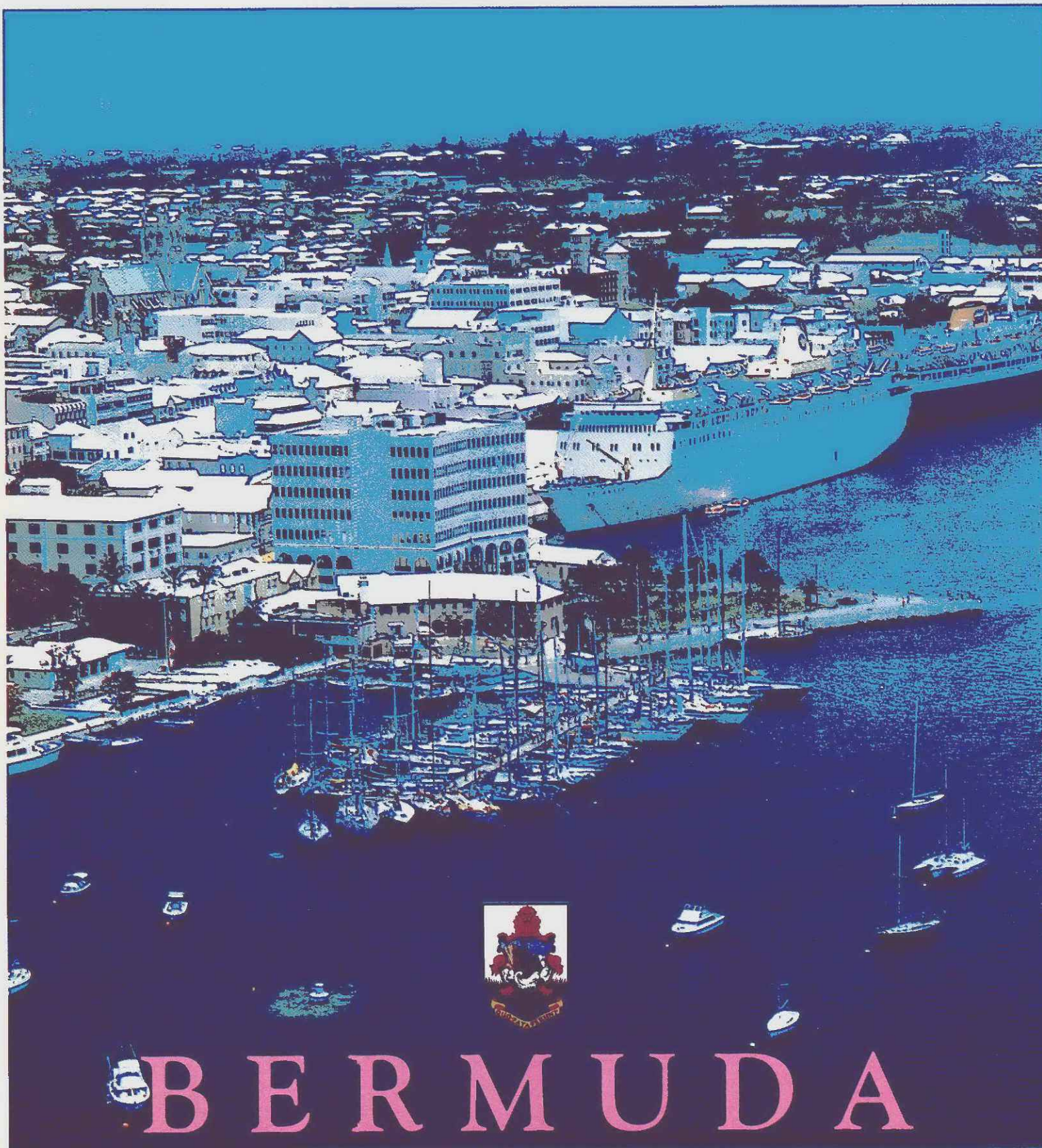
Marine reinsurers also are curbing reinsurance support for cargo "stock throughput policies," said Trevor Johnson, underwriter for syndicate 744/746, which is managed by Wenderover Underwriting Agency Ltd.

Under stock throughput policies, marine cargo underwriters provide incidental coverage to goods in transport while they are on land, in addition to coverage while they are being transported at sea.

Over the past 20 years, the coverage period for stock on land has gradually increased to the extent where marine cargo underwriters provided storage coverage for as long as 12 months, Mr. Johnson said.

"As a result of some very slack

Continued on page 16



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London reinsurers

Continued from page 14

underwriting, we had quite a lot of stock throughput claims that were really non-marine claims but paid by the marine market. Many of the losses from the riots in Los Angeles, for example, will be paid by the marine market" under these policies, he said.

The move by the reinsurers could change terms in the direct cargo insurance market, said Mr. Roundell of Leslie & Godwin.

"The underwriters want to send the non-marine risks back to the

non-marine market and this should lead to a tightening up of original terms and conditions," he said.

Marine war risk excess-of-loss reinsurers also are limiting coverage, Mr. Johnson said.

Although reinsurers eliminated contract frustration coverage from war risks three years ago, they have continued to offer other political risk coverages. For example, war risk underwriters would cover claims that arise if a company lost a contract due to changes in the law of another country, Mr. Johnson said.

"There is now a good chance that

all political risks will be excluded from war risks written in the marine excess-of-loss market," he said.

Underwriters should be wary of simply excluding risks from contracts rather than negotiating with cedants, warns Mr. Clark of Willis Corroon.

"We can understand why reinsurers want greater transparency of the risks they cover, but that should be done by negotiation rather than exclusion or we might end up as nothing more than a property catastrophe market," he said. ■

U.S. groups considering arbitration standards for reinsurance disputes

By STACY SHAPIRO

LONDON—U.S. lawyers and reinsurers may soon follow the example of their British brethren and establish an arbitration society to improve arbitration

standards.

Last year, executives in London established the AIDA Reinsurance & Insurance Arbitration Society (U.K.) to improve both arbitration procedures and arbitrators.

Prompting the move was a perceived increase in disputes between ceding companies and reinsurers.

ARIAS (U.K.) recently published a new arbitration clause recommended by both Lloyd's of London underwriters and the London Insurance & Reinsurance Market Assn.

The society is supported by the law society Assn. Internationale de Droit des Assurances, 30 to 40 law firms, Lloyd's, LIRMA and the British Intermediary & Insurance Brokers Assn.

Now the U.S. chapter of AIDA, the Reinsurance Assn. of America and others are "are working to put together what may become the U.S. counterpart

'I felt that there should be an international forum of arbitration,' says Mr. Butler.

to ARIAS (U.K.)," said Ronald A. Jacks, immediate past president of the U.S. chapter of AIDA and a member of its international presidential council.

The U.S. chapter will "build upon the success of our colleagues in the U.K. and put together people who are interested and informed," said Mr. Jacks, a partner in Chicago-based law firm Mayer, Brown & Platt.

ARIAS (U.S.), like its British counterpart, hopes to consider such issues as "standards for qualification" as an arbitrator; provide training programs for arbitrators; and make "practical suggestions to streamline the arbitration process and policy language," said Mr. Jacks.

He attributes the success of ARIAS (U.K.) to support from all aspects of the insurance and reinsurance market, as well as from attorneys.

This kind of support "is absolutely indispensable and is a prerequisite," he said.

Recently Mr. Jacks spoke to the RAA to establish a steering committee of interested parties from all sectors of the industry to establish ARIAS (U.S.).

The British group is the brainchild of John Butler, president of AIDA, consultant for London law firm Barlow, Lyde & Gilbert and now vice chairman of ARIAS (U.K.).

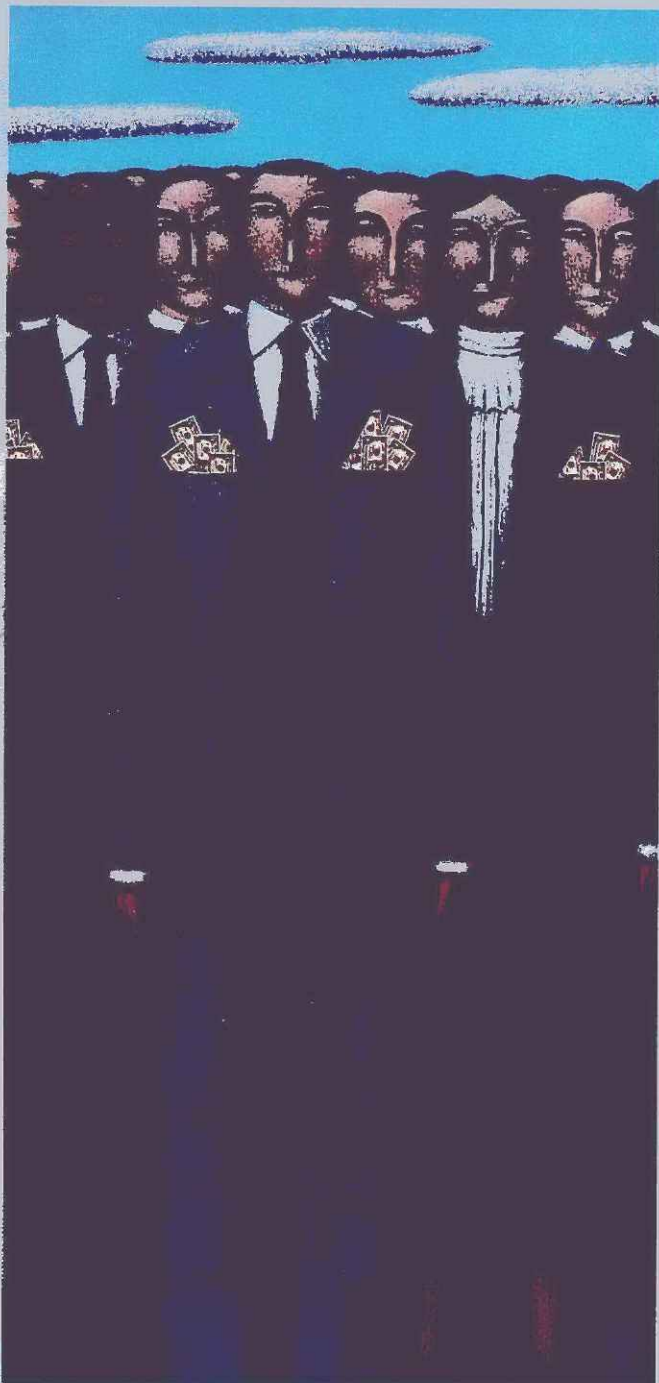
"I had a lot of complaints by reinsurers that the arbitration procedures as they stood were inadequate," Mr. Butler explained. "As president of AIDA, I felt that there should be an international forum of arbitration, and insurers and reinsurers should do something."

In addition, Mr. Butler "and others had seen a burgeoning of disputes in underwriting and in

Continued on page 18

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Arbitration

Continued from previous page the number of arbitrators," added Hugh Thompson, secretary of ARIAS (U.K.).

Although no one tallies the number, the impression is that disagreements between ceding companies and their reinsurers are on the increase.

Today's disputes are often a result of U.S. court rulings that old insurance policies should cover risks that were never expected by insurers, said Mr. Butler. Although the insurers may be required to pay the claim, reinsurers often balk.

There is no way to reduce the number of these disputes because "it's past history from business that was placed 20 to 30 years ago or more. I know of one dispute on a reinsurance treaty placed in 1928," said Mr. Butler.

New disputes also are arising from losses in London, including those from the London market excess-of-loss reinsurance market and the closing of loss-riddled Lloyd's syndicates.

For example, some reinsurers question whether they are liable to pay any of the 116 million pound (\$191.7 million at current exchange rates) settlement by errors and omissions insurers with 987 members of syndicate 317 managed by R.H.M. Outhwaite (Underwriting) Agencies Ltd.

The reinsurers question whether the E&O claim stemmed from one loss or 32 losses, representing each runoff reinsurance program written by Outhwaite. The reinsurers also question whether the loss falls in 1985, when the syndicate kept its 1982 year open, or when each of the 81 members agencies were actually sued.

The Outhwaite disputes, however, "all depend on how the E&O reinsurance was placed and bought," said Lloyd's underwriter Alec Sharp. After some discussion, all of Mr. Sharp's reinsurance claim for the E&O settlement on behalf of the Outhwaite agency was paid.

"My guess is the majority (of the settlement) will be paid by reinsurers. We have a big chunk of the loss back already," he said.

But that dispute is only "the tip of the iceberg," said one London defense lawyer. The lawyer predicts big disputes among E&O reinsurers of the "big syndicates in trouble," like those formerly managed by Gooda Walker Ltd., Feltrim Underwriting Agencies Ltd.

Reinsurance disputes also are on the rise because reinsurers that are on shaky financial ground are delaying paying claims, London executives say.

"This may well be true. If people can't pay, you can't get blood out of stone," said Mr. Butler. "But some reinsurers never intended to" pay these types of claims.

Disputes also are arising between insolvent insurers' administrators or liquidators and the company's reinsurers.

"When there is an insurance failure, there is always a problem with reinsurers," said the defense attorney.

The liquidation of insurers that participated on the H.S. Weavers (Underwriting) Agencies Ltd. line slip is likely to stir up disputes with reinsurers before reinsurance is recovered. Reinsurance covered half of the \$5 billion in ultimate liabilities

of the five defunct insurers owned by Weavers parent London United Investments P.L.C.

The threat of an increasing number of disputes is unsettling since, in the past, arbitration proceedings were haphazard and results were often unviable, causing many reinsurers to take their disputes to court.

With the growing number of reinsurance disputes, those active in the market need to join with the existing arbitrators in "providing a panel of independent market arbitrators, and to ensure that arbitrations are conducted in a manner best suited to the markets," says an ARIAS (U.K.) brochure.

Messrs. Butler and Thompson, barrister John Thomas and John Powell, partner at the law firm Stephenson Harwood, established ARIAS (U.K.) in July

1991. ARIAS (U.K.) provides a list of people who are suitable as arbitrators, including Lloyd's underwriters Stephen Merrett and Richard Morgaan and Harvey Simons, senior underwriter and director of CNA Reinsurance

'With arbitrations, you get no precedent' because they're confidential, says Mr. Butler.

of London. All are members of ARIAS (U.K.)'s committee.

Of the society, Mr. Merrett says, "I think it's wonderful."

The society also has established an arbitration training

course for its panel of potential arbitrators.

Recently, ARIAS (U.K.) published a new recommended arbitration clause to replace the standard arbitration clause used in nearly all reinsurance treaties. LIRMA has adopted it as its recommended clause, as have many Lloyd's underwriters like Mr. Merrett.

The new clause allows retired market members as well active underwriters to arbitrate and calls for three arbitrators to be on a panel, instead of two arbitrators and an umpire.

The new clause, like the old one, says the parties can choose the place of arbitration.

However, if the parties can't decide, the new clause—unlike the old one—names the site as London.

The proper law to follow—if

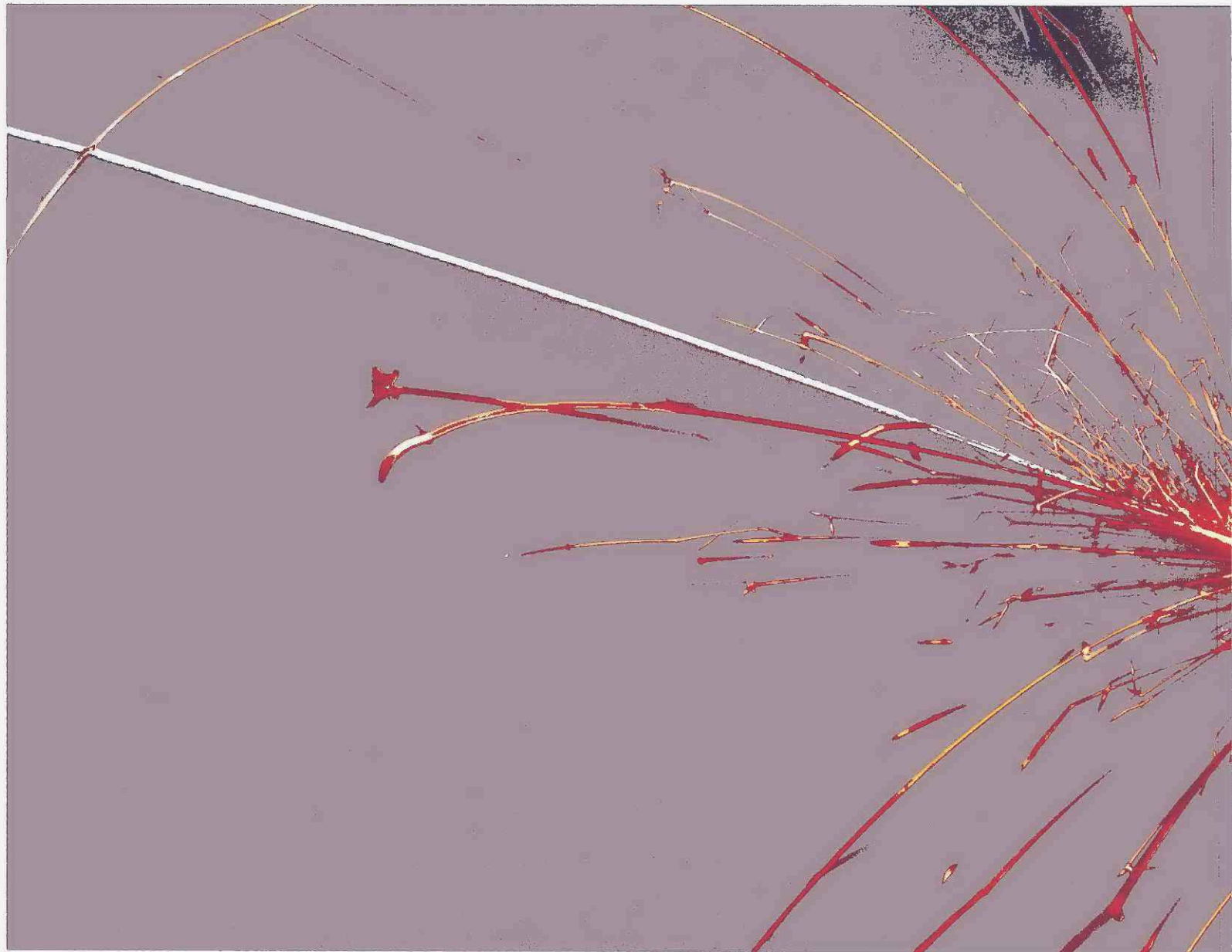
not agreed on—will be of the country "with which (the agreement) is most closely connected," the clause says.

In the meantime, ARIAS (U.K.) is drafting rules of conduct for an arbitration. These rules have never been put in writing.

In the future, ARIAS (U.K.) could suggest radical changes, like recommending that arbitration decisions be published rather than be kept confidential, said Mr. Butler. "With arbitrations, you get no precedent (because they're confidential), so you can arbitrate again and again and get different results with different arbitrators."

A published decision could curb the number of arbitrations on the same issue by showing a precedent, though the former decision wouldn't be binding, he said. ■

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Overdue reinsurance penalties to tighten

Regulators want to close loopholes in current regulations

By DOUGLAS McLEOD

Ceding insurers are facing stiffer penalties for carrying overdue reinsurance balances on their books as state regulators move to close loopholes in reinsurance accounting rules.

Amid mounting concern about potentially uncollectible reinsurance, the National Assn. of Insurance Commissioners in 1989 began requiring ceding companies to take a charge against their surplus for a portion of authorized reinsurance balances more than 90 days past due and not in dispute.

For 1992 annual statements, the penalty will be extended to overdue unauthorized recoverables when a ceding insurer fails to draw on letters of credit, trust funds or other collateral securing the recoverables.

The original penalty on overdue authorized reinsurance left what many regulatory and reinsurance sources agree were loopholes that allowed insurers to escape the full impact of the penalty.

For example, the rules allowed amounts in dispute to be excluded in identifying slow-paying reinsurers, and left it unclear

when the 90-day clock for aging reinsurance balances was to begin running.

An NAIC committee earlier this month approved new rules to close these loopholes effective with the 1993 statutory statement.

The result, regulators and reinsurers say, should be more energetic collection efforts by ceding companies and more explicit payment terms in reinsurance contracts.

Ceding insurers that fail to resolve problems with slow-paying reinsurers will be hit with stiffer penalties as a result of the new

regulations, they add.

"The general motivation was to give companies a compelling reason to accelerate cash recoveries as best they could, and I think it's served that purpose," Edward Kelley, NAIC senior reinsurance manager in Kansas City, Mo., said of the reinsurance penalty rules.

Most ceding insurers "are more mindful of reinsurance recoverables than they were a few years ago," and the penalties have contributed to this, Mr. Kelley said.

The gradually tightening rules grew out of worries that the old

Schedule F in statutory financial statements revealed little about how many of a ceding company's reinsurers were behind in their payments and might default altogether.

The soft market of the early 1980s had been fueled in part by cheap reinsurance, and the losses that followed left many reinsurers insolvent or financially weak—raising regulators' concerns about recoverables.

The NAIC responded by developing the "90-day rule," which forced ceding insurers to report and take penalties on overdue balances from authorized reinsurers.

The rule, which went into effect in 1989, requires insurers to report in Schedule F the amount of paid losses and loss-adjustment expenses recoverable from each reinsurer that are current, 30 to 90 days overdue, 91 to 180 days overdue and more than 180 days late.

A "trigger" test is then used to identify slow-paying reinsurers.

A reinsurer is considered a slow payer if paid loss and expense recoverables more than 90 days late—excluding amounts in dispute—add up to more than 20% of all paid loss and expense recoverables from that reinsurer plus payments the reinsurer has made within the previous 90 days.

If a reinsurer is late with some payments but is not officially a slow payer, ceding insurers must take a charge against surplus equal to 20% of undisputed paid loss and expense recoverables more than 90 days overdue.

If the reinsurer is branded a slow payer, though, the 20% penalty applies to all reinsurance balances regardless of whether they are disputed. These balances include paid and unpaid losses and loss-adjustment expenses, incurred-but-not-reported losses and unearned premiums, less LOCs or other funds held by the ceding insurer as security.

Since adopting the original rule, the NAIC has also extended it in a different form to cover recoverables from unauthorized reinsurers.

Starting with their 1992 statutory statements, ceding insurers must apply the same aging schedule to paid loss and loss-adjustment expenses recoverable from unauthorized companies.

Where unauthorized balances are secured by LOCs or other collateral, ceding insurers must draw down the collateral or take a 20% penalty on balances more than 90 days past due.

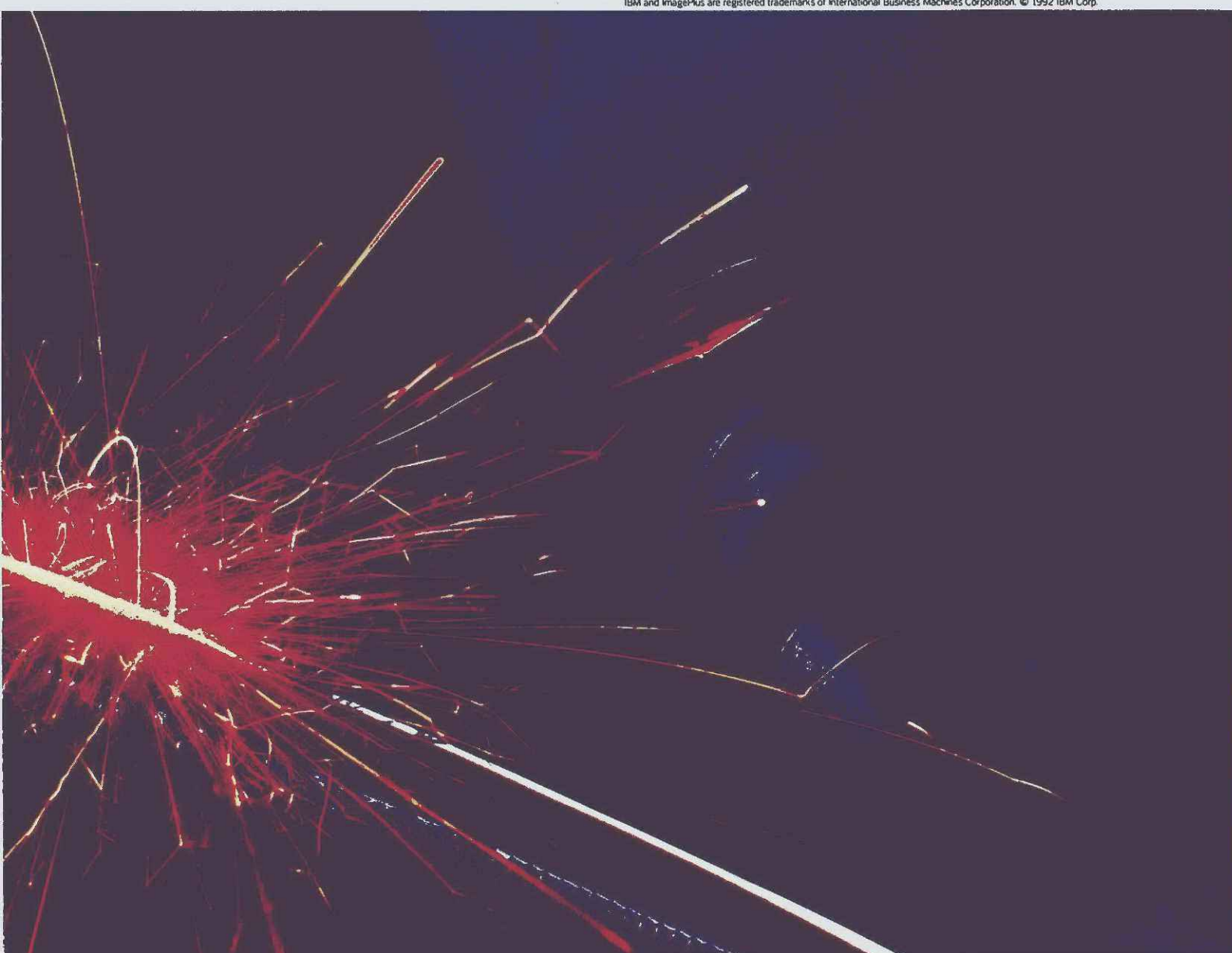
The penalty does not apply to unsecured unauthorized recoverables, since ceding insurers are already denied credit for this reinsurance.

Unlike the authorized reinsurance provisions, the unauthorized penalty will apply only to paid loss and expense recoverables and does not include a slow-payer trigger that would bring unpaid losses, IBNR and unearned premiums into the calculation.

Results of the authorized reinsurance penalty have varied over the last few years: U.S. property/casualty insurers reported a total penalty of \$422 million in 1991, up 10.5% from \$382 million in 1990.

Robert M. Solitro, deputy New
Continued on next page

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Reinsurance penalties

Continued from previous page
 Hampshire insurance commissioner and head of the NAIC working group developing the rules, said he is uncertain what accounts for the increase in the aggregate penalty from 1990 to 1991.

The 1990 total was down 29.7%, however, from an aggregate \$543 million in 1989.

Penalties also vary widely from insurer to insurer: CIGNA Corp. and Crum & Forster Inc. topped the penalty list in 1991—as they did in 1990—while other large insurance groups reported far smaller penalties (see chart).

The relatively small penalties insurers reported—and the fact that the total dropped in 1990—led several regulatory and reinsurance officials to conclude that ceding companies were taking advantage of loopholes in the rules to avoid their full impact.

One of these loopholes is the provision allowing insurers to exclude balances in dispute when calculating whether a reinsurer is a slow payer subject to stiffer penalties and when figuring penalties for non-slow payers.

Regulators originally felt the clock should not be running while there was a legitimate dispute over whether a reinsurance claim was covered.

However, Mr. Solitro observed, "There were indications from many regulators that companies put many items in dispute to avoid the aging (process)."

Property/casualty insurers last

1991 penalties for overdue authorized reinsurance

All amounts in thousands

Insurance group	Penalty	Overdue authorized reinsurance ¹	Total reinsurance provision ^{1,2}	Total reinsurance recoverable ^{1,2}	Capital and surplus	Net premiums written
CIGNA	\$69,417	\$347,086	\$149,134	\$5,833,957	\$1,951,134	\$3,634,274
Crum & Forster	65,024	325,120	798,624	5,210,272	1,527,146	2,422,371
Hartford	52,578	262,890	53,161	6,458,067	3,058,916	5,030,195
Allstate	24,180	120,901	91,830	1,204,282	5,421,743	14,724,302
AIG	17,075	85,374	196,555	13,079,850	6,156,899	9,018,372
Continental	13,370	66,849	13,370	3,356,306	1,816,956	3,532,056
CNA	9,324	46,618	271,706	3,314,592	3,927,521	5,571,500
Nationwide	7,932	39,661	62,440	4,096,266	3,782,921	6,284,388
General Re	7,441	37,206	10,033	1,023,787	3,363,071	2,122,317
Argonaut	7,170	35,852	9,086	243,494	447,786	370,286
Fireman's Fund	4,820	24,102	81,963	2,553,555	1,536,986	2,587,193
Chubb	3,837	19,187	52,333	1,970,822	1,670,179	3,015,129
Home	3,630	18,148	38,229	2,209,155	900,601	1,491,092
Transamerica	2,185	10,926	26,357	1,173,399	823,431	1,745,126
Aetna	2,044	10,220	2,926	3,711,934	3,161,105	5,925,852
St. Paul	1,603	8,013	44,587	1,540,664	1,685,836	3,111,845
Allianz ³	1,233	6,167	3,536	346,447	131,280	149,737
Old Republic	1,213	6,063	9,282	1,484,098	704,325	738,500
Royal	1,134	5,669	20,581	1,107,675	911,479	1,527,814
Reliance	613	3,064	6,376	1,782,272	840,508	1,509,012
Sentry	531	2,653	1,761	223,133	760,299	1,101,851
Travelers	375	1,873	646	4,651,050	3,774,878	4,327,329
Kemper	362	1,510	5,583	5,682,653	2,113,870	3,164,522
Fremont	216	1,078	1,190	286,115	158,512	403,971
Liberty Mutual	194	968	18,460	3,614,421	2,846,692	6,434,427

¹ Includes paid and unpaid losses and loss adjustment expenses, incurred but not reported losses and unearned premiums ² Includes authorized and unauthorized reinsurance ³ Does not include Fireman's Fund
 Source: BNA survey

GRAPHIC BY CHRIS ROY

year excluded about \$790 million in disputed paid loss and expense recoverables from calculations identifying slow-paying reinsurers, according to the NAIC's Mr. Kelley.

Another loophole involves the rule's definition of when a rein-

surance balance is payable and thus when it becomes 90 days past due. The rule has provided that paid loss recoverables are due pursuant to a reinsurance contract's terms or—if no payment terms are specified—30 days after proof of loss is pro-

vided to the reinsurer.

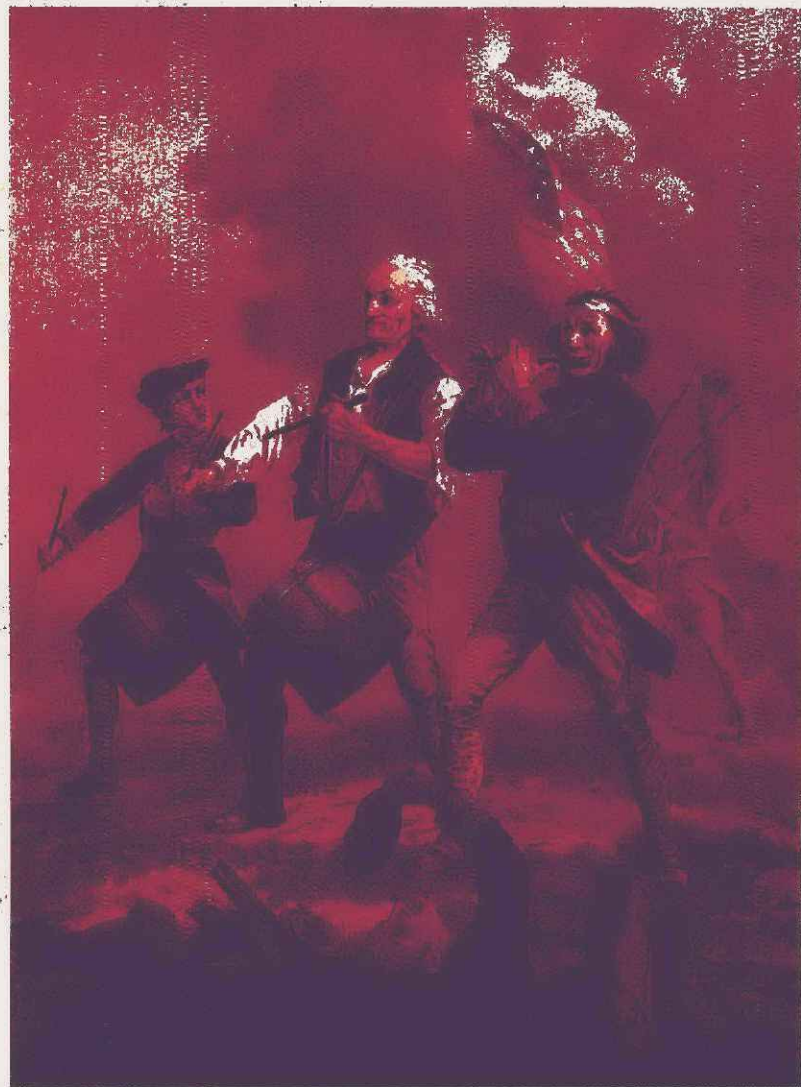
Ceding insurers have been able to delay the start of the 90-day clock by agreeing with reinsurers that proofs of loss are not complete, regulators and reinsurers say.

Edmond F. Rondepierre, senior

vp and general counsel with General Re Corp. in Stamford, Conn., said he warned regulators that once insurers learn these loopholes, "you're never going to see anybody taking a penalty."

To address these problems, the
Continued on page 22

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Reinsurance penalties

Continued from page 20
 NAIC's blanks committee earlier this month approved changes in Schedule F that are expected to become effective for 1993 financial statements.

In one change, ceding insurers will no longer be able to exclude amounts in dispute from the aging schedules for authorized and unauthorized reinsurance balances. While no one expects this to eliminate reinsurance disputes, it should reduce the amounts reported to be in dispute by many ceding insurers.

"There will probably be fewer disputes because there will be no advantage to showing amounts in dispute," predicted James M. Shamberger, senior vp with the Reinsurance Assn. of America in Washington.

The NAIC also has redefined when the 90-day clock starts running. Under the new rules, the aging period begins:

- On the date specified in a reinsurance agreement for payment of reinsurance claims.
- If no date is specified, on the date the agreement calls for claims to be presented to the reinsurer for payment.
- If neither date is specified, on the date the ceding insurer enters in its books a paid loss recoverable exceeding \$50,000 from a given reinsurer.

This change caused some controversy, with some reinsurer representatives arguing that the NAIC is effectively imposing contract terms on reinsurers, who will now be under more pressure to specify payment dates in their agreements.

The new rule may represent an "unintentional drift" toward form regulation of reinsurance contracts, said William Marcoux, a partner with the law firm of LeBoeuf, Lamb, Leiby & MacRae in Washington, which represents Lloyd's of London and other non-U.S. reinsurers.

Still, this may not be all bad, he added. "The 90-day rule will demand greater precision in the drafting of reinsurance contracts," Mr. Marcoux said.

"I think companies and brokers will probably modify contracts so they really have due dates," Mr. Shamberger agreed.

This could create problems for some slow-paying reinsurers. "It's a downer to go to a client and say, 'Hey, I need 180 days,'" Mr. Rondepierre observed.

In fact, non-U.S. reinsurers—which typically work through a series of brokers and often take longer to pay—had argued that the NAIC should extend the trigger point for penalties to 120 days from 90 days. The NAIC rejected this idea, but revised the aging schedule's categories to record amounts 90 to 120 days and more than 120 days overdue rather than 90 to 180 days and over 180 days. This change will allow regulators to see how much overdue reinsurance, particularly from alien companies, is paid within 120 days.

With these changes, regulators and reinsurers believe the rules are now set and will give them an accurate picture of ceding companies' reinsurance recovery problems. "We think the loopholes are closed," Mr. Rondepierre said.

Though some regulators had proposed gradually increasing the size of the penalty beyond 20%, the NAIC has no further changes in the works, Mr. Solitro said. ■

Financial reinsurance more widely accepted

By JUDY GREENWALD

The crying need for catastrophe reinsurance—spurred in part by Hurricane Andrew—is fueling new business for the financial reinsurance market.

As the demand for financial reinsurance rises, more traditional reinsurers are using their capacity to write financial products. Several financial reinsurers note that the added competition is driving down profit margins, though not to an irresponsible level.

Although some of these traditional reinsurers are likely to disappear from the financial reinsurance arena once the overall market hardens, some will con-

Financial products are filling a need for catastrophe reinsurance capacity

tinue to write financial products (see story, page 27).

At the same time, financial reinsurance itself is moving closer to the traditional market. Spurred by regulatory and accounting pressures, the contracts incorporate increasing amounts of underwriting risk.

These developments are evidence that financial reinsurance techniques are becoming more widely used and acceptable in mainstream reinsurance underwriting.

While definitions of financial

reinsurance vary, it is essentially any transaction in which anticipated investment income is an acknowledged component of underwriting and the reinsurer's ultimate liability is capped.

Other factors common to these contracts are they are generally non-cancelable by the reinsurer but subject to commutation by the policyholder.

The policies can be prospective, focusing on future losses, or retrospective, removing past liabilities from a cedant's balance sheet.

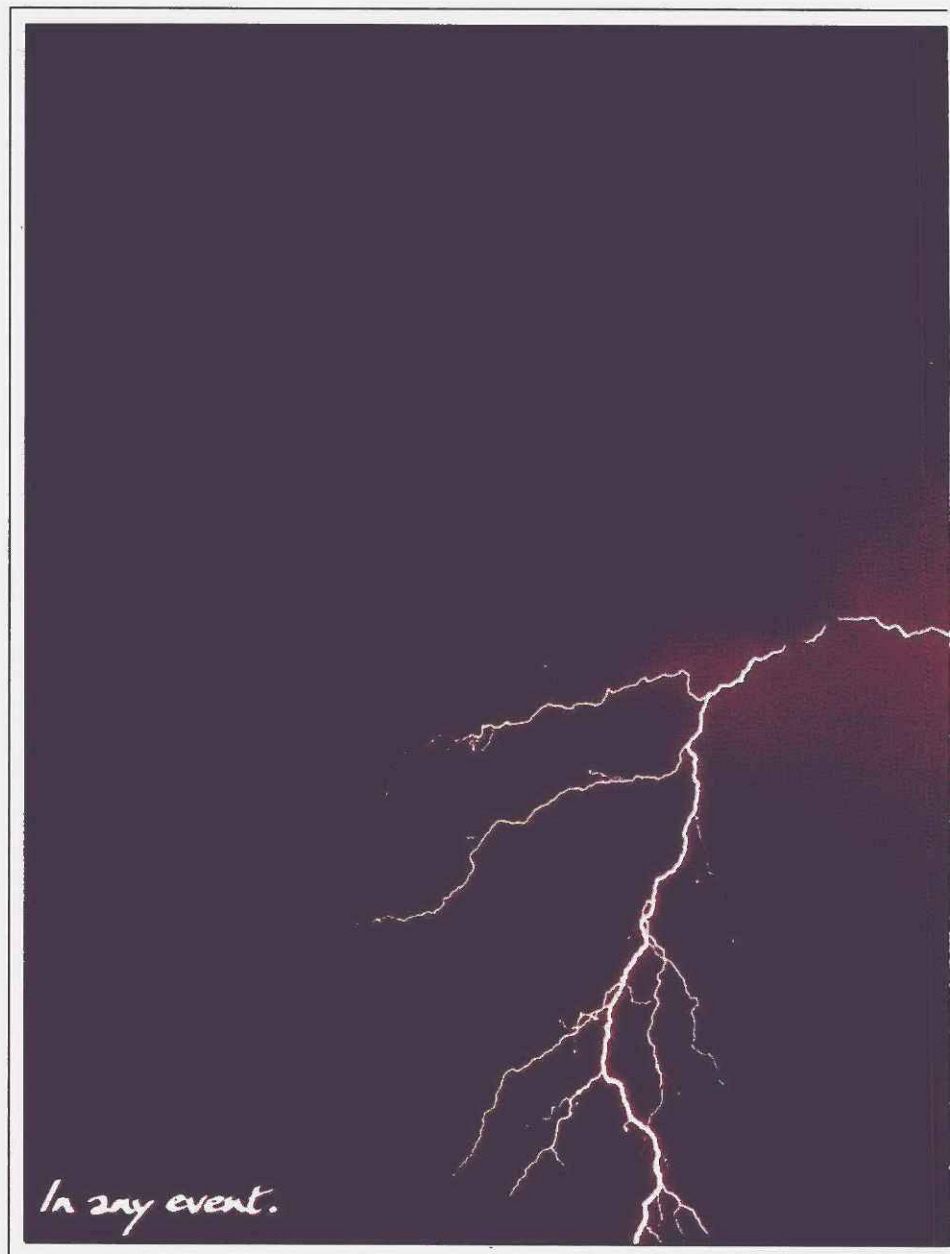
Growth in the financial reinsurance market in general has been healthy, if not spectacular.

"I'm certainly seeing growth in terms of the number of people who are willing to write this product," said Ajit Jain, president of the reinsurance division of Berkshire Hathaway Inc., a major financial reinsurer.

"This product really comes into play when there's a problem in the traditional market," observed John Berger, executive vp of F&G Re Inc. in Morristown, N.J., a USF&G Corp. unit that writes some financial reinsurance.

Currently, the supply of catastrophe reinsurance capacity is

Continued on next page



In any event.

Continued from previous page
down and Hurricane Andrew "has got everybody concerned," he said. Much of the demand for cat cover has been funneled to financial reinsurance, which can more efficiently manage catastrophic losses, said Mr. Berger.

Financial reinsurers are helping to fill the capacity shortage in the catastrophe market primarily with funded covers. In these transactions, the ceding insurance company pays a premium and is guaranteed certain future payments to fund future losses.

If losses are smaller than expected, the ceding insurer receives a profit commission. However, if catastrophe losses occur more quickly than the premium earns investment income, the ceding insurer is left short on its reinsurance recoveries.

Financial reinsurance "is being looked at as a viable way to compensate for the loss of the normal property and catastrophe market," said Kirk Roeser of reinsurance intermediary Gill & Roeser Inc. in New York.

"These transactions are becoming more and more common as the market for catastrophe reinsurance and catastrophe retrocession covers has been restricted," said Franklin W. Nutter, president of the Washington-based Reinsurance Assn. of America.

"I think catastrophe coverage probably comes into most of the situations I've seen" in the financial reinsurance area, said Michael Rothpletz, executive vp for intermediary G.L. Hodson & Son Inc. in New York.

Financial reinsurance plays only a small part in some catas-

trophe reinsurance programs. In others, "it's 100% of the situation," he said. "There's certainly more funded catastrophe covers being done."

Demand has particularly picked up following Hurricane Andrew.

If insurers don't know about financial reinsurance, "they're trying to learn it real fast," said Peter Gakos, vp in charge of financial reinsurance for CIGNA Reinsurance Co. in Philadelphia, which will write about \$75 million in financial reinsurance premiums this year.

"The demand has been phenomenal this year. I think every insurer is going to have a piece of financial reinsurance" in its overall reinsurance program, said Mr. Gakos.

Even before Andrew, the demand on financial reinsurers for

catastrophe protection had been strong, observed Joseph H. Umansky, president of AIG Reinsurance Advisors Inc., which arranges financial reinsurance programs reinsured by AIG companies.

"Andrew just gave it a very, very strong push," said Mr. Umansky, who noted most of the financial reinsurance business AIG is now writing is multiyear property catastrophe products.

Clearly, managing catastrophe exposures is one of insurers' key needs, and finite risk reinsurance meets that need, said Steven M. Gluckstern, president and chief executive officer of Centre Reinsurance Holdings Ltd. A lot of people would like to see it as at least a component of any product they buy, he added.

Finite risk reinsurance is the name Centre Re coined for finan-

cial reinsurance contracts with a measure of underwriting risk.

"Growing, growing, growing, growing," said Jens Juul, president and CEO of Scandinavian Reinsurance Co. Ltd., a Bermuda financial reinsurer, describing the demand for catastrophe capacity.

"I don't think it's driving the (financial) reinsurance market. I think it's just one of many products the finite risk market can give to the traditional reinsurance marketplace," said Mr. Juul.

While financial reinsurance products traditionally have responded to the casualty side of the business, "I would think at the moment, the concentration in that area has been diverted somewhat to the property side of the market," commented Roger J.B. Beach, president of Bermuda financial reinsurer Accord Re Ltd.

"If it's not a driving force, it's certainly a main part of what the product is responding to," he said.

Many times, a financial reinsurer will take on a catastrophe cover with a little bit of underwriting risk in addition to the funded piece within a deal, said Robert N. Tremelling III, president of Tretis Group Inc., a reinsurance intermediary based in

Much of the demand for cat cover has been funneled to financial reinsurance, says Mr. Berger.

San Francisco.

While this underwriting risk on catastrophe coverage is incorporated to satisfy the accountants, "you don't really expect it to be hit," he noted.

But this strategy backfired for some financial reinsurers when Hurricane Andrew hit, he said. "These guys are actually losing some money on some of these deals."

At CIGNA Re, for instance, some financial catastrophe covers it wrote will be hit. But that must be considered in light of the fact that it was a \$12 billion loss, estimated Mr. Gakos. In fact, "It's not as bad as we thought it would be."

Helping CIGNA Re's situation, he said, is that it wrote financial reinsurance layers on top of traditional catastrophe reinsurance. Insurers regard the financial reinsurance "as the sleep easy-type covers," said Mr. Gakos.

Some observers say there may not be enough catastrophe capacity in the financial reinsurance market to meet demand.

Mark Mosca, vp and manager of the treaty department at NAC Re Corp., which writes some financial reinsurance, said there is no question of increased demand for alternative ways of protecting insurers' property aggregates.

"There'll be plenty of interest and demand," he said. The question is, how much supply will there be? "The situation isn't as clear as it would be" had Hurricane Andrew not happened, he said.

CIGNA Re's Mr. Gakos agreed that there probably is not enough financial reinsurance capacity to meet the demand in the catastrophe area.

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Financial reinsurers

Continued from previous page

"Smart people know that," he said, explaining they are looking to buy their financial catastrophe coverage first, then fill in their traditional reinsurance programs.

At the same time, some observers believe that at least partly because of the greater interest by traditional reinsurers in writing financial products, profit margins on the business are lower.

"There's no question of the number of people willing to price the product a lot cheaper than people have been in the past," said Berkshire's Mr. Jain. "Margins are under a lot of pressure, and it's not as profitable as it used to be."

"The margins have eroded," agreed James R. Fisher, senior

vp and controller at American Re-Insurance Co. "There's a lot of people out there, a lot of new entrants."

The margins are a "little bit thinner" than they were a year ago, agreed Mr. Roeser. "(Financial reinsurance) is a little cheaper than it used to be, but it's not cutthroat and it's not priced to lose money—and some traditional reinsurance is."

When demand is high, more people enter a market, ultimately driving prices down. However, said F&G Re's Mr. Berger, "I don't see anything blatant being done. It's only natural more and more people are going to get involved because that's the demand."

"It's still a good business to be in," said Mr. Roeser of Gill & Roeser. "I think it's an intelligently priced business."

The best deal varies from one reinsurer to another, said Robert J. Osborne Jr., executive vp of New York-based Arthur J. Gallagher Intermediaries Inc. "You cannot target one company and say, 'They're the cheapest on the program. They don't know what they're doing,'" he said.

While some profit margins can be only 4% to 5%, other deals get up to 12% to 15%, observed Mr. Tremelling of Tretis. "They really go all over the lot."

'Margins are under a lot of pressure, and it's not as profitable as it used to be,' says Ajit Jain.

Despite the interest from traditional reinsurers, observers do not expect a significant increase in the number of new financial reinsurers in the business.

"Right now, the field is crowded enough," said Berkshire's Mr. Jain. He added that the economics of the market may not justify additional entries unless demand takes off, which he does not anticipate.

"I suppose the market is always evolving," said L. John Goldberg, senior vp and director of Johnson & Higgins (Bermuda) Ltd., which has just created a financial reinsurance division. If there are people who want to capitalize a new company, or other companies that want to get in, "then I'm sure that will happen," he said. However, "Right now, I don't see it happening."

The trend toward incorporating greater amounts of underwriting risk in financial products continues, say observers.

In fact, the term "finite risk," which indicates there is some underwriting risk in a contract, is probably now more appropriate for the business than financial reinsurance, said Mr. Roeser.

"I don't think there are many companies out there who are describing themselves as selling financial reinsurance any more," he said. "It's just an evolution of the spectrum."

At the same time, financial reinsurance techniques are becoming more accepted, Mr. Roeser observed. Financial reinsurance became finite risk reinsurance, "and now they're going mainstream," he said.

As clients increasingly recognize the value of financial reinsurance, "I'm pretty sure some finite risk insurance guys will

Continued on page 26



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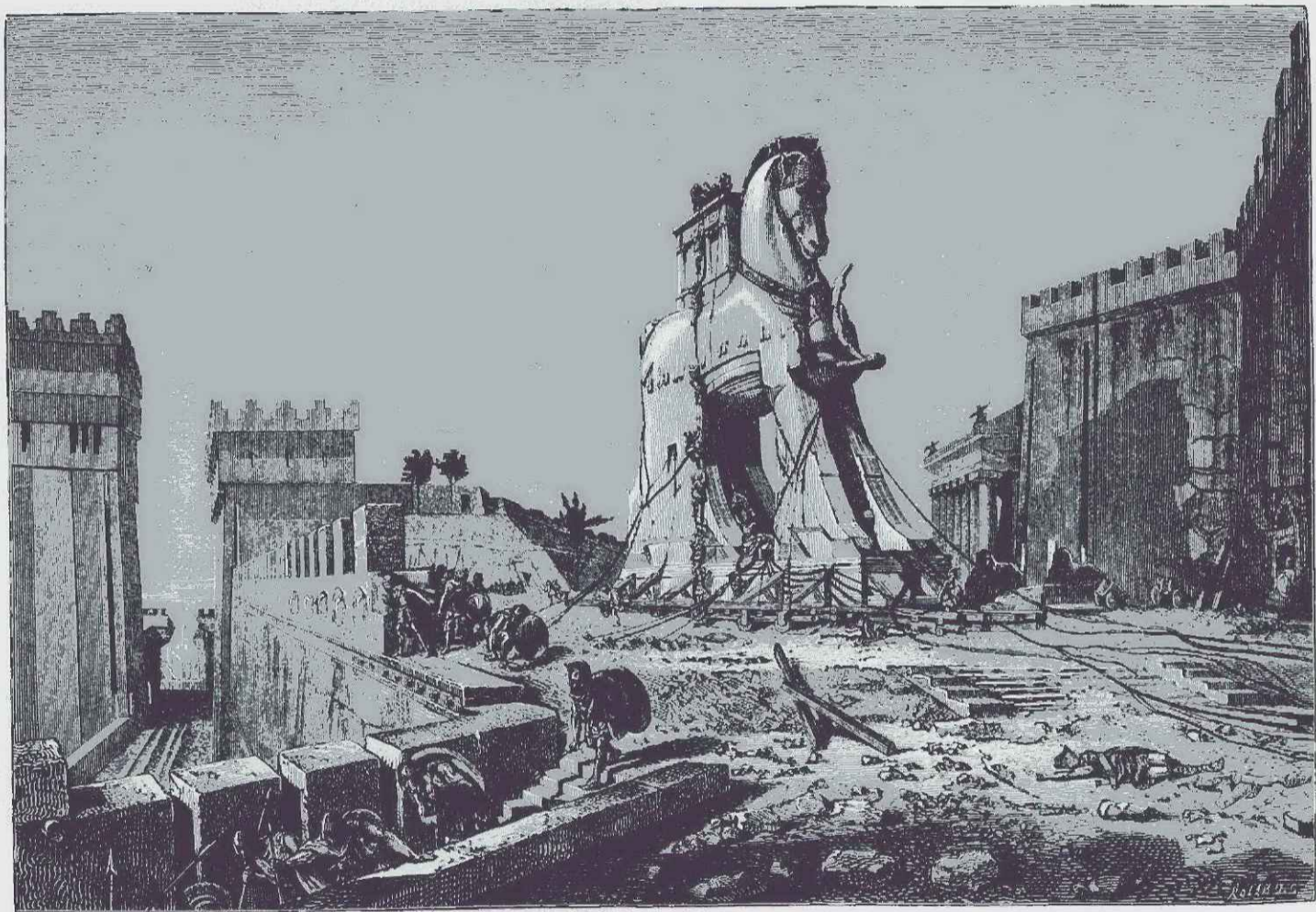
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Financial reinsurers

Continued from page 24
find themselves selling mainstream product" that becomes the centerpiece of a reinsurance program, said Mr. Roeser. "The real action is going to be where the finite risk guys are" because it meets the long-term needs of the corporation.

"It's evolved quite significantly, and I don't think that evolution has stopped yet," said AIG's Mr. Umansky. "If anything, it may be increasing," he added.

"I think the distinction between traditional and financial or finite risk reinsurance has become so blurred that now virtually everyone does everything," said Centre Re's Mr. Gluckstern.

"I think more conventional reinsurers will adopt similar types of programs going forward in the future," said Norman C. Amondsen, managing director of Bermuda-based Triangle Brokerage Ltd.

"It's no longer going to be a specialist type of thing," said Mr. Amondsen.

A lot of business pressures will tend to accelerate the blending of financial reinsurance and traditional reinsurance products, said William J. Branum, senior vp of

In the future, 'The real action is going to be where the finite risk guys are,' says Mr. Roeser.

financial reinsurer Inter-Ocean Reinsurance Co. Ltd. in Bermuda.

At the same time, Mr. Branum added, once ceding companies begin to understand the benefits of financial reinsurance, "they're more likely to be receptive to keeping the cover in place and less likely to bolt to the traditional market."

Most observers say they believe Bermuda will continue to be a center for financial reinsurance business.

"Bermuda will always be seen as an area of specialization," said Mr. Roeser.

Some buyers, however, prefer to do their business domestically. "Different buyers want different things," he said. Despite the Bermuda tax advantage, some companies want to use admitted paper because it then becomes easier to deal with American regulators.

"I think that the question of domicile is a complex one, and I think different companies will look at different things to decide that. I don't think there's any common denominator," said Scandinavian Re's Mr. Juul.

Clearly, many financial reinsurance deals are being done onshore as companies seek very secure reinsurance, said Tretis' Mr. Tremelling. Especially in those deals where a significant amount of money changes hands, companies "want to know where it is."

"There's more of a comfort level" for domestic paper, said Gallagher's Mr. Osborne.

"At the end of the day, who has the best product" is the determining factor as to whether a deal will wind up in the United States or Bermuda, said F&G Re's Mr. Berger. ■

Caught between the CPAs and the regulators?

Risk transfer in financial reinsurance expected to satisfy both

Financial reinsurers, particularly those writing U.S. business, ordinarily incorporate varying degrees of risk in their deals in order to satisfy both existing statutory standards and anticipated generally accepted accounting principles standards.

Those standards will differ somewhat.

To address the issue of risk transfer in reinsurance transactions, the Financial Accounting Standards Board, which deals with GAAP accounting, expects to issue a regulation by year end, retroactively effective Sept. 15, that will require gross reporting of reinsurance recoverables and liabilities.

Under current accounting methods, an insurer reduces its liabilities by amounts recoverable from reinsurers and reports

only its net liability for losses.

With gross reporting, however, the insurer will report its full liability for losses and loss adjustment expenses and will report its reinsurance recoverables as assets. A comparison of gross receivables and the gross liability will indicate the amount of risk transfer inherent in the reinsurance contract.

Alice Schroeder, FASB project manager, said the regulation will not affect income statements until the fourth quarter of 1993, although statements beginning with 1993's first quarter will have to be restated.

In the regulatory arena, gross reporting is not required. Last year, the National Assn. of Insurance Commissioners amended its practices and procedure manual to require

reinsurance contracts to incorporate both underwriting and timing risk.

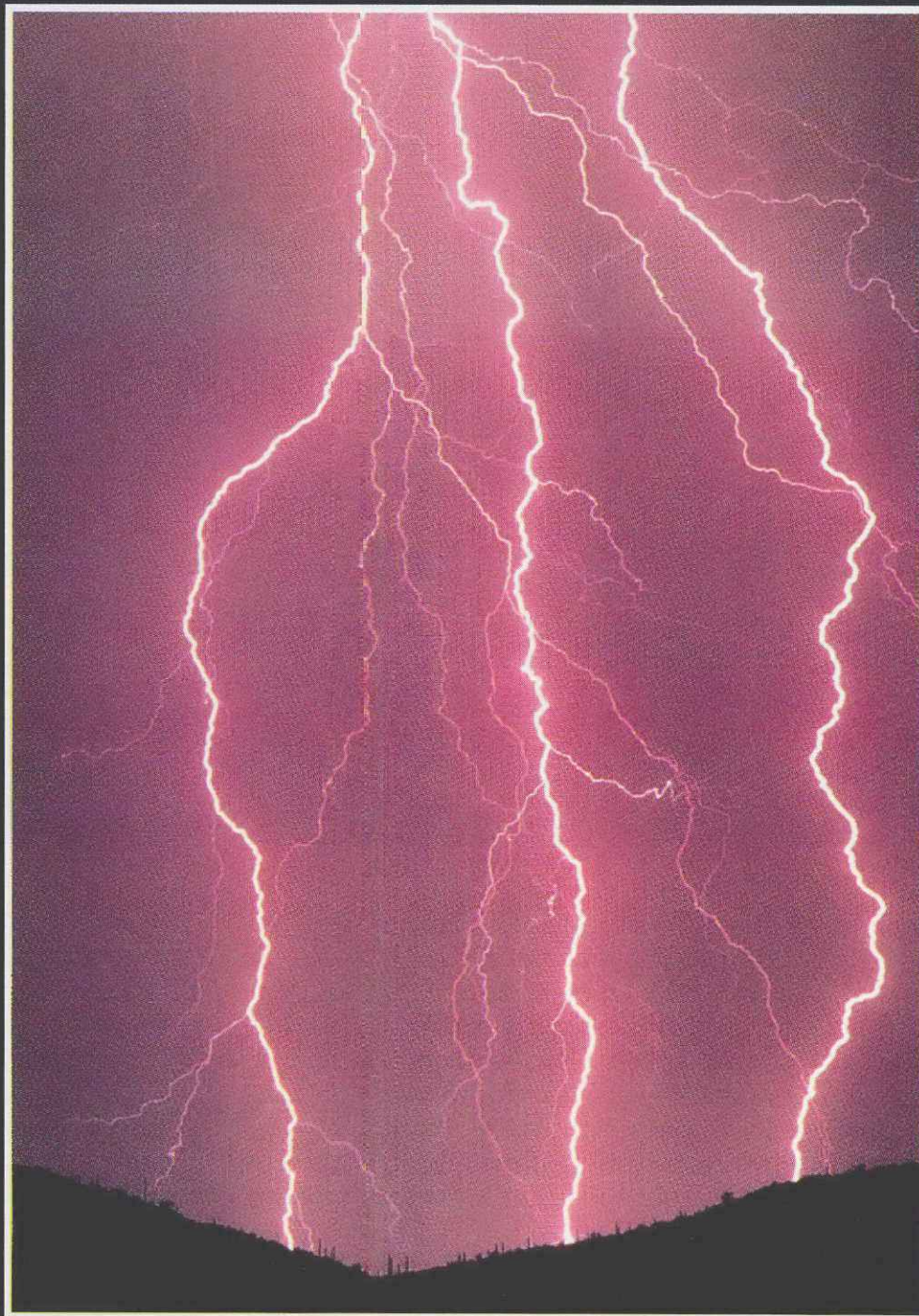
Timing risk is the risk that a reinsurance payment will be due under a contract before the premium has earned enough investment income.

The NAIC amendment is based on a draft by the American Institute of Certified Public Accountants (BI, Nov. 4, 1991).

Dave Koegel, vp at reinsurance intermediary Gill & Roeser Inc. in New York, said he does not believe the use of different approaches by regulators and accountants will be a problem for either financial reinsurers or their ceding companies. "I don't think they're that far apart to really cause a great amount of concern."

—By Judy Greenwald

DON'T CONFUSE ACTIVITY



'Learning the ropes' about finite risk coverage

Traditional market taps demand for financial reinsurance products

More traditional reinsurers are getting involved in the financial reinsurance market, once the domain of specialists.

Some traditional reinsurers have been writing financial reinsurance for a number of years, and they will continue to offer these products.

But the need to make better use of capacity in a soft market has clearly also generated new interest in the business.

Among the traditional reinsurers that now write financial reinsurance to varying degrees

are: American International Group Inc.; American Re-Insurance Co.; CIGNA Reinsurance Co.; General Reinsurance Corp.; NAC Reinsurance Co.; and North American Reinsurance Corp.

Other traditional reinsurers in the financial reinsurance market include: Berkshire Hathaway Inc.; Prudential Reinsurance Co.; Reliance Group Holdings Inc.; Skandia America Corp.; USF&G Corp. and Underwriters Reinsurance Corp.

Some traditional reinsurers also own sizable stakes in finan-

cial reinsurers. For example, Continental Corp. owns 49% of Accord Re Ltd. in Bermuda, and SCOR S.A. is the majority shareholder in Commercial Risk Partners Ltd. in Bermuda.

Bankers Trust New York Corp. also is in the market, according to Tom Bolt, vp of its BT Risk Intermediaries unit in New York. Three Bankers Trust units write financial reinsurance: BT Re Ltd., which began writing in the Channel Islands this year and deals primarily with foreign insurers; and Delaware-domiciled BT Insurance Corp., which writes in the property/casualty area; and BT Life Insurance Corp.

"More and more of the tradi-

tional reinsurers are attempting to learn about, and provide, this coverage," said Kirk Roeser of reinsurance intermediary Gill & Roeser Inc. in New York.

However, Mr. Roeser added, "A lot of them are pretty new to this and don't know all the ropes."

That inexperience can cause problems when the terms and conditions do not transfer enough risk for the deal to be considered reinsurance.

However, "it's just a short matter of time before they get their act together," said Mr. Roeser.

"Some of the traditional reinsurers have always been interested and active in this area;

it's just been something they haven't talked about," said Jens Juul, president and chief executive officer of Scandinavian Reinsurance Co. Ltd., a Bermuda-based financial reinsurer.

Now, some of them are talking and doing more.

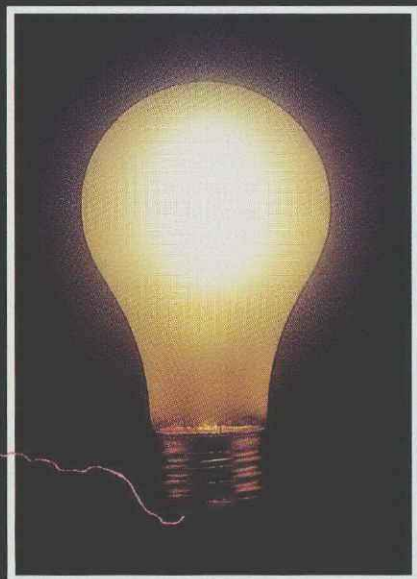
"Quite a number of traditional writers are now looking into the finite risk area," said Mr. Juul. The two hurdles to getting into the business, he said, are capital and appropriate expertise.

Franklin W. Nutter, president of the Washington-based Reinsurance Assn. of America, said traditional reinsurers are generally characterized as overcapitalized, "so they're trying to be creative with that capital and looking at new markets."

Some reinsurers have established separate units to write financial reinsurance. One example is North American Re, which formed a financial reinsurance underwriting management unit, Atrium Corp. of New York.

Others, though, "just consider financial reinsurance to be part of their main product line," said Mr. Nutter, adding he suspects a lot of companies do some financial reinsurance business, but do not separately identify it. "It's

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'We really think this product... makes a lot of sense for people to buy,' says Mr. Gakos.

hard to know what the scope of it is."

Many of the traditional reinsurers that are now writing financial reinsurance will stay in even when the market hardens, say observers.

"I think they're in it for the long haul," said Mr. Roeser.

Robert J. Osborne Jr., executive vp of New York-based Arthur J. Gallagher Intermediaries, agreed.

"I think they're in it to stay. It's not something that should necessarily fluctuate" with market conditions, Mr. Osborne said.

"I think they recognize it as something whose time has come," said Hodson's Mr. Rothpletz.

CIGNA Reinsurance Co. is committed to the business, said Peter Gakos, vp in charge of financial reinsurance for the Philadelphia-based reinsurer.

"Reinsurance buyers are more financially sophisticated than in the past," Mr. Gakos said. "We really think this product is going to be around, and makes a lot of sense for people to buy."

Jonathan Roberts, senior vp of AIG Reinsurance Advisors Inc., said, "When the market hardens in general, the margins are going to be even fatter, and you can make even bigger profits. We see no reason to pass up those opportunities."

When the market hardens, some of the traditional reinsurers will stay and continue to write the business from separate divisions, said Mr. Juul.

"Other people will strictly be opportunists" and leave once hardening occurs, according to Mr. Juul.

—By Judy Greenwald

Putting world reinsurance markets on-line

Task force reports progress on network development

By ALINE SULLIVAN

LONDON—Plans for a system to link reinsurers, brokers and ceding companies by computer are ahead of schedule.

In fact, some parts of the system will be tested early next year, and some components should be available in 1994, according to the task force working on the project.

The task force was set up earlier this year to explore electronic data interchange standards for the reinsurance market (BI, Feb. 24).

The goal is a computer system that will allow subscribers to save substantial amounts of money by allowing them to access within seconds information concerning contracts and claims settlements.

The task force, called the Joint Market Initiative, is the brainchild of four reinsurance indus-

try organizations: the Reinsurance & Insurance Network in Brussels, Belgium; the London Insurance Market Network; and the Brokers & Reinsurance Market Assn. and the Reinsurance Assn. of America in the United States.

Each group has been working on its own electronic claims settlement systems.

Members say the decision to join forces was timely: If it had come later, the organizations' own systems would have been fully up and running, making efforts to ensure compatibility more difficult.

The system is not designed to replace face-to-face contact between brokers and underwriters but will instead support the process by speeding up routine work.

"So far it has worked astonishingly well," said Jean Y. Lacave, general manager of RINET.

"We have made more progress than we would ever have though possible."

"There is increasing recognition that we are dealing in a global market," said Jerome Karter, executive vp of SCOR U.S. Corp. in New York and a director of the RAA. "People realize that they can operate more efficiently using electronic data interchange techniques. They will be able to exchange data across borders and markets with a new ease."

Reinsurance has so far lagged behind other sectors of the insurance market in the application of electronic information, said Robert Gilligan, executive vp and chief operating officer of BRMA.

"Reinsurers and brokers are constantly processing more information and more paper, he said. "The effort of handling all that forces people to look to modern communications."

Transport) Standards Committee and the American National Standards Institute.

The Joint Market Initiative's projects for this year include the development of systems for claims and for technical and financial accounting, said LIMNET Director Michael Burton. Testing will take place in the first quarter of next year and some components of the system should be available by 1994.

Next year's work schedule and budget for the Joint Market Initiative are expected to be approved by the association members in November, said Mr. Burton. Costs are being shared equally among LIMNET, RINET, BRMA and the RAA.

"No partner has yet decided when they will implement, but I expect it to be simultaneous," said RINET's Mr. Lacave.

The London market may be at some advantage, however. The market has had access to an electronic placement system since last March and, according to Mr. Burton, there is already more electronic data interchange traffic on LIMNET than any other commercial lines network in the world. More than 90% of Lloyd's brokers and syndicates are connected to LIMNET.

LIMNET functions as an electronic post office, allowing brokers to communicate by computer with underwriters in three organizations: Lloyd's, the Institute of London Underwriters and the London Insurance & Reinsurance Market Assn. The Lloyd's Insurance Brokers Committee also participates in LIMNET.

Second in size to LIMNET, RINET represents about 100 reinsurance, insurance and brokerage companies headquartered in 18 countries. RINET has been commissioned by the Joint Market Initiative to do the actual formatting of the system.

Currently, systems allow a broker to link up with an individual reinsurer, "but there has so far been no system that can be shared."

Systems that permit computer-to-computer information exchange are already widely used in banking and industry.

A clerk at a U.S. retailer who sells a pair of jeans can initiate a chain of electronic information encompassing the store's sales department, the product distributor and the manufacturer.

In the reinsurance industry, a standardized system would let reinsurers and brokers communicate electronically with their counterparts worldwide and speed up settlements. The Joint Market Initiative will initially focus on accounting and claims information, concentrating on treaty business, which requires a great deal of paperwork.

According to the Joint Market Initiative participants, the system will also lessen the need for a centralized marketplace.

"The U.S. market is very different from London," said Mr. Gilligan. "We don't have as much work done on a centralized basis. This (system) will enable us to do things in a common format, which will remove the need for a centralized basis."

Common standards will also help primary insurance companies, said Mr. Karter.

"Primary transactions in the United States are still being done in a pretty archaic way," said Mr. Karter. "This will make the whole distribution channel more effective and make claims move more quickly. All the ceding companies, brokers and retrocessionaires will benefit."

With the system, companies will be able to do "in nanoseconds" some tasks that now take days, said Mr. Gilligan. Real savings to individual companies will depend on the degree of participation.

Market estimates have ranged from a 10% to 30% savings on placement costs. However, SCOR's Mr. Karter said no one has yet tried to quantify the actual savings to companies and brokers.

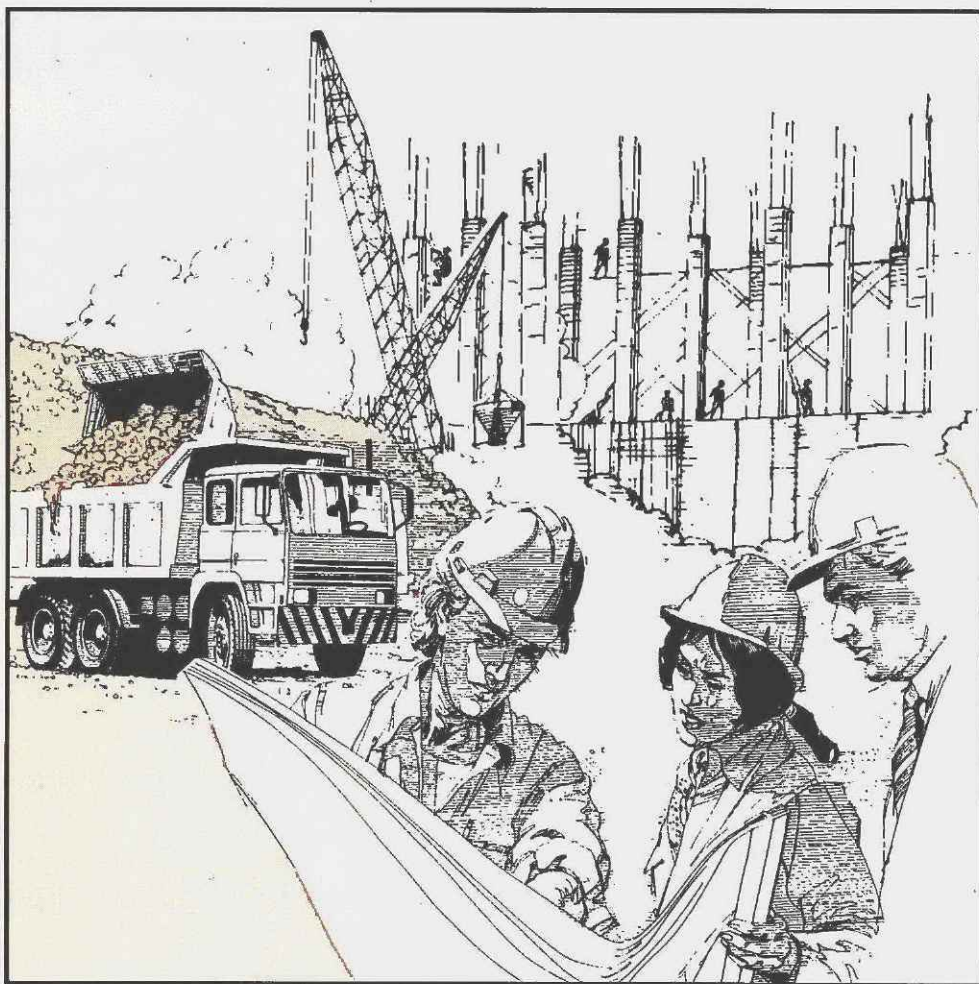
"A reinsurer will be able to get this system for between \$30,000 and \$40,000 so he knows he will save money," said Mr. Karter. "A qualified claims clerk costs about \$50,000."

Electronic placing is not expected to result in substantial job losses in the insurance industry. Instead, the system will "enable companies to achieve growth without increasing staff," said Mr. Karter.

Nor is the system expected to cause security problems. LIMNET has commissioned Price Waterhouse to study the Joint Market Initiative's global implications, including security. Members will receive copies of the final report later this year.

"I don't anticipate any problems with security because decoding measures should be satisfactory," said Mr. Karter. "But that is not the role of the joint venture. Once the system is created, users will work out what codes they want to use."

The venture intends to release into the public domain jointly developed standards via the United Nations EDIFACT (Electronic Data Interchange for Administration, Commerce and



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1992/93 Managed Care Market Report Directory: HMOs & PPOs

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Intermediaries

Continued from page 3

more secure than a \$100 million company," Mr. Roeser said. "You have to look at what they're writing."

However, "It's difficult to place business with smaller reinsurers," those with \$20 million to \$40 million in surplus, pointed out Philip W. Mitchell, managing director and CEO of Towers Perrin Reinsurance in Philadelphia. Ceding companies will accept smaller reinsurers for property business more readily than for casualty, where they look for reinsurers with \$100 million or more in surplus, he added.

"There is plenty of security within broker markets," Hodson's Mr. Crane said. "What we need is more from the markets: the innovation, creativity and flexibility to compete more effectively with directs."

Direct writers took a harder hit than brokers from hurricanes Andrew and Iniki, Mr. King said. "They paid a big share of that loss. They aggressively wrote facultative property at very low prices," he said, explaining that some direct writers wrote underpriced catastrophe coverage in 1991 "to leverage other parts of a ceding company's account."

In addition to security, ceding companies now are looking for fewer reinsurers on a treaty.

"Treaties for all but the largest capacity protections are being offered to fewer reinsurers," agreed Roger Espe, president and CEO of Sullivan Payne Co. in Seattle. "It allows for the development of closer relationships between the buyers, their intermediaries and the reinsurers."

Price is no longer the bottom line in purchasing reinsurance, intermediaries say.

Cedants "want to know reinsurers will be consistent in their underwriting philosophy, pricing and claims handling," Mr. Mitchell said.

"Price is the bottom line only in facultative," Mr. King said. "In treaties, (insurers) are looking for long-term relationships and capacity."

Of course, relationships do not last forever, since insurers and reinsurers sometimes do fail or choose to stop writing business. A challenge that brokers commonly face is servicing treaties written by companies in runoff. With no current income to cover the costs of these services, runoff duties cut into profits.

"Fundamentally, the brokerage industry needs to change the way it recognizes income," Mr. Espe said. "Until the Internal Revenue Service allows brokers to take revenues into income in a way that reflects the long-term nature of their servicing obligations, brokers will be faced with the problem."

"It may be that brokers will have to come to an agreement on runoff fees with their markets and clients at the time of contract placement," he added.

Mr. Roeser noted, however, that brokers can earmark funds for future runoff costs.

"You hear it said that brokers cannot set up incurred-but-not-reported (reserves) for runoff obligations," Mr. Roeser said. "That's not quite true. They can set up an IBNR, but it's not tax deductible. We believe it is the conservative approach to set up such IBNR even if it is with post-tax dollars."

In addition, brokers must "be careful not to take on accounts that may have substantial carry-over service obligations," he said.

Sophisticated computer systems also can help intermediaries handle accounts in runoff most efficiently, Hodson's Mr. Crane said. However,

runoff duties "still have a major effect on profit margins."

Aon Reinsurance Agency pays a fee to an affiliated company to provide runoff services. "Our service staff is able to devote their energies to our existing clients," Mr. Lunsford said. "Our former clients are served by a staff that is dedicated to and measured by their performance in handling runoff duties."

"This whole runoff issue, which is not going to go away, reinforces the position of larger highly capitalized brokers," Mr. Lunsford said. "Buyers should be examining the financial staying power of their brokers, and not just their reinsurers."

Despite continued consolidation within the reinsurance industry, most intermediaries do not foresee reinsurance brokerage becoming a bargaining chip in mergers and acquisitions, as it was in the sale of Frank B. Hall & Co. Inc. to Aon

Corp. (BI, July 27).

As part of that deal, Aon Reinsurance Agency will receive commissions of at least \$18 million annually for 15 years from Reliance Group Holdings Inc., Hall's parent.

Hall's reinsurance brokerage unit, Madison Intermediaries Inc., received about \$9 million in commissions on Reliance business. The remainder went to other intermediaries.

Buying Hall was "a big business risk" for Aon, explained Michael Smith, senior vp of Lehman Bros. in New York. "Aon was concerned about more defection of clients from Hall. They wanted some protection against unknowns—a minimum amount of revenue."

However, intermediaries, including Aon, do not think the Aon-Reliance agreement will set a trend.

"We think that our parent's pending acquisition of Frank B. Hall is a

unique situation, due to the size and complexities of the parties involved," Mr. Lunsford said. "It is unlikely that you would find another comparable situation where reinsurance brokerage could play such a significant part."

At least one executive thinks it sets a dangerous precedent.

"I do not believe in buying business," Mr. Crane said.

The agreement between Reliance and Aon raises the question of how much intermediaries rely on their retail brokerage affiliates, if they have any, to generate business.

"Corporate relationships cannot be ignored," Mr. Lunsford said. "However, we do not trade on our retail affiliate's relationship with a potential or current client. Our ultimate success will depend on our skills and resources as a provider of reinsurance services."

Others see affiliation with a large

international broker purely as an advantage.

"We are seeing an increased awareness on the part of buyers that a truly integrated, global intermediary organization is best suited to handling their needs," said Mr. Espe of Sullivan Payne, which is owned by Sedgwick Group P.L.C. "We want to make sure we capitalize on the strengths of the group."

Sullivan Payne even is considering a name change to reflect its parent, Mr. Espe said.

Towers Perrin Reinsurance does not have a retail brokerage affiliation, but it is linked with Tillinghast, Towers Perrin Co.'s risk management and actuarial consultant. Through Tillinghast, the reinsurance broker has access to experts who "no intermediary could afford to have on staff on a full-time basis," Mr. Mitchell said.

Continued on next page

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Continued from previous page

Tillinghast's actuarial expertise is particularly helpful in reviewing insurer security, Mr. Mitchell said.

"We are able to present a reinsurance program and say, 'This is how Best's might view it.'"

Access to experts like actuaries is important because intermediaries' role is changing.

"The role of the reinsurance intermediary in general is gravitating toward becoming a consultant," Mr. Crane said. "Advice on how to handle reinsurance on a 'big picture' basis is just as important as the placement of a specific program."

Most brokers, however, oppose switching to fee-based remuneration from commissions.

While "it's true that we're providing much more consultation in the past couple of years, we are not considering changing the way we are paid," Mr. Mitchell said.

"Sullivan Payne strongly supports the current standard brokerage arrangements in use in the industry," Mr. Espe said. "While not a perfect system, we believe it has and continues to work quite effectively."

Brokers who would consider a fee change express reservations over how to price their services and whether cedants really care.

"We would resist any erosion of margins on profitable business," Mr. Crane said. Furthermore, "the services performed on long-tail casualty lines are grossly underpriced. I don't think brokers make too much money."

"I would consider (fees) if I could be assured the compensation for service would be adequate."

The changing role of intermediaries has prompted Gill & Roeser, which specializes in financial as well as conventional reinsurance, to provide consulting services on a re-

tainer basis in some circumstances.

The move makes sense for ceding companies, Mr. Roeser said.

Under the commission system, "the more premium a ceding company spends, the more money the broker makes," he noted. Retainer compensation, on the other hand, "is in synch with what the ceding company wants to achieve: maximum coverage at minimum cost."

As the reinsurance market evolves, more brokers are actively placing financial or finite risk reinsurance.

Currently, financial reinsurance accounts for less than 10% of all reinsurance purchased, Mr. Roeser said. This year's catastrophe losses, however, could push that up to between 25% and 35% "almost overnight" (see story, page 22).

Financial reinsurance programs likely will be phased in throughout 1993 as conventional coverages ex-

pire and insurers either elect—or are forced by high prices and low capacity—to replace traditional layers with financial reinsurance.

"Reinsurance buyers are increasingly more comfortable with finite risk reinsurance," Willcox's Mr. King said. "They know the days of high limits and unlimited free reinstatements are over."

"The best way to use finite risk is to replace working layers, then use the money you save to buy as much good quality conventional cat cover as you can," Mr. Roeser said. "Save the capacity available in the market for cat and upper layers."

Due to current market conditions, ceding companies "are looking to use it at the high end, where they have an immediate problem," he said. "For the long term, we think it sits better in the lower layers."

Concerns about accounting and regulatory problems have slowed

the growth of financial reinsurance, Mr. Mitchell of Towers Perrin said. "It gets talked about a lot, but not bought very much."

"Both buyers and regulators are becoming less sympathetic toward the finite or even no-risk approach to today's problems," Mr. Espe of Sullivan Payne said. "We anticipate a move toward the inclusion of considerably more risk in these arrangements and, as these pressures intensify, products will become less traditional than the standard market and more risk bearing than the present fully-funded arrangement."

Following are short profiles of the 10 largest U.S. reinsurance brokers:

Guy Carpenter & Co. Inc.

Guy Carpenter retains its spot as the largest U.S. reinsurance intermediary with a 5.9% increase in gross revenues to \$292 million in 1991, *Business Insurance* estimates.

That figure includes the reinsurance operations of London-based C.T. Bowring & Co., which reports to Carpenter.

However, Carpenter's growth stems primarily from compensation gained from financial reinsurer Centre Reinsurance Holdings Ltd., which parent company Marsh & McLennan Cos. Inc. and J.P. Morgan & Co. helped form in 1987 (*BI*, May 18, 1987). Carpenter receives a fee equal to 1% of Centre Re's gross premium volume during Centre Re's first five years of operation.

"Absent Centre Re, reinsurance broking revenue in 1991 would have been at essentially the same level as 1990," according to M&M's 1991 annual report. "The 1991 revenue reflects a stable environment for reinsurance demand, retention levels and most premium rates, while rates for catastrophe coverages have risen."

However, larger commissions produced by rising cat cover rates "have been offset by decreased catastrophe capacity and lost business."

New York-based Carpenter is generating some new business through acquisitions, including the recent purchase of Paul Napolitano Co., the reinsurance brokerage unit of American International Group Inc. (*BI*, Oct. 5).

In 1991, Carpenter acquired Selton Associates Inc. of White Plains, N.Y., Agencia General de Reaseguros of Madrid and Union Francaise de Reassurances of Paris.

Productivity was up 5% in 1991 to \$134,624 in revenues for each of the broker's 2,169 employees.

Carpenter officials declined to be interviewed for this story.

Sullivan Payne Co.

Sullivan Payne ranks as the nation's second-largest reinsurance intermediary with \$54.5 million in gross revenues, *BI* estimates.

A slight decline in the number of employees, plus the 4.8% revenue increase, boosted productivity 12% to revenue per employee of \$149,315.

Ninety percent of the broker's business was treaty business last year and 10% facultative, unchanged from 1990.

"This is in contrast to previous years where market conditions in facultative were more severe than treaty and, as a consequence, we saw a modest decline in facultative as a percentage of our overall book," Mr. Espe said.

Overseas clients comprise 13% of Sullivan Payne's accounts, while nearly 20% of the broker's U.S. business is placed abroad. The portfolio of Sullivan Payne Co. (Canada) Ltd., with offices in Toronto and Vancouver, is primarily placed in Canada, Mr. Espe said.

Continued on next page

Attached to and forming part of Reinsurance Agreement No. 620-0056 made and entered into by and between the AMERICAN RE-INSURANCE COMPANY, Princeton, New Jersey (hereinafter and thereafter called the "Reinsurer") and THE CALIFORNIA CASUALTY INDEMNITY EXCHANGE, the CALIFORNIA CASUALTY INSURANCE COMPANY, CALIFORNIA CASUALTY & FIRE INSURANCE COMPANY and CALIFORNIA CASUALTY GENERAL INSURANCE COMPANY, all of San Mateo, California.

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AMERICAN RE-INSURANCE COMPANY

Paul A. Olivera
Vice President
[Signature]

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By: California Casualty Management Company,
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Intermediaries

Continued from previous page

Sullivan Payne announced recently that it will close its Chicago office at year end. At least one of the five current Chicago staff members will be transferred to Dallas, Mr. Espe said. No further office closings are planned.

Midwest accounts will be handled from the Dallas office, headed by Executive Vp Barbara Bufkin.

"The consolidation of that business into a much larger, more active office" will benefit clients, Mr. Espe said.

E.W. Blanch Co.

Revenues at Blanch increased 5% in 1991 to \$45.2 million, according to a BI estimate. BI has restated the broker's 1990 revenues at \$43 million.

Premium volume at the Minne-

apolis-based broker declined slightly to \$1.1 billion from \$1.2 billion in 1990.

A 6.7% drop in the number of employees boosted productivity to \$163,177 per employee in 1991. The broker has 277 employees.

In March, the broker acquired Enan & Co. of Burlingame, Calif. Hussein A. Enan has been named a general partner.

Blanch continues to specialize in life, accident and health risks, professional liability risks, retrocessional accounts, risk retention groups and program business.

Blanch officials declined to be interviewed for this story.

Aon Reinsurance Agency Inc.

Aon Reinsurance Agency continues to grow apace of its competitors, with revenues rising 11.8% in 1991 to \$38 million, *Business In-*

surance estimates.

"We are growing because of new business, new clients," Mr. Lunsford said. "We have an outstanding parent with a huge capital base that is willing to invest in our business."

Most of the new business came from other brokers, not direct writers, Mr. Lunsford said. "The reinsurance market itself is not growing. What we gained came at the expense of others."

Revenues in 1992 will be further bolstered by the acquisition of Frank B. Hall. As part of the agreement, expected to be approved by Hall shareholders on Nov. 2, Aon Reinsurance Agency will be guaranteed \$18 million in commission from Reliance annually for 15 years.

Productivity at Aon rose 10.4% in 1991 to \$226,190 per employee.

The broker has "very few" clients based abroad, but it does place between 15% and 20% of its pre-

mium volume with reinsurers outside the United States, primarily in London.

Additions to Aon's staff this year include Bruce Paterson, a full-time actuary; Tom Rogers, hired from Sullivan Payne to head Aon's new Philadelphia office; and David Sullivan, formerly of General Reinsurance Co., who will serve as senior vp in treaty brokerage in New York.

Towers Perrin Reinsurance

Towers Perrin Reinsurance reported a modest gain of 2.9% to \$35 million in gross revenues in 1991.

Premium volume climbed 5% to \$525 million, while revenues per employee rose to \$177,665.

The broker reportedly has lost some significant accounts this year, including the Harleysville Insurance Cos. account, which went to direct writer General Reinsurance Co.

Towers Perrin opened an accident and health division in San Francisco in June, which may expand to Chicago, Dallas and New York next year, said Mr. Mitchell. The Philadelphia-based broker currently has offices in Hartford, Conn., San Francisco and Stamford, Conn.

The new division, headed by Jeff Gilmore, is "a natural tie-in with Towers Perrin benefits consulting," Mr. Mitchell said.

The broker's facultative reinsurance volume declined to 8% of business. Facultative business accounted for 20% of volume in 1989 and 10% in 1990.

"In this marketplace, there is a tendency for cedants to retain as much as they can, so they buy less facultative," Mr. Mitchell explained. He expects the percentage of facultative business to increase when rates rise.

Fewer than 3% of Towers Perrin clients are based outside of the United States, but it placed approximately 35% of its business with non-U.S. reinsurers in 1991. That figure will likely drop to 30% in 1992 due to London's "shrinking cat market," Mr. Mitchell said.

"Every client has questions about Lloyd's," he continued. "They have given Lloyd's the benefit of the doubt—for now."

Towers Perrin Reinsurance accounts for only about 5% of parent Towers Perrin Co.'s \$700 million in gross revenues. However, the parent is committed to reinsurance brokerage, Mr. Mitchell said. "Towers Perrin started out as a reinsurance broker in 1934," he noted.

Willcox Inc.

Willcox's revenues increased 5% to an estimated \$34.7 million in 1991 from a restated \$33 million in 1990.

But, productivity increased to \$168,447 per employee.

"We continue to grow in all areas of business," Mr. King said. "By demand, our international (business) has grown fastest in 1991 and 1992. Non-U.S. ceding companies are looking for more stable reinsurance and the ability to place in the U.S. market."

Approximately 15% of Willcox's business stems from ceding companies outside the United States. Between 20% and 25% of Willcox's business is placed overseas, with about half of that placed in London.

Willcox's primary London connection remains its subsidiary, Willcox Intermediaries Ltd., and not the new London brokerage operation formed by parent Johnson & Higgins after J&H's longtime London correspondent, Willis Faber P.L.C., merged with Corroon & Black Corp.

"We place some business with (J&H) where they might have expertise," Mr. King noted.

Willcox still places some business with Willis Corroon Group P.L.C., though that broker has "de-emphasized reinsurance dramatically," Mr. King said.

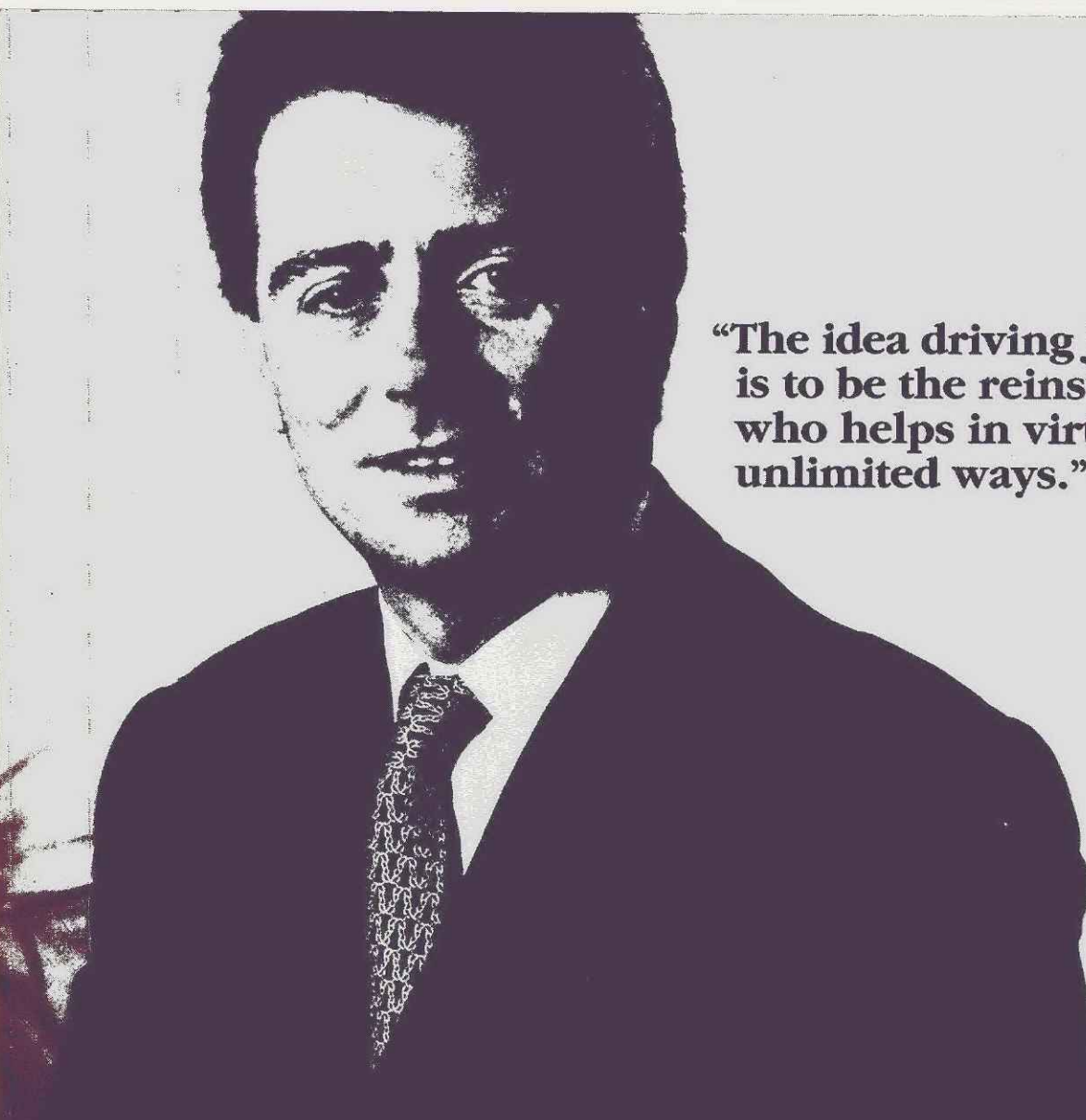
Willcox's London and U.S. offices work together closely, he said. New U.S. brokers spend three to four months in training in London, where Willcox has three brokers and three support staffers. London brokers also visit U.S. offices often.

In 1991, Willcox doubled its staff in Philadelphia to eight, and increased staffs in its Los Angeles and Indianapolis offices.

Minet Re (North America) Inc.

Revenues for Minet Re (North America)—consisting of Intere Intermediaries Inc. in New York, RFC Intermediaries Inc. in Atlanta and IOC Reinsurance Brokers Ltd. in Toronto—gained 4.5% to an estimated \$34.5 million in 1991.

Continued on page 34



"The idea driving J&H Limited is to be the reinsurance broker who helps in virtually unlimited ways."

Charles Holland, Director, J&H Limited, London, on reinsurance in the 90's:

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Intermediaries

Continued from page 32

Premium volume increased 9.4% last year to \$651 million due to an 11.7% hike in volume at treaty intermediary Intere to \$486 million and a 12.5% gain at IOC to \$45 million. Premium volume at facultative reinsurance intermediary RFC remained flat at \$120 million.

"It's a difficult facultative market, but we are very happy that we held our own," said Daniel Colello, president and CEO of Intere and RFC.

The broker's strength lies in its branch offices, he said. Concentrat-

ing on geographic divisions enables Minet's staff "to know the area and the clients there."

Intere has opened a Boston office headed by Vp Robert Race.

Alexander Reinsurance Intermediaries Inc.

Alexander Re increased gross revenues 4.8% in 1991 to \$26.4 million.

"We were satisfied with our performance last year," said Mr. Coleman. "We didn't grow quite as much as we thought we would due to general market conditions."

Mr. Coleman predicts revenues will increase 5% to 10% in 1992.

Premium volume in 1991 increased 3.2% to \$490 million.

An 11.8% drop in staff helped to boost productivity 18.7% to \$176,000 per employee.

Alexander Re focuses almost exclusively on companies headquartered in the United States, while sister company Alexander Howden Ltd. in London is responsible for international production.

Parent company Alexander & Alexander Services Inc. consolidated management of its global reinsurance brokerage operations—including Alexander Re—in late 1990.

"We are delighted with the res-

tructuring," Mr. Coleman said. "It helps to have two organizations clearly focused and professionally managed in order to make a successful merger."

Approximately 20% of Alexander Re's business is placed outside the United States. Less than 10% goes to alternative markets, he said.

Clients range from smaller regional and specialty companies to national "superstock" insurers.

Other developments at the brokerage include the opening this month of its new headquarters in Stamford, Conn.; the promotion of Robert T. Mobyed to executive vp;

and the hiring of John Dunleavy as senior vp to coordinate accident and health brokerage.

"Our life and accident and health opportunities continue to make significant progress," Mr. Coleman said.

Brokerage revenues in those areas, as well as surety, are growing by double digits, he said.

G.L. Hodson & Son Inc.

Despite the 1990 merger of its parent, Corroon & Black, with Willis Faber, Hodson has "no immediate plans to merge" with the North American reinsurance division of London-based broker Willis Faber & Dumas, Mr. Crane said.

"Our book of business has increased with Willis Faber, but they are still not our biggest London broker," he noted. "They are a quality operation that we are happy to use when it is in the best interest of our clients. There is no mandate that we use them in London."

"It's important that we have the independence to act in the best interest of our clients," he said.

In April, Hodson acquired Reinsurance Alternatives Inc., one of the largest life and accident and health treaty reinsurance brokers in the country (*BI*, April 13).

Minneapolis-based RAI, formed in 1988 by former Blanch executives, produced between \$7 million and \$8 million in gross revenues in 1990.

Hodson's revenues increased 6.4% to \$25 million in 1991, while premium volume jumped 31.9% to \$442 million. Revenues per employee inched ahead 2.2% to \$123,153.

Former RAI owner Richard E. Swager is now chairman and chief executive of Hodson's new Reinsurance Alternatives division as well as executive vp of Hodson.

Hodson Chairman Ronald J. Taylor left the firm in July to become president of G.J. Sullivan Co., a Los Angeles-based intermediary.

Hodson also has established a new marine and international division headed by George P. Reeth Jr., division CEO and executive vp of Hodson. The rest of the team, formerly with Willcox, are Senior Vp Michael J. Brownsell, Senior Vp Leo K. Magrath and Vp Clark A. Hontz.

The marine unit will focus on placing business worldwide on behalf of U.S.-based clients. The international side will work closely with Willis Faber & Dumas on all classes of business, with an emphasis on placing business for international insurers in the United States.

While Hodson had no clients based outside the United States last year, Mr. Crane predicts that international business will account for 5% of Hodson total by 1993.

"This fall we gained a lot of new business that will be put on the books early next year," he said.

Facultative business dropped to 5% of the total in 1991 from 10% in 1990.

The decline, however, is "only in relation to treaty," Mr. Crane said. "We put more emphasis on treaty, but we are happy to grow in facultative."

John P. Woods Co. Inc.

Gross revenues declined 4% at 10th-ranked John P. Woods, a New York-based treaty broker.

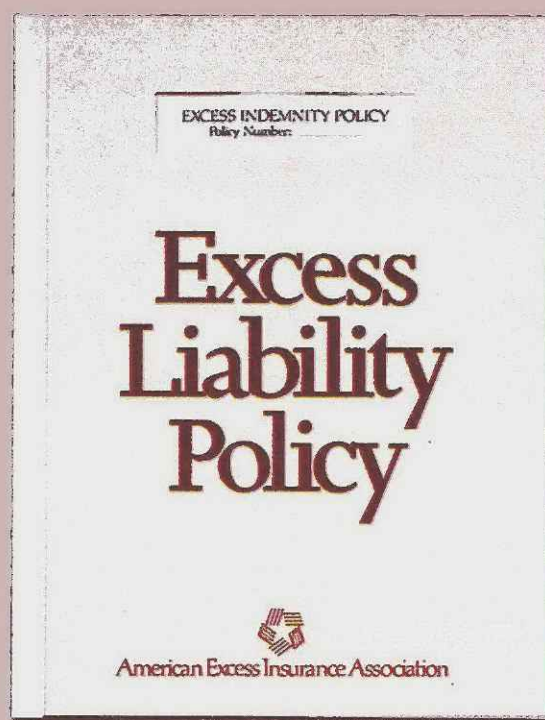
Woods's revenues declined 2.6% in 1990.

Premium volume, however, increased 11.3% to \$400.5 million.

Productivity at Woods continued to top the leading intermediaries at \$284,314 per employee.

Woods places both property and casualty and life, accident and health reinsurance.

Company officials declined to be interviewed for this story. ■



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

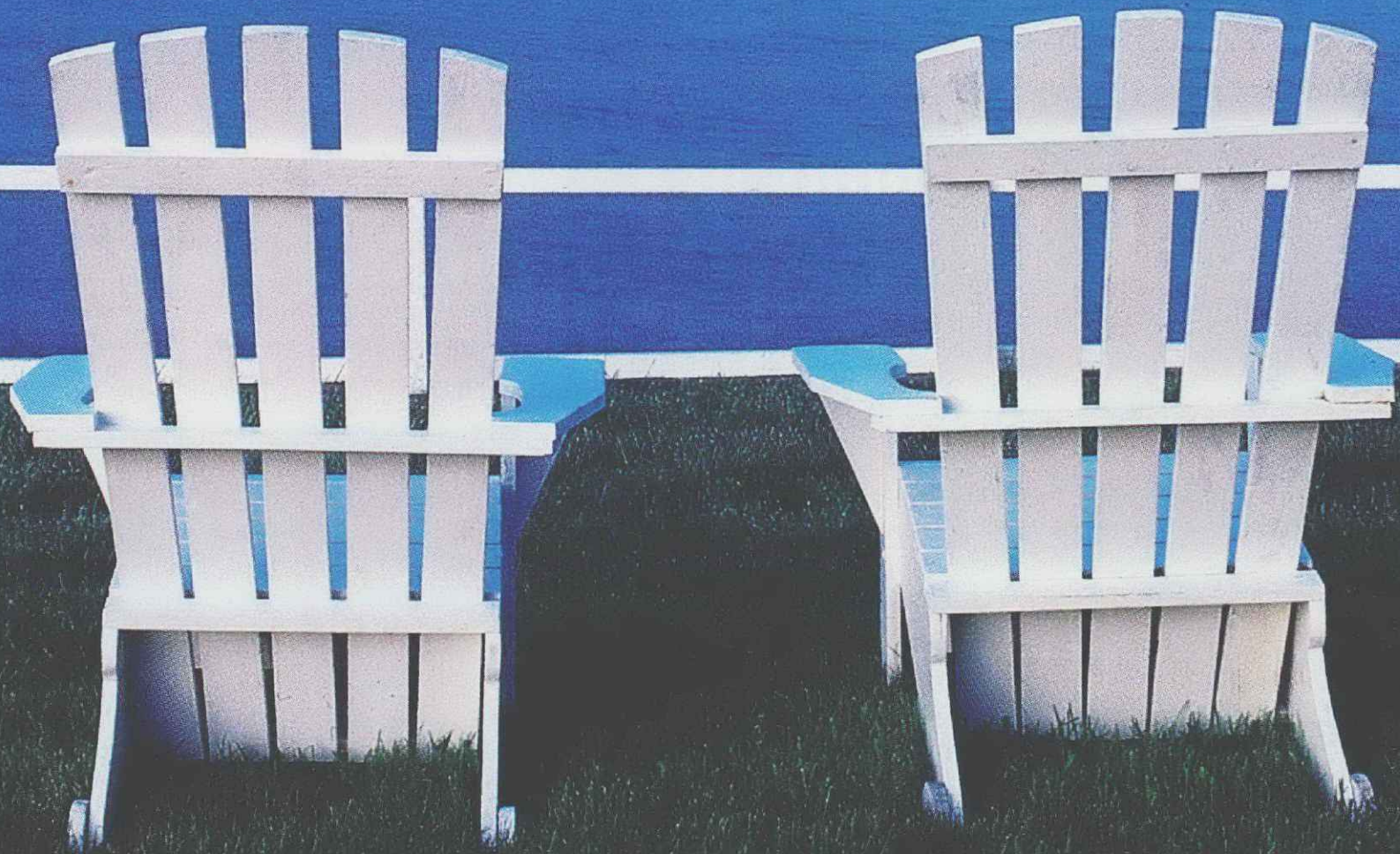
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BI's annual directory of reinsurance brokers

A

Agnew International

14 Washington Road, Princeton Junction, N.J. 08550; 609-799-7373; fax: 609-799-2265

	1991	1990
Premium volume...	\$4,250,000	\$4,650,000
Gross revenues...	NA	NA
Total employees...	8	7

Founded: 1976.
Specialties: International business.
Licensed reinsurance intermediary in: New York.
Officers: Patrick Agnew, James Cook, Ruth Poveda.
Contact: Patrick Agnew.
Membership: Brokers & Reinsurance Markets Assn.

Alexander Howden Reinsurance Intermediaries Inc.

1270 Ave. of the Americas, New York, N.Y. 10020; 212-408-3860; fax: 212-977-9471

	1991	1990
Premium volume...	NA	NA
% Treaty.....	95%	100%
% Facultative...	5%	NA
Gross revenues...	NA	NA
Total employees...	11	7
Treaty.....	9	7
Facultative...	2	NA

Founded: 1989.
Parent: Alexander & Alexander Services Inc.
Branch offices: Coral Gables, Fla.
Specialties: International treaty and facultative business.
Licensed reinsurance intermediary in: New York.
Officers: Joseph Artel, senior vp.

Alexander Reinsurance Intermediaries Inc.

1 Landmark Square, Suite 2100, Stamford, Conn. 06901; 203-359-6969; fax: 203-967-4768

	1991	1990
Premium volume...	\$490,000,000	\$475,000,000
% Treaty.....	95%	96%
% Facultative...	5%	4%
Gross revenues...	\$26,400,000	\$25,200,000
Total employees...	150	170
Treaty.....	136	153
Facultative...	14	17

Founded: 1980.
Parent: Alexander & Alexander Services Inc.
Branch offices: Boston; Chicago; New York; San Francisco.
Specialties: All property and casualty working; catastrophe; clash; contingency with separate life, accident and health; surety divisions.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: Ronald A. Iles, chairman/ chief executive officer; William R. Coleman, president/ chief operating officer; Robert T. Mobyed, executive vp; John T. Roby, senior vp/ chief financial officer.
Contact: William R. Coleman.
Membership: Brokers & Reinsurance Markets Assn.

Alydon International Ltd.

Jardine House, 33-35 Reid St., P.O. Box HM 2217, Hamilton HM JX, Bermuda; 809-292-5099; fax: 809-292-9067

	1991	1990
Premium volume...	\$7,000,000	\$8,000,000
% Treaty.....	100%	95%
% Facultative...	NA	5%
Gross revenues...	NA	NA
Total employees...	4	4

Continued on page 38

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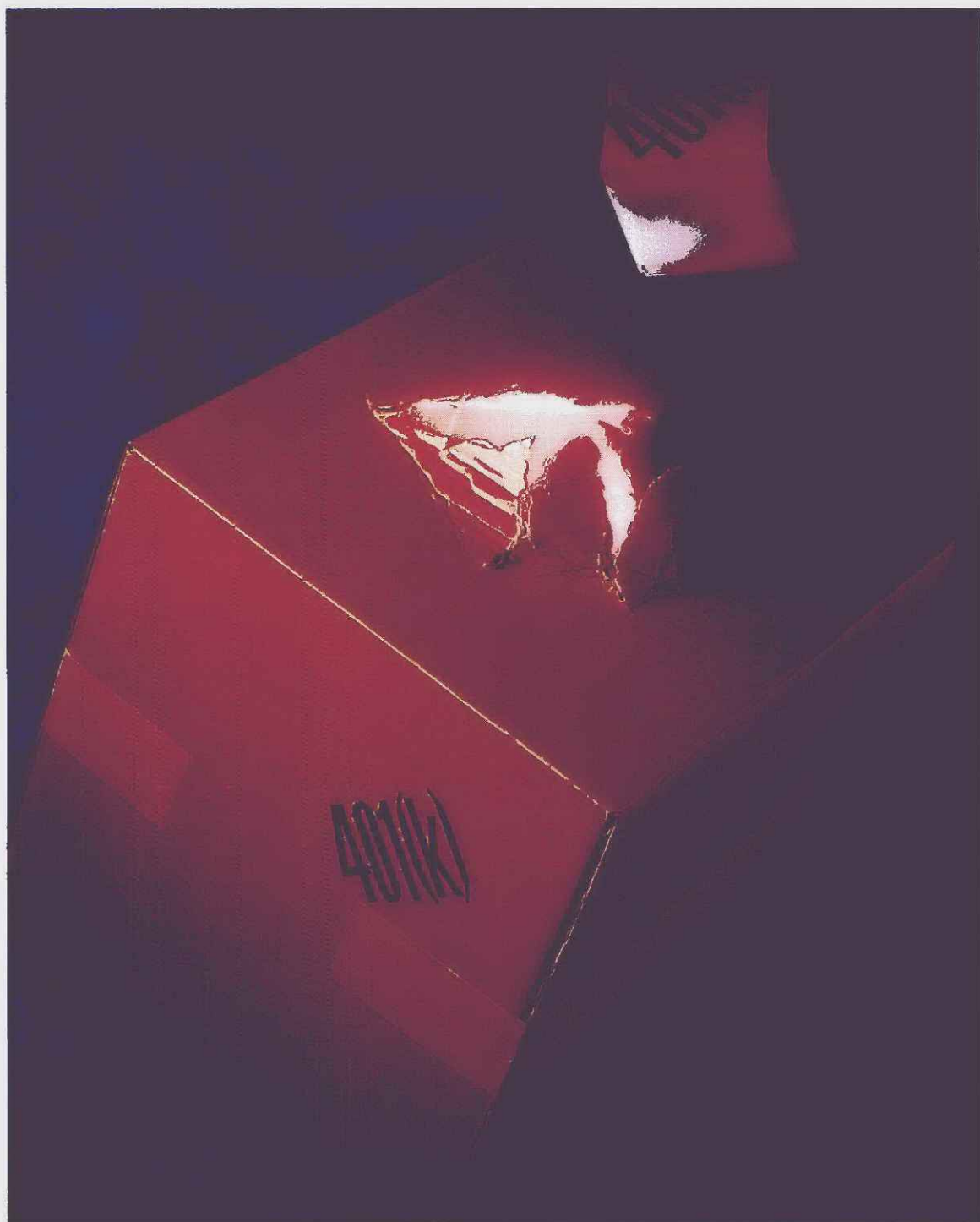
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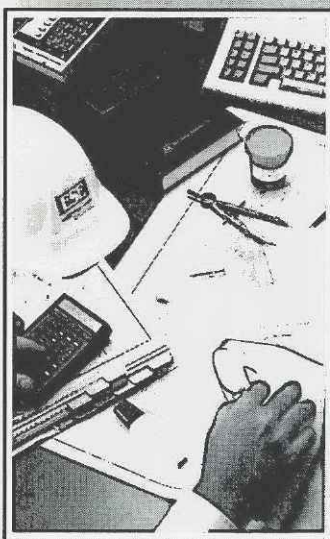
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Continued from page 36

Founded: 1986.
Specialties: Captive and self-insurance programs, risk retention groups, treaty and finite risk reinsurance.

Licensed reinsurance intermediary in: Bermuda.

Officers: Roy V. Bray, president/managing director.

AM-RE Brokers Inc.

685 College Road E., Princeton, N.J. 08543-5212; 609-243-4900; fax: 609-243-4940

	1991	1990
Premium volume	\$208,000,000	\$186,000,000
% Treaty	95%	90%
% Facultative	5%	10%
Gross revenues	\$14,442,000	\$11,560,000
Total employees	48	52
Treaty	45	47
Facultative	3	5

Founded: 1978.
Parent: American Re-Insurance Co.

Branch offices: San Francisco.
Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: E.B. Jobe, chairman/president; Mahmoud M. Abdallah, executive vp/managing director; Donald F. Merkel and William Godfrey, senior vps; John Varca, senior vp/actuary.

Ambel Consultation Services Inc.

111 John St., New York, N.Y. 10038; 212-227-1300; fax: 212-349-1651

	1991	1990
Premium volume	NA	NA
Gross revenues	NA	NA
Total employees	2*	NA

Founded: 1992.

Specialties: General agency reinsurance programs for non-standard auto, truck liability, professional liability, all forms of financial reinsurance, mergers and acquisitions.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Andrew Barile, president.

* 1992 total.

Continued on page 40

Guide to directory

Information in the 10th annual directory of reinsurance intermediaries was gathered from responses to questionnaires sent to companies by *Business Insurance*.

The directory is published as an editorial service; there is no charge to be included.

Following the name and address of the company, financial and operational information for 1991 and 1990 is given, including the **premium volume** related to reinsurance, percent of **treaty** and **facultative** business (as a percent of reinsurance premium volume), and **gross revenues** related to reinsurance. The number of **total employees** and those assigned to treaty and facultative reinsurance are also given.

Next, the year **founded** and **parent** company (if any) are noted, as well as locations of **branch offices** and **subsidiaries** brokering reinsurance. **Acquisitions** in 1991 and so far in 1992 follow. Particular types of risks a company specializes in brokering reinsurance for are noted under **specialties**.

States in which the company is **licensed** and where it does **business** as a reinsurance intermediary are next. **Principal officers** and a **contact** for readers seeking more information complete the listings.

When a company is newly founded or did not provide financial information it is noted in the listings as NA (not available).

If you wish to locate an intermediary by state or country, refer to the geographic index following the directory. Home offices, branch offices and subsidiaries brokering reinsurance are included. The company name listed in the directory is noted after each subsidiary.

Although every effort is made to obtain complete and accurate information, *Business Insurance* is unable to verify all information it receives.

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RISK MANAGEMENT SERVICES

Continued from page 38

American Healthcare Intermediaries Inc.

1000 North Point, Suite 1405, San Francisco, Calif. 94109; 415-346-5670; fax: 415-776-6358

	1991	1990
Premium volume...	\$17,500,000	\$28,700,000
% Treaty.....	98%	100%
% Facultative..	2%	NA
Gross revenues...	\$217,000	\$265,000
Total employees..	3	2
Treaty.....	2	2
Facultative....	1	NA

Founded: 1987.
Subsidiaries: Professional Reinsurance Organization, Wilmington, Del.
Specialties: Accident and health, special risk, life, financial.

Conducts business in: California, Georgia, Florida, Louisiana.
Officers: Donald K. Anderson, president.

American Intermediaries Inc.

200 S. Los Robles Ave., Suite 230, Pasadena, Calif. 91101; 818-449-0904; fax: 818-449-3831

	1991	1990
Premium volume...	NA	NA
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees..	6	7
Treaty.....	6	7

Founded: 1984.
Branch offices: New York.
Licensed reinsurance intermediary in: New York, California.

Conducts business: Nationwide.
Officers: W.J. Buettner, president; Nora B. Smith, executive vp.

Andrew Edwards & Co. Inc.

40 Crossways Park Drive, Woodbury, N.Y. 11797; 516-364-3700; fax: 516-364-3791

	1991	1990
Premium volume...	\$57,500,000	\$37,500,000
% Treaty.....	100%	100%
Gross revenues...	\$600,000	\$400,000
Total employees..	9	9
Treaty.....	7	7

Founded: 1977.
Parent: AANA Holding Co.
Specialties: Non-standard auto, umbrella liability, professional liability, excess property.

Licensed reinsurance intermediary in: New York, California.

Officers: Edward J. Mallozzi, president/chief executive officer; Andrew P. Burger, assistant vp.
Contact: Andrew P. Burger.

Aon Reinsurance Agency Inc.

123 N. Wacker Drive, Chicago, Ill. 60606; 312-781-7900; fax: 312-781-7901

	1991	1990
Premium volume...	NA	NA
% Treaty.....	95%	94%
% Facultative..	5%	6%
Gross revenues*...	\$38,000,000	\$34,000,000
Total employees..	168	166
Treaty.....	157	155
Facultative....	11	11

Founded: 1945.
Parent: Aon Corp.
Branch offices: Hoboken, N.J.; Philadelphia; San Francisco; Seattle.
Subsidiaries: Aon Reinsurance Inc., New York.
Officers: Paul R. Davies, chairman/ chief executive officer; W. Eugene Taylor, vice chairman; Stephen L. Lunsford, president/chief operating officer.
Contact: Joan Steel, 312-701-3016, or Michael O'Halleran, 312-701-3065.
Membership: Brokers & Reinsurance Markets Assn.
**BI estimate.*

Associated Intermediaries

P.O. Box 1260, Flowery Branch, Ga. 30542; 404-967-4009; fax: 404-967-2804

	1991	1990
Premium volume...	\$6,000,000	\$4,500,000
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees..	5	3
Treaty.....	4	3

Founded: 1982.
Parent: Associated Reinsurance Management Corp.
Specialties: Accident and health, medical specific and aggregate stop loss, excess workers compensation.
Licensed reinsurance intermediary in: New York.
Conducts business in: Florida, Georgia, North Carolina, South Carolina, Tennessee, Ohio, Virginia, District of Columbia, Maryland, Pennsylvania, Massachusetts, Kentucky, Indiana, Illinois, Connecticut.
Officers: Alph H. Browne, president; Diana D. Browne, corporate secretary.
Contact: Alph H. Browne.

Atlantic Security Ltd.

Windsor Place, 2nd Floor, 18 Queen St., Hamilton, Bermuda HM 11; 809-295-5425; fax: 809-295-5444

	1991	1990
Premium volume...	NA	NA
% Treaty.....	20%	20%
% Facultative..	80%	80%
Gross revenues...	NA	NA
Total employees..	10	10
Treaty.....	1	1
Facultative....	1	1

Founded: 1974.
Specialties: Financial reinsurance, surplus relief, captive excess and aggregate stop-loss.
Officers: Hal Forkush, president; Colin James, senior vp.

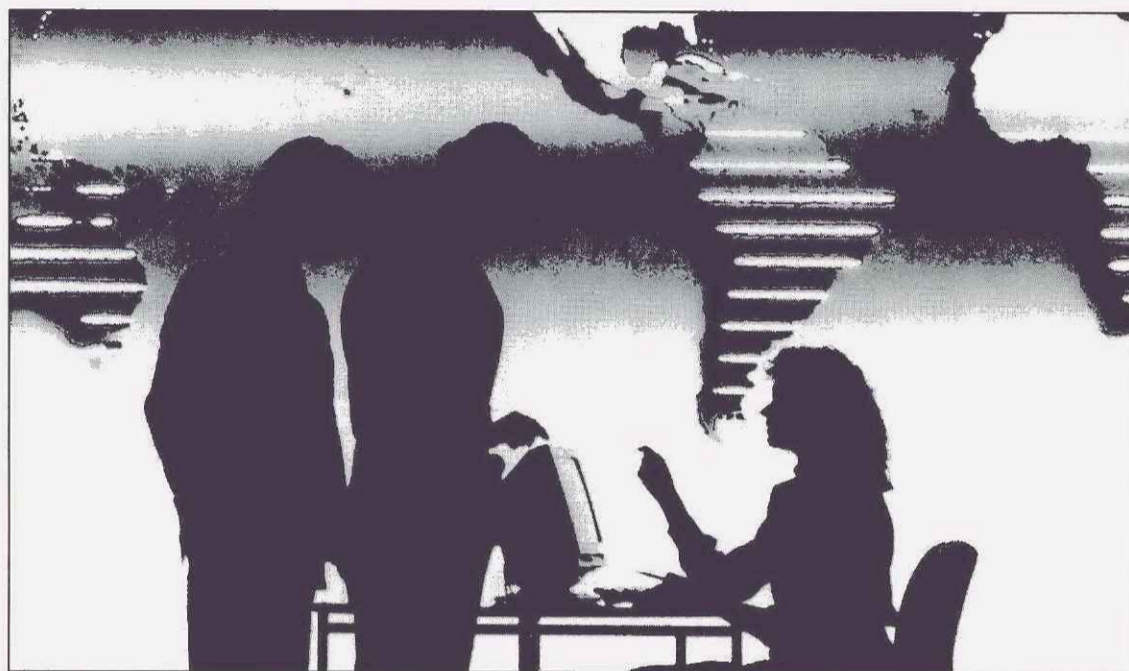
Atrium Corp.

200 Park Ave., 16th Floor, New York, N.Y. 10166; 212-973-5072; fax: 212-973-5083

	1991	1990
Premium volume...	\$1.3 billion*	\$1.2 billion*
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees..	34	29
Treaty.....	34	29

Founded: 1983.
Parent: Swiss Re Group.
Branch offices: Westport, Conn.
Specialties: Financial Reinsurance, surplus relief, finite risk reinsurance, life insurance, financial guarantee reinsurance.
Licensed reinsurance intermediary in: New York.
Conducts business: worldwide.
Officers: Jay A. Novik, president; Heidi E. Hutter, Owen Whitby, Robert P. Johnson, executive vps; Peter A. Gentile, Stephen F. Patterson, Bruce P. Reich, Craig W. White, senior vps; Joan M. deLemps, Steven R. Fallon, Debra J. Roberts, Marvin D. Fineman, vps.
Contact: Jay A. Novik; Heidi Hutter, 212-973-5066.
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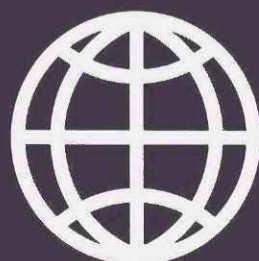
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 Atlanta, Ga 30328
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 Fax: (404) 512-8709

BEP International Inc.

1140 Blvd., De Maisonneuve W., Suite 1200, Montreal, Quebec H3A 1M8, Canada; 514-288-1133; fax: 514-288-0840

	1991	1990
Premium volume...	\$400,000,000	\$350,000,000
% Treaty.....	99%	98%
% Facultative..	1%	2%
Gross revenues...	NA	NA
Total employees..	141	140
Treaty.....	133	132
Facultative....	8	8

Continued on next page

Continued from previous page

Founded: 1960.
Parent: SODARCAN Inc.
Branch offices: Jersey City, N.J.; Seattle; Toronto.

Specialties: Workers compensation, surety, marine, aviation, professional liability, accident and health, life finite risks.

Licensed reinsurance intermediary in: New York.

Officers: Raymond Gilbert, chairman/chief executive officer; Robert W. Bailey, executive vp/president & chief operating officer-U.S. operations; Peter M. Bennett, executive vp/chairman-Canada; Peter V. Dale, executive vp/chairman-U.S.; Christopher J. Robey, executive vp; Robert Limoges, senior vp-finance and administration/secretary/treasurer; Pascal Perrier, senior vp; Rene LaPierre, vp.

Contact: Robert W. Bailey, P.O. Box 25, 10 Exchange Place, Exchange Place Center, Suite 801, Jersey City, N.J. 07302; fax: 201-332-5673.

officer; James C. Blanton III, vp; E. Wilson Wyant, second vp; John R. Klag, Kathy A. Sandberg, assistant vps; Lori D. Norlen, assistant treasurer.

Contact: Michael E. Fisher.

Bell Nicholson Henderson Inc.

123 William St., New York, N.Y. 10038; 212-406-1750; fax: 212-619-8354

	1991	1990
Premium volume	\$85,000,000	\$70,000,000
% Treaty	100%	100%
Gross revenues	\$2,600,000	\$2,300,000
Total employees	20	23
Treaty	20	23

Founded: 1980.

Parent: Bell Nicholson Henderson (Holdings) Ltd.

Branch offices: Dallas.

Specialties: Property, casualty, marine, finite risk.

Licensed reinsurance intermediary in: New York, Texas.

Continued on page 48

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156 William St., New York, N.Y. 10038; 212-233-7171; fax: 212-513-1859

	1991	1990
Premium volume	\$1,755,000	\$1,632,000
% Treaty	99%	99%
% Facultative	1%	1%
Gross revenues	NA	NA
Total employees	6	7
Treaty	5	6
Facultative	1	1

Founded: 1981.

Parent: BRI Holding Corp.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.

Officers: Bruno Rumignani, president; Burton Matfus, secretary/treasurer; Howard Miller, Joseph Zweig, Mark Bailine, vps.

E.T. Bailey Co.

3 First National Plaza, Chicago, Ill. 60602; 312-214-3146; fax: 312-236-1587

	1991	1990
Premium volume	NA	NA
% Treaty	90%	90%
% Facultative	10%	10%
Gross revenues	NA	NA
Total employees	3	NA
Treaty	3	3

Founded: 1963.

Specialties: Life including accident and health, Medicare supplement.

Officers: E.T. Bailey, president.

Adrian Baker Reinsurance Intermediaries Inc.

34 N. Meramec Ave., St. Louis, Mo. 63105; 314-721-1372; fax: 314-721-1290

	1991	1990
Premium volume	\$30,000,000	\$27,000,000
% Treaty	70%	70%
% Facultative	30%	30%
Gross revenues	NA	NA
Total employees	10	10
Treaty	7	7
Facultative	3	3

Founded: 1974.

Specialties: Accident and health, workers compensation, carve-out, medical, aviation, property, life.

Licensed reinsurance intermediary in: New York.

Conducts business: Worldwide.

Officers: Adrian N. Baker II, president; Richard H. Chomeau, executive vp; Anthony J. Sutcliffe, senior vp.

Bates Turner Inc.

5200 Metcalf, P.O. Box 2959, Overland Park, Kan. 66201; 913-676-5920; fax: 913-676-5940

	1991	1990
Premium volume	\$262,000,000	\$257,000,000
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	20	18
Treaty	20	18

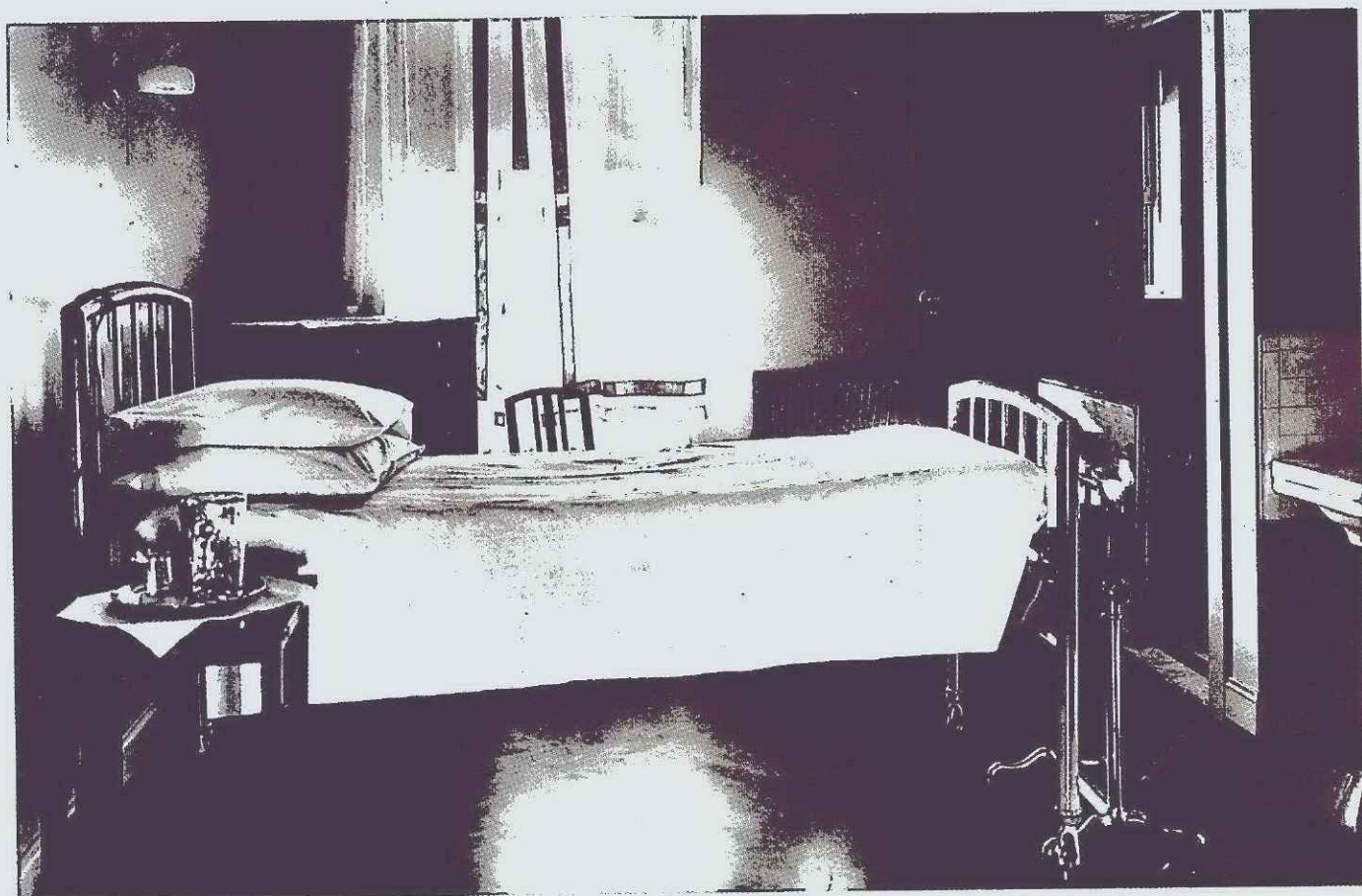
Founded: 1982.

Parent: Employers Reinsurance Corp.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.

Officers: Michael G. Fitt, chairman/chief executive officer; Michael E. Fisher, president/chief operating



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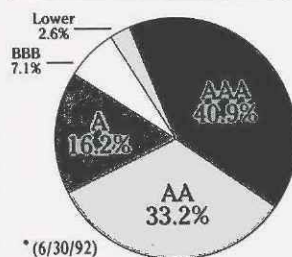
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A.M. Best Co.	A++*
<small>*Domestic Property-Casualty Companies</small>	

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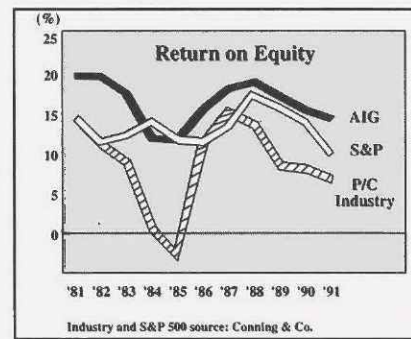


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A unique spin on cycle

By Barbara D. Stewart

HURRICANE ANDREW HAS revived speculation about a cycle turn, and understandably so. The losses are huge, and they come when margins are already squeezed by other disasters and by price competition. And because catastrophe reinsurance prices are bound to keep rising, the pressure on insurers to do something is going to get even greater. What insurers do is more likely to keep prices down than to make them go up.

Many are wondering what are the prospects for commercial insurance prices in light of past cycles and present opportunities. Losses per se have not turned cycles, but fear and bankruptcy have. Those factors do not appear to be in the market now, and even the most financially stretched insurers have alternatives to let them stay in. The implication is that instead of a cycle turn now, more serious problems are building for later on.

First, in contrast to commercial prices in general, reinsurance prices for property catastrophe protection should go up. Plenty of evidence supports an expectation of continuing increases.

On the supply side, capacity has shrunk, and it is not easily expanded. Lloyd's is losing names and may not attract new capital for a long time. London market excess-of-loss capacity is gone. Scandinavian insurers are only in the first stages of damage control. Japanese insurers were stung by Typhoon Mireille losses last year. American primary companies, whose reinsurance departments became a source of new capacity 30 years ago after Hurricane Betsy, are still cleaning up after their casualty losses of the 1980s.

Startups can provide new capacity, but how much how soon is limited by big capitalization requirements. Existing providers can take only so much concentration of exposure, and recent experience has probably made them even more wary of catastrophe-prone areas.

On the demand side, it is hard to imagine that insurers would want to buy less catastrophe protection. Many insurers with big losses from Hurricane Andrew increased their retentions in recent years. They are sure to be under increased scrutiny from regulators fearful of more insolvencies, from rating agencies concerned with instability and from securities analysts suspicious of more dividend cuts.

But the question on everyone's mind is whether commercial insurance prices in general—not just for catastrophe covers—will go up.

Prices go up only when supply and demand in the market permit them to go up. Catastrophe losses, declines in earnings, analyst worries and executive exhortations have not turned cycles in the past. What has turned cycles are real contractions in the supply of insurance, that is, actual withdrawals from the market.

When prices turned at the end of the last two cycles, insurers' capital had fallen, but even more important, insurers believed they did not have the capacity to continue writing as they had been. They found themselves peering into an abyss opened up by events never experienced before.

In the mid-1970s, insurers saw their capital nearly wiped out by overexposure to the stock market and loss reserves made grossly inadequate by rampant inflation.

In the mid-1980s, they found themselves with a lot of worthless reinsurance that supposedly had been supporting huge amounts of liability exposure.

Hurricane Andrew and other catastrophes this year are sure to eat up capital, but capital has been accumulating faster than insurers have been able to find a use for it. No new uncertainty has frightened the industry. Hurricanes are what the insurance business has been about for many years. Catastrophe loadings are supposed to be in the rates.

Industry capital big enough for Andrew losses but insurers need to raise cash flow

Finally, one has to wonder what markets insurers would be willing to quit, especially since it is not clear what attractive alternatives remain. Would they stop writing packages, which for years have been considered the bread and butter of many commercial insurers, or general liability, which now looks profitable? Maybe insurers will continue to withdraw from workers compensation, but the effects of constrictions in that market tend to not spill over into others.

But insurers are unlikely to do nothing at all. Andrew will create a huge need for cash to pay claims and higher reinsurance bills. For the past few years, the industry's cash flow has been shrinking, and for a few companies it had turned negative, including investment income, even before Hurricane

Andrew will produce a need and a wish—a need for cash to pay for it and a wish that it had been more fully reinsured. The need is unlikely to be met by price increases.

Andrew. Today's cash needs may be partly met in the usual ways, such as by selling off assets, borrowing from banks and delaying payment of other claims. But assets are needed for the rest of the business and the other sources are constrained by the very limited indulgence or forbearance of others.

If history is any guide, one way insurers might try to raise cash would be by writing more business. History also tells us that attracting more business in an already saturated and competitive market is done by cutting prices. So cash flow underwriting could come back, but with a different twist. This time, instead of chasing cash to invest, insurers would use it to pay claimants and reinsurers.

Another response, which would be new in this cycle, would be greater use of financial, or finite risk, reinsurance. It seems logical for two reasons.

First, the bunching of catastrophes in recent years has raised fears that this has become the normal state of affairs. Therefore, more protection against future disasters is needed. But the need comes at the same time traditional reinsurance is bound to get scarcer and more expensive. Financial reinsurance is thus likely to become the available and affordable option. With financial reinsurance available to fill gaps in reinsurance programs, to increase reinsurance protection at higher levels and to reduce reinsurance costs at lower levels, primary insurers may feel less compelled to reduce exposures.

Second, for meeting immediate cash needs, financial reinsurance would seem more attractive than traditional credit sources. Although many insurers will tap bank lines to pay hurricane losses, those loans are visible on balance sheets and are a classic red light to regulators, as well as having to

be repaid in the short term.

Financial reinsurance, on the other hand, has the ability to enhance financial statements by spreading the earnings and capital impacts of Andrew over a number of years.

Extensive bank borrowing may not even be possible for weaker insurers. It has always been true, but is especially so today, that banks do not want to lend into problem situations without full security. When trouble approaches, reinsurers have more artful ways than do banks of securing and accelerating their collection rights and of offsetting and commuting their payment obligations.

Financial reinsurance looks like an extension of what insurers have been doing for years anyway. Rearranging the timing of income has always been considered a major role of reinsurance. But it is not the same with financial reinsurance.

In the old world of full risk transfer and enduring reinsurance relationships, repayment obligations could be informal and indefinite. In today's competitive marketplace, however, the traditional reinsurance relationships may be evolving into financial reinsurance transactions governed by contracts. Those contracts place formal and definite repayment obligations on ceding companies. Yet the repayment obligations are not reflected on ceding company balance sheets. Because financial reinsurance is not accounted for any differently than traditional reinsurance, the net numbers could send a meretricious message to underwriters and managers about their undiminished capacity to write more business.

Andrew will produce a need and a wish—a need for cash to pay for it and a wish that it had been more fully reinsured. The need is unlikely to be met by price increases because cash-strapped insurers may be loath to give up business they consider good in the first place.

Instead, they may try to meet the need by writing more business, which would push down prices. The wish that Andrew had been more fully reinsured is likely to be met with financial reinsurance, which in turn will have to be paid back. That means a further need for cash, which in turn will encourage writing more business.

Hence, the financial strain from Hurricane Andrew is likely to invite more leverage rather than less and more appetite for business rather than less. As a result, the hurricane and the business responses to it are apt to keep prices down rather than push them up.

This is certainly not the result that insurance people have come to expect from a shock loss. But it is a conclusion that is hard to avoid if one analyzes the options available to insurers for dealing with the immediate problem of Hurricane Andrew.

If it works out this way, then Andrew will be another example of how market expectations can confound themselves.

If prices are expected to go up, sellers tend to stay in the market and prices do not go up.

If insurers believe times will get better, whether because of Andrew or just a conviction that the cycle must turn, they will search for ways to stay in. While cash flow underwriting and financial reinsurance offer two ways to keep up appearances to stay in the market now, they raise a question for the longer term.

If prices stay down and the debts come due and the options run out, then what? ■



Barbara D. Stewart is president of Stewart Economics Inc. in Atlanta.

Benchmarking methods

How do your risk management processes stack up?

By Michael R. Levin

benchmark (n.): a mark on a permanent object indicating elevation and serving as a reference in topological surveys and tidal observations; a point of reference from which measurements may be made; something that serves as a standard by which others may be measured.

WHILE IT APPEARS to have become the hottest management trend only in the past few years, in reality benchmarking has been around for a long time. In engineering, it refers to comparing measurements. In the corporate world, companies compare other things. They have always undertaken competitive analysis and watched the strategies, products, services and marketing activities of their competition.

Like any other executives, risk managers get together at chapter meetings of the Risk & Insurance Management Society, national industry trade shows and other gatherings to "talk shop." They compare notes, share experiences and keep each other informed about developments in their respective industries, functions and parts of the country.

How, then, are all the recent benchmarking projects different from these past activities, and how does it apply to risk management? Benchmarking has become a more sophisticated risk management tool, which risk managers will find much more useful.

The principal challenges to risk managers are understanding benchmarking and selecting the best benchmarking methods. The main obstacle to benchmarking remains a parochial attitude among some risk managers that their organizations stand alone as completely unique, and that some distinctive exposure to loss or insurance need renders any comparison meaningless. One final challenge involves adopting standards for risk management costs.

"Benchmarking," as most people know it today, traces its roots to pioneering work by Robert Camp at Xerox Corp. in the mid-1970s. Xerox had undertaken extensive competitor analysis since it found its market share shrinking under an attack from Japanese copier manufacturers. Xerox had focused on studying competing copiers, tearing them down, understanding the technology and adapting improved versions of the best competitor approaches in its latest copiers.

However, Xerox also faced cost and competition problems, particularly related to logistics and distribution. Mr. Camp, a logistics manager at a Xerox warehouse, studied not just competing copier manufacturers, but also companies that had similar distribution problems.

His work led to a pioneering collaboration with L.L. Bean Inc. A completely open mind and a thorough study of Bean's warehouse processes led to dramatic improvements in how Xerox's warehouses filled orders and served customers.

Now Xerox and many other companies compare themselves to other organizations in a wide variety of areas and ways. The work with L.L. Bean shows the difference between previous competitive analyses and today's benchmarking, and sheds light on how benchmarking applies to risk management. Benchmarking has a number of key features.

First, benchmarking focuses as much on corporate staff functions as on anything else. Like logistics at Xerox, risk management is a central corporate staff function and is well-suited to benchmarking.

Benchmarking also focuses on processes. Previous comparative exercises analyzed particular products or services or discrete functions like research and development or marketing.

In contrast, benchmarking tends to focus on processes, which usually cross functional lines: order-filling at Xerox, receivable collection or real estate management. Typical processes in risk management include property loss adjusting, worker safety training and cost allocation.

Benchmarking's focus on processes also encourages comparison to non-competitors as well as organizations in the same industry. Processes for parts procurement, for instance, look surprisingly alike in a number of different industries. For example, Xerox, a copier maker, learned a great deal about logistics from L.L. Bean, a clothing manufacturer and mail-order retailer.

While risk managers can and do learn from direct competitors, they naturally become reluctant to share too much about litigation, property protection or other key aspects of their risk management programs. Hence, comparisons to the risk management processes at non-competitors become essential.

Benchmarking also entails extensive cooperation with other companies. Sharing detailed information

The main obstacle to benchmarking remains a parochial attitude among some risk managers that their organizations stand alone as completely unique.

with other firms, particularly non-competitors, involves time and energy to understand the organization and operations of these firms, and to identify how their best practices apply to your own company.

Understanding a process takes as much or more effort than tearing down a competitor's copier. Benchmarking the risk management process, with its crossing of various functions and complicated intersection of risk assessment, risk control and risk financing, demands this type of cooperation.

Finally, benchmarking involves quite detailed, quantitative comparisons of these processes. Xerox did not merely visit L.L. Bean warehouses—it measured and analyzed everything in sight.

To apply the benchmarking concept in risk management, one must be open-minded.

The first reaction of many risk managers is, "We're different." They find some reason why their organizations are unique and why comparisons with others will not work. This may be true overall, but is probably not true for specific portions of the management process. After all, while no two insurance programs are exactly alike, many can be approximately the same.

Second, apply the best practices creatively. Avoid merely copying what appear to be good ideas. Instead strive to apply, modify and improve them.

Risk management processes naturally differ among organizations, and benchmarking must identify the differences, as well as the similarities, to find out how to apply the best practices within a company. In other words, don't merely adopt another company's retention level approach; seek to understand how that company set the retention level in the first place.

Safety programs, for instance, naturally focus on industry and local conditions, but other key ideas about philosophy or emphasis or communications can be adopted from other companies. So, go beyond using a measure of claim frequency, such as number of lost-time claims per million man hours, and uncover *why* your company may have a higher (or lower) rate.

Selecting companies for comparison should involve both competitors and others. Direct competitors are important because they confront the same exposures to loss and constitute the most direct way to identify the best practices.

Other companies are also important. Benchmark to companies having similar but slightly different exposures—a grocery chain may want to benchmark to other organizations having public exposures, like restaurants or hotels.

Or, benchmark to companies having similar processes. A company in a union environment, say a machinery manufacturer, may want to benchmark its workers comp claims management to companies in a similar union environment in the same state, such as the local telecommunications utility.

Benchmarking also can occur within an organization. For instance, companies that want to use managed care within workers compensation sometimes need only to see how their human resource function has developed managed care methods within their group health plans.

Finally, benchmarking is a continuous process. Only by revisiting and refining the benchmarks can a risk manager see how the risk management function can improve over time.

Aside from an overall approach, benchmarking consists of several methods of comparing organizations in an effort to uncover the best practices. A company can use one or more of them in its own benchmarking efforts.

- **Surveys.** These are the most popular methods of comparing organizations. Some are wide-scale. One of the oldest is the "Cost of Risk" survey, which has been conducted for the past 15 years. It compiles risk management costs, insurance limits and retentions, and administrative information from about 800 participants of all sizes and industries. Other surveys are done on a much smaller scale.

- **Group collaboration.** Groups work together in several ways. One of the most prevalent involves trade groups or associations. Some, such as the Edison Electric Institute for electric utilities, or the Machinery and Allied Products Institute for manufacturers, have active risk management committees that compile a variety of comparative data.

Another group, known in benchmarking circles as a "consortium," comes together for the sole purpose of benchmarking. Consortia frequently assemble around a specific industry, although many have developed for a given process or geographic area. They exchange data, documents and site visits among group members.

- **Clearinghouses.** These are membership organizations devoted solely to benchmarking. The most prominent one is the International Benchmarking Clearinghouse, associated with the American Productivity and Quality Center in Houston. Its 100 or so members include some of the largest U.S. corporations.

- **One-on-one discussions.** This is perhaps the purest form of benchmarking. Xerox and L.L. Bean used this method for their work together. One company approaches another and they get together to discuss common practices. It requires extensive preparation and, above all, an open mind to innovation.

Most experts caution against undertaking this form of benchmarking without extensive preparation. However, some risk managers do report great success, once they prepare a detailed agenda that focuses on specifics like workers compensation claims management. ■

Michael R. Levin is a consultant in Chicago with Tillinghast, a Towers Perrin company.



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Continued from page 41

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E.W. Blanch Co.

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	1991	1990
Premium volume	\$1.11 billion	\$1.17 billion
% Treaty	99%	99%
% Facultative	1%	1%
Gross revenues	\$45,200,000	\$43,000,000
Total employees	277	297
Treaty	272	291
Facultative	5	6

Founded: 1957.

Branch offices: New York; Chicago; Boston; Philadelphia; San Francisco; Dallas; Atlanta; Copenhagen, Denmark.

Acquisitions: Enan & Co., Burlingame, Calif. (March 1992).

Specialties: Life, accident and health, professional liability, retrocession, risk retention groups, capital services expertise, program business.

Licensed reinsurance intermediary in: New York, California, Illinois, Minnesota, Texas.

Conducts business: Nationwide.
Officers: E.W. Ted Blanch Jr., chief executive officer/general partner; Michael W. Cashman Sr., president/general partner; Frank S. Wilkinson Jr., Andrew M. O'Brien, Clifford English, Chris L. Walker, Hussein Enan, general partners.

Membership: Brokers & Reinsurance Markets Assn.
**BI estimate.*

Burrige Storey & Co. Inc.

33 W. Higgins Road, Suite 4100, South Barrington, Ill. 60010; 708-551-1900; fax: 708-551-1917

	1991	1990
Premium volume	NA	NA
% Treaty	98%	98%
% Facultative	2%	2%
Gross revenues	NA	NA
Total employees	4	4
Treaty	4	4

Founded: 1989.

Parent: Farmers Mutual Hail Insurance Co. of Iowa.

Licensed reinsurance intermediary in: New York.

Conducts business in: Illinois, Wisconsin, North Dakota, South Dakota, Arkansas, Tennessee, Massachusetts, Iowa.

Officers: John H. Burrige, president; Geoffrey F. Storey, executive vp.

C

Guy Carpenter & Co. Inc.

Two World Trade Center, New York, N.Y. 10048; 212-323-1000; fax: 212-313-4970

	1991	1990
Premium volume	NA	NA
Gross revenues	\$268,800,000	\$249,600,000
Total employees	2,169	2,156

Founded: 1923.

Parent: Marsh & McLennan Cos. Inc.

Branch offices: New York; Atlanta; Coral Gables, Fla.; Chicago; Hartford, Conn.; Minneapolis; San Francisco.

Subsidiaries: Agencia General de Reaseguros, Madrid, Spain; Balis & Co. Inc., Philadelphia; Carpenter Bowring Ltd., London; Carpenter Bowring Pty. Ltd., Melbourne and Sydney, Australia; Gradmann & Holler-Guy Carpenter GmbH, Munich, Germany; Guy Carpenter & Co. Inc., Seoul, Korea; Guy Carpenter & Co. AS, Copenhagen, Denmark; Guy Carpenter & Co. (Asia) Ltd., Hong Kong; Guy Carpenter & Co. (Canada) Ltd., Toronto; Guy Carpenter & Co. S.A., Brussels, Belgium; Guy Carpenter & Co. (Stockholm) AB, Stockholm, Sweden; Guy Carpenter Italia S.r.l., Trieste, Italy; Guy Carpenter y Cia (Mexico), S.A. de C.V., Mexico City; Guy Carpenter & Cia, S.A., Correduria de Reaseguros, Madrid, Spain; Sellon Associates Inc., White Plains, N.Y.; Union Francaise de Reassurances, Paris.

Acquisitions: Sellon Associates Inc., White Plains, N.Y. (January 1991); Agencia General de Reaseguros, Madrid, Spain; Union Francaise de Reassurances, Paris.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Richard H. Blum, chairman/chief executive officer; Stanley C. Allain; Robert H. Brandon; Robert Clements; C.J.S. Cullum; Clement S. Dwyer Jr.; Simon P. Fisher; William W. Fox Jr.; Edward G. Maher; Anthony C. McCallum; Kenneth J. Mead; Edmund R. Megna Jr.; H.C.L. Prior; Anthony N. Robertson; Don A. Salyer; A.J.C. Smith; Richard E. Smith; Gabriele J. Troiano; G.H.C. Wakefield; Robin C. Watts.

Contact: Gabriele J. Troiano.
Membership: Brokers & Reinsurance Markets Assn.

Herbert Clough Inc.

P.O. Box 10216, 659 E. Main, Stamford, Conn., 06904; 203-328-6585; fax: 203-328-6408

	1991	1990
Premium volume	\$346,929,000	\$330,930,000
% Treaty	98%	96%
% Facultative	2%	4%
Gross revenues	\$9,170,779	\$6,026,185
Total employees	53	53
Treaty	50	50
Facultative	3	3

Founded: 1926.

Parent: General Reinsurance Corp.
Specialties: Property and casualty occurrence excess business, financial reinsurance, accident and health, aviation & marine, workers comp, professional liability.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Alistair D. Johnston, president; Lawrence C. Magnant Jr., vp-brokerage; Kevin F. Fitzgerald, vp-operations.

Contact: Alistair D. Johnston, 203-238-5532.

John B. Collins Associates Inc.

8500 Normandale Lake Blvd., Minneapolis, Minn. 55437; 612-921-3933; fax: 612-921-3940

	1991	1990
Premium volume	\$104,400,000	\$91,800,000
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	15	11
Treaty	15	11

Founded: 1987.

Branch offices: Hartford, Conn.
Specialties: Property, casualty, crop, life, accident, health.

Licensed reinsurance intermediary in: California, Minnesota, New York.

Conducts business: Nationwide.
Officers: John B. Collins, James A. Brost, Daniel J. Burke, Gregory L. Brettingen, principals; Timothy Pawlik, vp.
Contact: Gregory L. Brettingen.

Consolidated Reinsurance Corp.

250 Bel Marin Keys Blvd., Suite F200, Novato, Calif. 94949; 415-883-2020; fax: 415-883-0664

	1991	1990
Premium volume	\$112,013,769	\$83,962,135
% Treaty	72%	60%
% Facultative	28%	40%
Gross revenues	\$984,334	\$780,132
Total employees	4	3
Treaty	2	1
Facultative	2	2

Founded: 1982.

Specialties: Multiple employer trust, medical, dental, stop loss, vision, workers comp.

Licensed reinsurance intermediary in: California.

Conducts business in: California, Nevada, Illinois.
Officers: Robert J. Baratta, president; Nino P. Pedrini, executive vp.
Contact: Nino P. Pedrini.

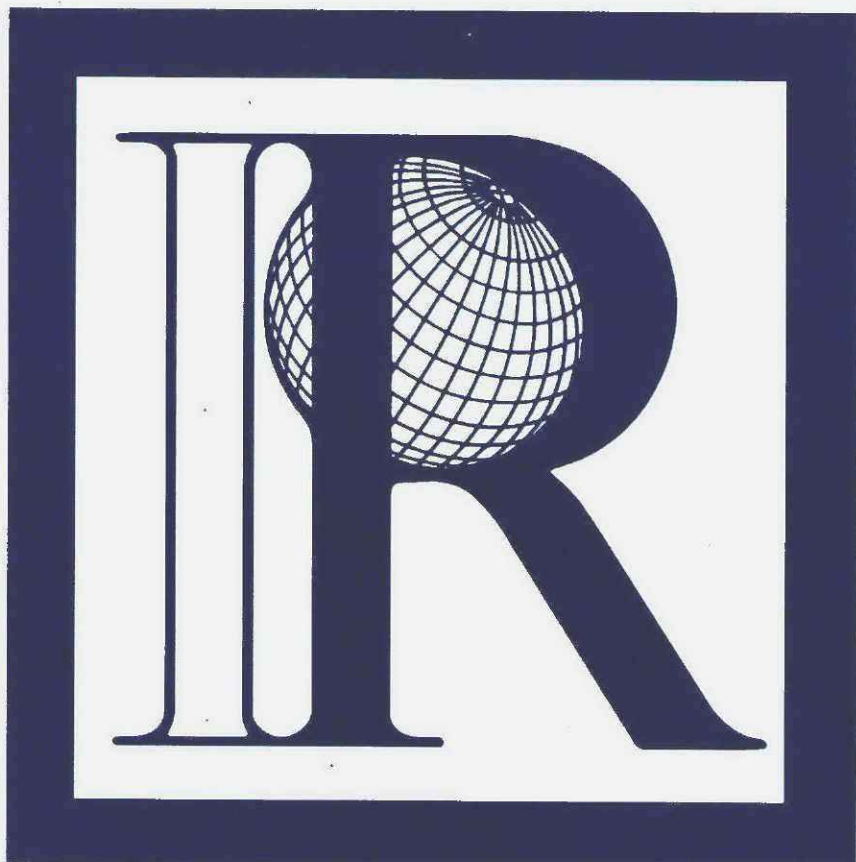
Cooper Gay Steele & Co. Ltd.

120 Wall St., 22nd Floor, New York, N.Y. 10005; 212-248-1150; fax: 212-248-1181

	1991	1990
Premium volume	\$14,500,000	\$13,000,000
% Treaty	10%	10%
% Facultative	90%	90%
Gross revenues	NA	NA
Total employees	17	15
Treaty	3	2
Facultative	6	5

Continued on next page

Intere Intermediaries, Inc.



Reinsurance Intermediaries with offices in Atlanta, Boston, Chicago, Dallas, Philadelphia, San Francisco, Bermuda and New York

New York Office

199 Water Street, New York, New York 10038

(212) 809-3900



RFC INTERMEDIARIES, INC.

TAILORED AWARDS

Continued from previous page
Founded: 1988.
Parent: Cooper Gay (Holdings) Ltd., London.
Branch offices: Cooper Gay & Co. Ltd., London (affiliate).
Specialties: Property including technical lines; casualty; marine and energy; aerospace.
Licensed reinsurance intermediary in: New York.
Conducts business: Worldwide.
Officers: David A. Gay, chairman; R. Patrick Steele, president; Michael R. Jones, Martin E. Shaw, James Kininmonth, directors; Nigel Hooper, secretary/treasurer; Toby C.D. Esser, vp/director; Stephen S. Brewer, vp; Peter Gorman, controller; Jeremy Goodman, assistant vp.
Contact: R. Patrick Steele.

Cravens & Co. Inc.
 555 California St., Suite 3333, San Francisco, Calif. 94104;
 415-433-6161; fax: 415-433-1434

	1991	1990
Premium volume...	NA	NA
Gross revenues...	NA	NA
Total employees...	15	14
Treaty.....	12	12

Founded: 1978.
Specialties: Treaty reinsurance, property and casualty.
Licensed reinsurance intermediary in: California, New York.
Conducts business: Nationwide.
Officers: Hartley D. Cravens, president; James R. Leffler, Michael D. Reynolds, senior vps; Carol C. Cravens, vp; Kenneth R. Davis, treasurer.

R.D. Croak & Associates Inc.
 1670 Fenpark Drive, Fenton, Mo. 63026; 314-349-1234;
 fax: 314-349-3169

	1991	1990
Premium volume...	\$59,321,783	\$37,264,350
% Treaty.....	95%	95%
% Facultative...	5%	5%
Gross revenues...	\$904,905	\$568,437
Total employees...	13	7
Treaty.....	6	3
Facultative...	1	1

Founded: 1977.
Subsidiaries: Reinsurance Associates, St. Louis.
Specialties: Credit life and disability, used car garage liability, non-standard auto, fitness centers.
Licensed reinsurance intermediary in: New York, Illinois.
Conducts business: Nationwide.
Officers: Richard D. Croak, chairman; R. Banks Croak, president; Michael A. Gardner, assistant vp.
Contact: Michael Gardner.

Crump Re
 10 Columbus Blvd., Hartford, Conn. 06106; 203-727-9727;
 fax: 203-293-0755

	1991	1990
Premium volume...	\$120,000,000	\$96,800,000
% Facultative...	100%	100%
Gross revenues...	\$9,400,000	\$7,500,000
Total employees...	69	65
Facultative...	69	65

Founded: 1978.
Parent: Sedgwick Group P.L.C.
Branch offices: Atlanta; Chicago; Dallas; Los Angeles; New York; San Francisco.
Specialties: Property and casualty facultative, international, program business, financial reinsurance.
Licensed reinsurance intermediary in: New York.
Conducts business: Worldwide.
Officers: Salvatore D. Zaffino, chairman/chief executive officer; David Wahl, vp-finance; Edward Stanton, senior vp-claims; Jerry Browning, Jon Goodman, Carl Bach, Jodi Valenti, Tony Corlette, Austin Grout.
Contact: David Wahl.

Cypress Creek Intermediaries Inc.
 300 International Parkway, Suite 190, Heathrow, Fla. 32746;
 407-333-9002; fax: 407-333-9105

	1991	1990
Premium volume...	\$35,000,000	\$37,500,000
% Treaty.....	100%	90%
% Facultative...	NA	10%
Gross revenues...	\$300,000	\$315,000
Total employees...	4	4
Treaty.....	2	2
Facultative...	NA	2

Founded: 1984.
Specialties: Agricultural lines, all coverages: animal mortality, crop hail,

agri-business, specialty business; property catastrophe excess treaties/per risk treaties; accident and health; medical stop loss, excess treaties.
Licensed reinsurance intermediary in: New York, Florida.
Conducts business: Nationwide, European and Canadian inward business.
Officers: Michael T. Pyle, president; Peggy B. Pyle, vp; Andrew Todd Pyle, Laurie Langston, assistant vps; Christine Sullivan, assistant secretary.
Contact: Michael T. Pyle.

D

Delaney Offices Inc.
 215 Elberon Ave., Allenhurst, N.J. 07711; 908-517-0612;
 fax: 908-531-0977

	1991	1990
Premium volume...	NA	NA
Gross revenues...	NA	NA
Total employees...	10	8

Founded: 1954.
Specialties: Excess and pro-rata casualty, property, aviation, marine, financial reinsurance.
Licensed reinsurance intermediary in: New York.
Conducts business: Worldwide.
Officers: William F. Delaney Jr., president.

F

Falcon Re-Insurance Intermediaries Inc.
 790 E. Colorado Blvd., 9th Floor, Pasadena, Calif. 91101;
 818-796-1152; fax: 818-792-5035

	1991	1990
Premium volume...	NA	NA
% Treaty.....	100%	NA
Gross revenues...	NA	NA
Total employees...	3	NA
Treaty.....	2	NA

Founded: 1991.
Parent: Condor Services Inc.
Specialties: Casualty, marine, surety, finite risk.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: K. Mark Russ III, president; Zondra L. Hendrix, chief financial officer.
Contact: K. Mark Russ III.

Financial Reinsurance Inc.
 140 S. Atlantic Ave., Ormond Beach, Fla. 32176; 904-677-4453;
 fax: 904-673-1630

	1991	1990
Premium volume...	\$13,821,226	\$12,586,638
% Treaty.....	93%	93%
% Facultative...	7%	7%
Gross revenues...	NA	NA
Total employees...	5	5
Treaty.....	4	4
Facultative...	1	1

Founded: 1960.
Parent: Ormond Re Group Inc.
Subsidiaries: W.J. Burt & Associ-

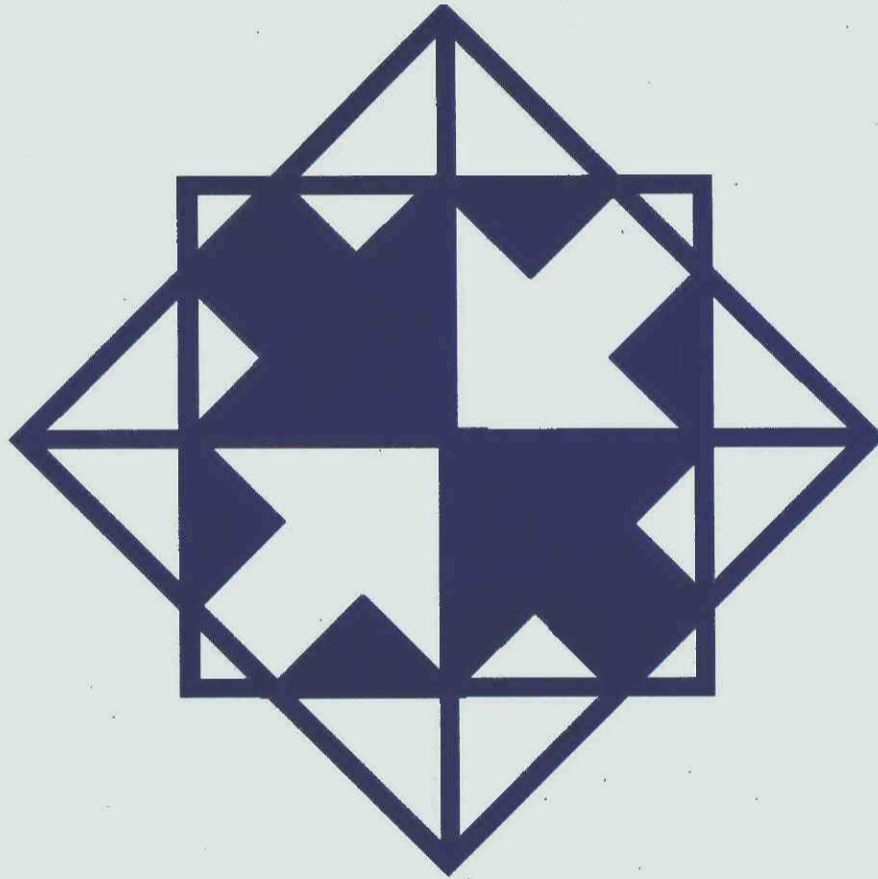
ates Inc., New York.
Specialties: Crop hail.
Licensed reinsurance intermediary in: New York, Florida.
Conducts business: Nationwide.
Officers: W. Lockwood Burt, president; David A. Burt, John B. Deiner, executive vps; A.L. DiPardo, senior vp-claims; William T. Long, vp/controller-reinsurance accounting.
Contact: John B. Deiner.

First Reinsurance Intermediaries Corp.
 55 John St., New York, N.Y. 10038;
 212-608-8270; fax: 212-619-0480

	1991	1990
Premium volume...	\$50,000,000	\$50,000,000
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees...	5	5
Treaty.....	5	5

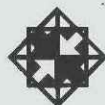
Founded: 1973.
Parent: Risk Distribution Services Inc.
Specialties: Financial reinsurance.
Continued on next page

RFC INTERMEDIARIES, INC.



Facultative Reinsurance Intermediaries
 with offices in Atlanta, Chicago, Dallas, Hartford, New York,
 Philadelphia, and San Francisco.

New York Office
 199 Water Street, New York, New York 10038
 (212) 809-3900



RFC INTERMEDIARIES, INC.

TAILORED AWARDS

Spotlight report

Continued from previous page
Licensed reinsurance intermediary in: New York.
Conducts business in: New York, New Jersey.
Officers: Stephen M. Edwards, president; Paul G. Curtis, vp.
Contact: Stephen M. Edwards.

H.S. Fox Corp.

8222 Douglas Ave., Suite 400,
 Dallas, Texas 75225;
 214-369-2211; fax: 214-369-8380

	1991	1990
Premium volume	\$260,000,000	\$240,000,000
% Treaty	100%	100%
Gross revenues	\$6,200,000	\$6,000,000
Total employees	27	26
Treaty	27	26

Founded: 1985.
Specialties: Special health risks, professional liability.
Licensed reinsurance intermediary in: New York, Texas.
Conducts business in: New York, Texas.
Officers: Donald M. Fox, president; Robert C. Henderson, Alan R. Sheppard, executive vps; Donald C. Blackburn, Larry L. Collins, Robert M. Hodge, senior vps; Anne Marie Roberts, Katy Kidwell Brandon, Robert F. McGarry, Diana Rhodes Wickman, C. Douglas Westbrook, vps; Peter A. Fries, treasurer; Shelley M. Buehrle, assistant treasurer; Janice M. Carroll, Shirley B. Kirk, assistant secretaries.
Contact: Donald C. Blackburn.

C.L. Frates Reinsurance Intermediary Inc.

2 Greenwich Plaza, Greenwich,
 Conn. 06830-6353; 203-622-4433;
 fax: 203-622-0777

	1991	1990
Premium volume	\$23,000,000	\$23,000,000
% Treaty	100%	100%
Gross revenues	\$1,016,000	\$1,001,000
Total employees	4	4
Treaty	4	4

Founded: 1986.
Branch offices: C.L. Frates & Co. Inc. (affiliate).

Specialties: Casualty, fidelity, professional liability.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: Albert P. Amato, senior vp.

G

GFN Intermediaries Inc.

30 Broad St., New York, N.Y.
 10004; 212-509-6210;
 fax: 212-509-6652

	1991	1990
Premium volume	\$43,225,000	\$39,800,000
% Treaty	60%	65%
% Facultative	40%	35%
Gross revenues	\$1,729,000	\$1,592,000
Total employees	11	15
Treaty	6	9
Facultative	5	6

Founded: 1985.
Parent: GFN Corp.
Subsidiaries: GFN Intermediarios de Reaseguro, S.A., Mexico City.
Specialties: Property and casualty, life, accident and health, domestic and international treaty and facultative.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: Orlando L. Marini, president/chief executive officer; Ralph Luna, executive vp; Joe Corelli, Elizabeth Agurto, Carole Carlson, vps; Magdalena Barragan and Socrates Pichardo, assistant vps.

Arthur J. Gallagher Intermediaries Inc.

111 John St., Suite 1912, New
 York, N.Y. 10038; 212-732-9855;
 fax: 212-619-7957

	1991	1990
Premium volume	\$25,750,000	\$21,165,000
% Treaty	18%	12%
% Facultative	82%	88%
Gross revenues	NA	NA
Total employees	22	22
Treaty	3	3
Facultative	18	18

Founded: 1987.
Parent: Arthur J. Gallagher & Co.
Subsidiaries: Arthur J. Gallagher International Inc., Cranston, R.I.; Gallagher Plumer Ltd., London; Arthur J. Gallagher Intermediaries (Bermuda) Ltd., Hamilton, Bermuda.
Specialties: Facultative property, casualty, programs, financial reinsurance; domestic credit; export credit; marine; international property and political risk treaty.
Licensed reinsurance intermediary in: New York, Rhode Island, Illinois.
Conducts business: Nationwide.
Officers: Robert L. Osborne Jr., president; Randall S. Jensen, Edward Santos, executive vps; Joe DeChristofaro, vp; Kevin Denzke, John O'Reilly, assistant vps; Peter Blume, assistant secretary.
Contact: Robert Osborne Edward Santos, 212-791-2700.

Arthur J. Gallagher Intermediaries (Bermuda) Ltd.

P.O. Box HM 2000, Hamilton HM
 HX, Bermuda; 809-292-4654;
 fax: 809-292-8231

	1991	1990
Premium volume	\$17,000,000	\$14,250,000
% Treaty	5%	5%
% Facultative	95%	95%
Gross revenues	\$1,300,000	\$1,100,000
Total employees	5	5
Treaty	1	1
Facultative	4	4

Founded: 1972.
Parent: Arthur J. Gallagher & Co.
Specialties: Reinsurance, self-insurance mechanisms including financial and finite risk reinsurance.
Licensed reinsurance intermediary in: Bermuda.
Conducts business: Nationwide.
Officers: David J. McManus, president; Wayne L. Brown, vp-brokering; Peter J. Mullen, vp-production.
Contact: Peter J. Mullen.

Gardner Mountain Barr Inc.

17 State St., New York, N.Y. 10004;
 212-514-8000; fax: 212-514-8027

	1991	1990
Premium volume	\$2,500,000	\$1,500,000
% Treaty	30%	30%
% Facultative	70%	70%
Gross revenues	NA	NA
Total employees	4	3
Treaty	1.5	1
Facultative	1.5	1

Founded: 1979.
Parent: Hogg Group P.L.C.
Branch offices: GMB, London; GMB Inc., New York.
Specialties: Financial institution bonds, commercial crime insurance, directors & officers, kidnap & ransom, computer theft, financial guarantees, political risk, contingency, one-off risks.
Licensed reinsurance intermediary in: New York.
Conducts business: Worldwide.
Officers: Christopher J. Barr, president; Michael Fogarty, vp; Tina Jaggs, director.
Contact: Michael Fogarty.

Gill & Roeser Inc.

535 Fifth Ave., New York, N.Y.
 10017; 212-972-4880;
 fax: 212-972-4885

	1991	1990
Premium volume	NA	NA
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	11	11
Treaty	11	11

Founded: 1983.
Specialties: Finite risk reinsurance, spread loss reinsurance, traditional reinsurance.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: Ardian Gill, chairman; Kirk Roeser, president; Steven Bolland, David Koegel, senior vps.
Contact: Robert Kaufman, president, Creative Strategies Inc., 25 W. 39th St., New York, N.Y. 10018, 212-302-2080.

Greig Fester Inc.

1 Liberty Plaza, 165 Broadway,
 New York, N.Y. 10006;
 212-227-1600; fax: 212-227-0500

	1991	1990
Premium volume	\$60,000,000	\$60,000,000
% Treaty	95%	97%
% Facultative	5%	3%
Gross revenues	NA	NA
Total employees	34	27
Treaty	30	23
Facultative	4	4

Founded: 1981.
Parent: Greig Fester Ltd.
Branch offices: Minneapolis, Chicago.
Subsidiaries: Ashwood Intermediaries Inc., New York.
Specialties: Property, casualty, credit and surety treaty business, casualty facultative.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: Michael Simmonds, chairman/president; Drew Beauchamp, Tim J. Poeton, executive vps; Frank J. Lyons, vp, treaty; Christopher Guzman, Robert J. Tanguay, Michael E. Standing, assistant vps, treaty; Gregory E. Bliss, assistant secretary, treaty; Joseph R. Curcio, senior vp, facultative; James G. Cerreta, Richard D. Stary, vps, facultative; Thomas J. West, assistant secretary, facultative; Patrick Denzer, Timothy Lenker, vps, agricultural; R. Bebe Hayes, assistant vp, agricultural.
Contact: Drew Beauchamp.
Membership: Brokers & Reinsurance Markets Assn.

H

H&H Re-Insurance Brokers Ltd.

P.O. Box HM 1861, Chevron
 House, 11 Church St., Hamilton,
 Bermuda; 809-295-3342;
 fax: 809-295-4065

	1991	1990
Premium volume	\$9,500,000	\$9,500,000
% Treaty	90%	90%
% Facultative	10%	10%

Continued on next page

For Many Insurers, Defining The "Typical" Older American Is A Real Challenge.



Anybody who thinks the older-age market consists solely of grey-haired people in rocking chairs needs to take another look. Plenty of today's 70-year-olds prefer scuba diving to checkers. And they don't even own a pair of orthopedic shoes.

New wrinkles for insurance.

Many insurers are developing new products to tap the potential of this new market. From long-term care policies to accelerated benefits riders. Others are trying to figure out how to approach traditional products for the older ages.

Some of these companies, however, are getting expert help. They're the reinsurance clients of Lincoln National. They know we can help with the thorny issues. Namely, how will your underwriters assess the functional and cognitive capabilities of a 71-year-old? How do you know what "standard" morbidity and mortality should be?

You can't play by the old rules anymore.

Lincoln National offers you new resources in developing a sound program for the older-age market. Our long-term care underwriting manual, for example. Special older-age life underwriting guidelines. Not to mention consultative help from experienced pricing specialists, underwriters and medical directors.

In tough times like these, you should expect more from your reinsurer. Including support in emerging markets. To find out more, call Joanne Collins, Director of Marketing, at 1-800-441-3989 or your Lincoln National account executive.

LINCOLN NATIONAL REINSURANCE
 A part of LINCOLN NATIONAL CORPORATION
 The Reinsurance Resource.
 1300 S. Clinton St. • Fort Wayne, Indiana 46801

Continued from previous page

	1991	1990
Gross revenues...	NA	NA
Total employees...	8	8

Founded: 1977.
Specialties: Reinsurance for domestic specialty companies and self insured programs including captives, risk retention groups and qualified self insured funds.

Licensed reinsurance intermediary in: Bermuda.

Conducts business in: Bermuda.
Officers: Simon C. Everett, president; W.H. Outerbridge, vp.

Heddington Brokers Ltd.

P.O. Box HM 1187, Hamilton HM EX, Bermuda; 809-295-3063; fax: 809-292-3548

	1991	1990
Premium volume...	NA	NA
% Facultative...	95%	95%
Gross revenues...	NA	NA
Total employees...	18	18

Founded: 1981.
Parent: Heddington Insurance Ltd., Willis Corroon P.L.C.

Subsidiaries: Willis Corroon Heddington Ltd., London.

Officers: R.C. Golden, president/ chief executive officer; M. Dobbie, senior vp; M.G. Randall, vp; J.O. Heyliger, assistant vp.

Membership: Brokers & Reinsurance Markets Assn.

G.L. Hodson & Son Inc.

Wall Street Plaza, New York, N.Y. 10005-1843; 212-344-7600; fax: 212-344-4646

	1991	1990
Premium volume...	\$442,000,000	\$335,000,000
% Treaty...	95%	90%
% Facultative...	5%	10%
Gross revenues...	\$25,000,000	\$23,500,000
Total employees...	203	195
Treaty...	193	180
Facultative...	10	15

Founded: 1924.
Parent: Willis Corroon Group P.L.C.

Branch offices: Burlington, N.C.; Atlanta; Minneapolis; San Francisco; Calabasas, Calif.

Acquisitions: Reinsurance Alternatives Inc., Minneapolis (April 1992).

Specialties: Life, accident and health; marine; commercial auto; aviation; surety and fidelity; medical malpractice; lawyers professional liability; agricultural; municipal liability; workers comp.

Licensed reinsurance intermediary in: Arizona, California, Minnesota, New York, Texas.

Conducts business: Nationwide.
Officers: Stephen A. Crane, president/ chief executive officer; Horace M. Johnson, George P. Reeth, Richard E. Swager, executive vps; Terrance K. Russell, Neill A. Currie, Robert E. Hykes, senior vps.

Contact: Stephen A. Crane.
Membership: Brokers & Reinsurance Markets Assn.

* BI estimate.

Holborn Agency Corp.

90 John St., New York, N.Y. 10038; 212-267-0224; fax: 212-964-0919

	1991	1990
Premium volume...	NA	NA
Gross revenues...	NA	NA
Total employees...	44	40
Treaty...	44	40

Founded: 1920.
Specialties: Property and casualty reinsurance.

Licensed reinsurance intermediary in: New York.

Officers: John N. Gilbert Jr., president; James A. Cathcart III, executive vp; Joseph N. Gaffney, senior vp.

Membership: Brokers & Reinsurance Markets Assn.

I

IOC Reinsurance Brokers Ltd.

67 Yonge St., Suite 902, Toronto, Ontario M5E 1J8; 416-863-6665; fax: 416-863-3961

	1991	1990
Premium volume...	\$45,000,000	\$40,000,000
% Treaty...	90%	90%
% Facultative...	10%	10%
Gross revenues...	NA	NA
Total employees...	14	14
Treaty...	8	8
Facultative...	2	2

Founded: 1980.
Parent: Minet Re.
Officers: Bob Inksater, Joe O'Connell, director
Contact: Michael Dodd, vp-finance and administration.

Independent Brokers Ltd.

20 Reid St., P.O. Box HM2070, Hamilton HM HX, Bermuda; 809-295-1546; fax: 809-292-8062

	1991	1990
Premium volume...	\$3,106,000	\$5,250,000
% Treaty...	43%	80%
% Facultative...	57%	20%
Gross revenues...	\$124,000	\$145,000
Total employees...	7	10
Treaty...	2	2
Facultative...	2	2

Founded: 1984.
Parent: Independent Management Group Ltd.

Specialties: Medical malpractice.
Licensed reinsurance intermediary in: Bermuda.

Conducts business in: Bermuda.
Officers: Peter J.N. Strong, president.

Continued on next page

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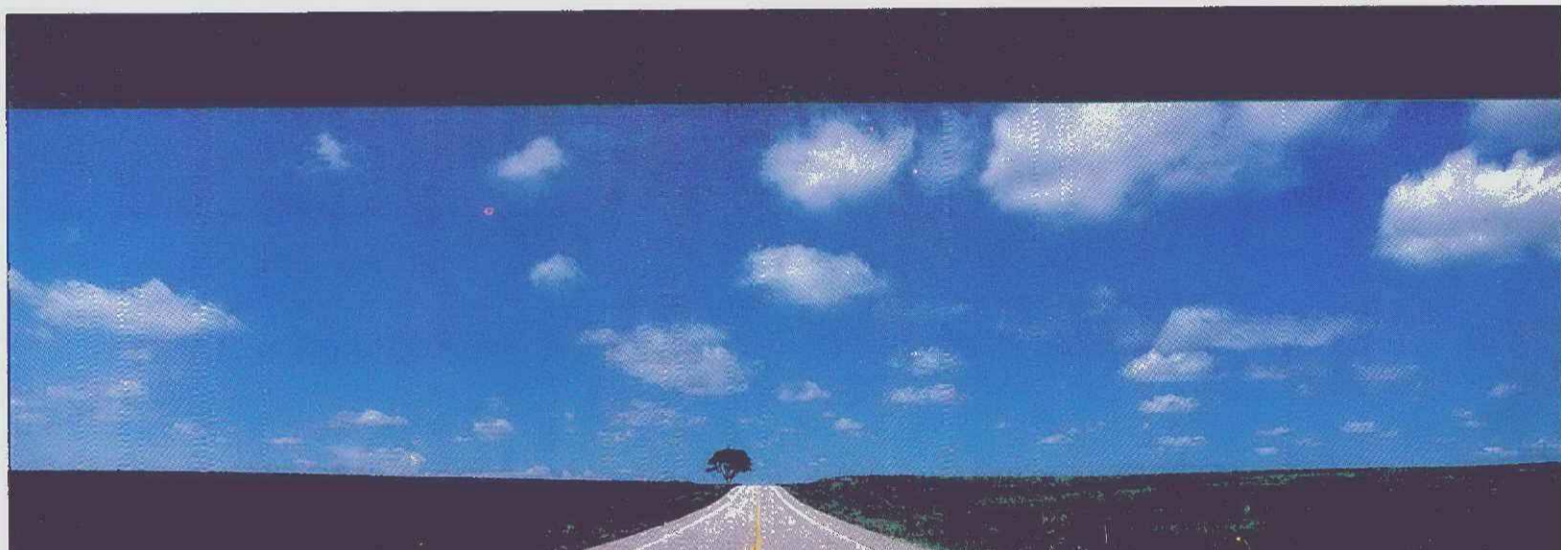
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Spotlight report

Continued from previous page

Industrial Re International Inc.
1 Wall Street Court, Suite 403, New York, N.Y. 10005; 212-425-4683; fax: 212-425-4340

	1991	1990
Premium volume	\$6,500,000	\$4,500,000
% Treaty	10%	10%
% Facultative	90%	90%
Gross revenues	NA	NA
Total employees	8	7
Treaty	2	2
Facultative	3	3

Founded: 1987.
Branch offices: Miami.
Specialties: All marine and non-marine classes.
Licensed reinsurance intermediary in: New York.
Conducts business in: New York, Miami.
Officers: Rene Gutierrez, president; Richard F. Durett, Dr. Isidro Oviedo, directors; Francisco Padilla, chief financial officer.

Intere Intermediaries Inc.

199 Water St., New York, N.Y. 10038; 212-809-3900; fax: 212-514-5959

	1991	1990
Premium volume	\$486,000,000	\$435,000,000
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	176	182
Treaty	176	182

Founded: 1919.
Parent: Minet Re North America Inc.
Branch offices: New York; Itasca, Ill.; Philadelphia; Topsfield, Mass.; San Francisco; Atlanta; Dallas.
Subsidiaries: Intere (Bermuda) Ltd., Hamilton, Bermuda.
Specialties: Property and casualty; marine and aviation; life, accident and health; domestic and international.
Licensed reinsurance intermediary in: New York, Georgia, California, Illinois, Pennsylvania, Texas.
Conducts business in: New York, Georgia, Pennsylvania, California, Illinois, Texas, Massachusetts.
Officers: Daniel Colello, president/CEO/COO; Wallace Winter, vice chairman; Michael Woll, senior executive vp/

chief administrative officer; Thomas McGrath III, senior executive vp; Albert Devon Jr., Kenneth Fewell, Brian Keegan, executive vps; Charles Caporale, senior vp/treasurer; Robert Mendes, senior vp/general counsel; Ronald Fazio, senior vp/secretary; Ronald Molatto, Thomas Kelley, Arthur Schuessler, senior vps; Robert Race, vp; Robert Hedges, president-Intere (Bermuda) Ltd.

Contact: Daniel R. Colello.
Membership: Brokers & Reinsurance Markets Assn.

J

JBW & Co. Inc.

1450-C Enea Circle, Suite 690, Concord, Calif. 94520; 510-680-8060; fax: 510-680-1421

	1991	1990
Premium volume	\$27,700,000	\$21,500,000
% Treaty	100%	100%
Gross revenues	\$1,400,000	\$1,600,000
Total employees	24	26
Treaty	24	26

Founded: 1980.
Parent: Concord General Corp.
Branch offices: Newark, Ohio; East Meadow, New York; Edison, N.J.; Dallas.

Specialties: General property and casualty including auto liability and physical damage, limited accident and health.

Licensed reinsurance intermediary in: New York, Texas.

Conducts business in: California, Georgia, Florida, Illinois, Texas, Ohio.

Officers: Roland Roth, president; Phil Russo, Tom Thie, executive vps; Peter Norton, Gary Christensen, Don Nixon, John Broadnax, Ed Lukco, Phil Cawley, senior vps; Terry Qusted, vp.
Contact: Peter Norton.

J&H Intermediaries

P.O. Box HM 68, Victoria Hall, Victoria St., Hamilton HM AX, Bermuda; 809-292-1552; fax: 809-292-2091

	1991	1990
Premium volume	NA	NA
Gross revenues	NA	NA
Total employees	25	22

Founded: 1978.
Parent: Johnson & Higgins.
Specialties: Direct offshore alternative market excess liability, directors and officers, professional and fiduciary liability, facultative reinsurance and captive orientated reinsurance programs, financial reinsurance and derivative products.

Licensed reinsurance intermediary in: Bermuda.

Conducts business: Worldwide.

Officers: Brian R. Hall, chairman; L. John Goldberg, senior vp/manager; Richard Reynell, Cathy Lord, Tony Hay, vps.

J.B. Johnson Intermediary Inc.

1776 Woodstead Court, Suite 228, P.O. Box 7508, The Woodlands, Texas 77387; 713-292-4023; fax: 713-292-1106

	1991	1990
Premium volume	\$25,000,000	\$24,000,000
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	4	4
Treaty	4	4

Founded: 1979.
Specialties: Life, accident and health, occupational accident, self-funded.

Licensed reinsurance intermediary in: New York.

Conducts business in: New Jersey, Pennsylvania, Kentucky, Florida, Georgia, New Mexico, Texas, Oklahoma, Louisiana, Arizona, Utah.

Officers: Joel B. Johnson II, president; Molly K. Johnson, secretary/treasurer.
Contact: Joel B. Johnson II.

K

J.L. Kelley Inc.

784 Franklin Ave., Franklin Lakes, N.J. 07417; 201-891-7920; fax: 201-891-6956

	1991	1990
Premium volume	NA	NA
% Treaty	99%	92%
% Facultative	1%	8%
Gross revenues	NA	NA
Total employees	25	25
Treaty	22	20
Facultative	3	5

Founded: 1975.
Parent: Kelley Holdings Inc.
Branch offices: Chicago.

Specialties: Property, casualty, accident and health, life and marine treaty, casualty facultative.

Licensed reinsurance intermediary in: New York, Minnesota, Texas.

Conducts business: Nationwide.
Officers: Joseph L. Kelley, chairman; David Gilligan, president/chief executive officer; Bernard J. Bowden, executive vp.

Kirkway International Ltd.

Belvedere Building, Pitts Bay Road, P.O. Box HM 2340, HM JX, Hamilton, Bermuda; 809-292-7569; fax: 809-292-3299.

	1991	1990
Premium volume	NA	NA
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	2	2
Treaty	2	2

Founded: 1982.
Specialties: Captive reinsurance, financial and finite reinsurance, self insured workers compensation reinsurance, surety reinsurance, low level casualty reinsurance.

Licensed reinsurance intermediary in: Bermuda.

Officers: Michael Woodroffe, president.

L

Le Blanc de Nicolay U.S. Inc.

140 E. 45th St., New York, N.Y. 10017; 212-972-7090; fax: 212-687-4852

	1991	1990
Premium volume	\$45,000,000	\$50,000,000
% Treaty	100%	100%
Gross revenues	\$811,958	\$800,292
Total employees	7	6
Treaty	7	6

Founded: 1986.
Continued on next page



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Hamilton, Bermuda HM HX

Telephone: 809-292-4006

Facsimile: 809-292-3686

Continued from previous page
Parent: Le Blanc de Nicolay Reinsurance, Paris.

Specialties: Property and casualty risks; life, accident and health risks; credit and financial risks; international risks; marine and aviation risks.

Licensed reinsurance intermediary in: New York.

Officers: Gilles Lorans, president; Frank McCranie, executive vp; William H. Asay, vp; Ryoko Mochizuki, assistant vp; Xanthe Kaldis, assistant secretary.

W.J. Lehrke Co.

6600 France Ave. S., Edina, Minn. 55435; 612-920-1667; fax: 612-920-2039

	1991	1990
Premium volume	NA	NA
% Treaty	95%	95%
% Facultative	5%	5%
Gross revenues	NA	NA
Total employees	10	10
Treaty	6	6
Facultative	1	1

Founded: 1973.
Licensed reinsurance intermediary in: New York, Minnesota.

Conducts business in: Midwest.
Officers: Thomas A. Lehrke, president; Soren P. Sorensen III, vp; Mark F. Noack, broker; Marilyn J. Olesen, assistant treasurer; Muriel L. Christoferson, assistant secretary; Walter J. Lehrke, secretary.

Contact: Thomas A. Lehrke.

Edward Lloyd Ltd.

100 Mennick Road, Suite 510 W., Rockville Centre, N.Y. 11570; 516-763-9320; fax: 516-763-6722

	1991	1990
Premium volume	\$7,000,000	NA
% Treaty	5%	NA
% Facultative	95%	NA
Gross revenues	\$500,000	NA
Total employees	3	NA

Founded: 1983.
Parent: Lowndes Lambert Group Holdings Ltd.

Specialties: International.
Licensed reinsurance intermediary in: New York.
Officers: John Mammix, president.

Stephen J. Lockwood & Co.

401 Edgewater Place, Wakefield, Mass. 01880; 617-245-4559; fax: 617-245-0052

	1991	1990
Premium volume	\$87,000,000	\$76,000,000
% Treaty	97%	97%
% Facultative	3%	3%
Gross revenues	NA	NA
Total employees	11	11
Treaty	11*	11*
Facultative	11*	11*

* All employees perform both treaty and facultative work.

Founded: 1977.
Parent: LDG Management Co. Inc.
Branch offices: New York.

Specialties: Occupational accident, aviation, workers compensation carve out, specific and aggregate medical stop loss, special risk accident and health.

Licensed reinsurance intermediary in: Massachusetts, New York, Illinois.

Conducts business: Worldwide.
Officers: Stephen J. Lockwood, president; Carolyn A. Kirwin, Robert E. LaPorta, Donald V. Reilly, senior vps; Jerilynn M. Ross, vp.
Contact: Jerilynn M. Ross.

M

Manhattan Intermediaries Inc.

45 John St., Room 906, New York, N.Y. 10038; 212-608-1849; fax: 212-406-9186

	1991	1990
Premium volume	NA	NA
Gross revenues	NA	NA
Total employees	1	1

Founded: 1989.
Specialties: Financial guarantee and surety, portfolio reinsurance, international.

For an explanation of directory terms and criteria see directory guide, page 38.

Licensed reinsurance intermediary in: New York.

Conducts business in: New York.
Officers: Rachel Treichler, president.

Meadowbrook Intermediaries Inc.

276 Fifth Ave., Suite 406, New York, N.Y. 10001; 212-545-1555; fax: 212-545-1810

	1991	1990
Premium volume	NA	NA
Gross revenues	NA	NA
Total employees	5	5

Founded: 1985.
Parent: Meadowbrook Inc.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Joseph Fahys, president.

Medical Risk Intermediaries Inc.

9475 Deereco Road, Suite 310, Timonium, Md. 21093; 410-561-4917; fax: 410-561-8221

	1991	1990
Premium volume	\$19,576,000	\$14,500,000
% Treaty	100%	100%
Gross revenues	\$979,000	\$725,000
Total employees	24	20
Treaty	4	2

Founded: 1989.

Specialties: Accident and health, life, specialty accident and health sub-lines.

Conducts business: Nationwide.
Officers: Bryan S. Reid III, president; Elizabeth D. Mariner, senior vp; Erin L. Bennett, vp.

N

National Intermediaries Inc.

777 Long Ridge Road, Stamford, Conn. 06904; 203-329-7700; fax: 203-329-9027

	1991	1990
Premium volume	NA	NA
Gross revenues	NA	NA
Total employees	5	4

Founded: 1976.
Parent: National Reinsurance Corp.

Licensed reinsurance intermediary in: New York.

Officers: Robert W. Eager, chairman and president; Carl Zuanelli, executive vp and managing director; James Brautigam, vp; Renee Walter, assistant secretary.

Contact: Carl Zuanelli.

Continued on next page

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Continued from previous page

P

PWS Holdings P.L.C.

52-56 Minories, London, England
 EC3N 1JJ; 44-71-480-6622;
 fax: 44-71-702-1689

	1991	1990
Premium volume	\$450,000,000	\$525,000,000
% Treaty	12%	11%
% Facultative	88%	89%
Gross revenues	\$32,500,000	\$32,500,000
Total employees	276	320
Treaty	20	20
Facultative	60	50

Founded: 1964.
Branch offices: New York; London; St. Peter Port, Guernsey; Hamilton, Bermuda; Copenhagen, Denmark; Warsaw and Lodz, Poland; Singapore.
Subsidiaries: PWS International, London; PWS North America, London; PWS Energy, London; PWS USA Inc., New York; Thurgood,

Farmer & Hackett, London; PWS Overseas Holdings, New York, London; PWS Life & Pensions, London; PWS International Poland S.A., Warsaw, Poland; PWS South Africa PTY., Capetown, South Africa; Burns-Crosson Ltd, Manchester, England; and PWS Asia Pacific, Singapore.

Acquisitions: PWS International Poland S.A., Warsaw and Lodz, Poland (February 1991); PWS Asia Pacific, Customs House, Singapore (December 1991); Burns-Crosson Ltd., J.K. (May 1992).

Specialties: International property and casualty, U.S. domestic property and casualty, international property and casualty treaty, accident and health facultative and treaty, international and domestic energy, aviation, excess of loss, directors and officers, financial, Canadian binders, marine insurance services.

Licensed reinsurance intermediary in: New York.

Conducts business: Worldwide.
Officers: C.E. Aman III, director/
 vp-PWS USA Inc.; Peter J. English,

group managing director; Kevin Hubbard, international director.

Contact: Charles E. Aman III, 212-791-9350; Peter J. English or Kevin Hubbard, 44-71-480-6622.

Pearson & Georgi International Inc.

117 Washington St., Hoboken, N.J.
 07030; 201-656-0800;
 fax: 201-656-3412

	1991	1990
Premium volume	\$87,200,000	\$86,000,000
% Treaty	90%	90%
% Facultative	10%	10%
Gross revenues	\$2,230,000	\$2,100,000
Total employees	30	30
Treaty	24	24
Facultative	6	3

Founded: 1979.

Parent: Pearson & Georgi Holdings Inc.

Subsidiaries: Pearson & Georgi (Europe) Ltd., Athens, Greece; Pearson & Georgi (Hellas) S.A., Athens, Greece; Pearson & Georgi (S.E. Asia) Inc., Manila, Philippines.

Specialties: Accident and health, workers comp, marine reinsurance,

all classes of property and casualty reinsurance.

Licensed reinsurance intermediary in: New York, New Jersey.
Conducts business: Worldwide.

Officers: Fred H. Pearson, chairman; Ernest G. Georgi, president; chief executive officer; Joseph A. Zaffarese, managing director; Rodolfo A. Agatep, executive vp; Aret Tasciyan, Lena Culpepper, Philip Salinardi Jr. vps; John Locke, managing director-Pearson & Georgi (Europe) Ltd.; Yannis Linos, managing director PG (Hellas) S.A.; Constancia B. Diaz, managing director-P.G. (S.E.A.) Inc.

Donald B. Peat & Associates Inc.

406 Sarasota Quay, Sarasota, Fla.
 34235; 813-957-3997;
 fax: 813-955-2148

	1991	1990
Premium volume	NA	NA
Gross revenues	NA	NA
Total employees	4*	NA
Treaty	2*	NA

* 1992 figures.

Founded: 1992.

Specialties: Property, casualty, life, accident and health.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Donald B. Peat, president.

Pegasus Advisors Inc.

Tower Business Park, 86
 Hopmeadow St., P.O. Box 398,
 Simsbury, Conn. 06070;
 203-651-0641; fax: 203-658-5470

	1991	1990
Premium volume	NA	NA
% Treaty	100%	100%
Gross revenues	\$1,210,000	\$550,000
Total employees	5	3
Treaty	5	3

Founded: 1989.

Parent: Skandia America Corp.
Specialties: Finite risk transactions.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Greg Leonard, president; Larry Frank, vp; Joe Abbot, assistant vp.

Contact: Rose Komanetsky.

Peglar & Associates Inc.

100 Prospect St., Stamford, Conn.
 06901; 203-325-0863;
 fax: 203-359-2658

	1991	1990
Premium volume	NA	NA
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	15	16
Treaty	15	16

Founded: 1986.

Branch offices: Philadelphia.
Specialties: Property and casualty treaty reinsurance.

Licensed reinsurance intermediary in: New York.

Conducts business in: California, Colorado, Connecticut, Florida, Georgia, Illinois, Massachusetts, Missouri, New Jersey, New Mexico, New York, Pennsylvania, Texas.

Officers: Robb K. Peglar, president/chief executive officer; Charles A. Morton, secretary/treasurer/chief financial officer; Michael J. Moran, vp; George F. Baumann, vp; Vern W. Ismen, associate director.

Contact: Meredith B. DiLeo, office manager.

Preferred Reinsurance Intermediaries Inc.

14 Monckton Blvd., Columbia, S.C.
 29206; 803-790-4800;
 fax: 803-790-4825

	1991	1990
Premium volume	\$72,000,000	\$65,000,000
% Treaty	100%	100%
Gross revenues	NA	NA
Total employees	21	15
Treaty	21	15

Founded: 1983.

Branch offices: Port Washington, N.Y.; Woodland Hills, Calif.

Licensed reinsurance intermediary in: New York.

Conducts business: Worldwide.
Officers: Robert H. Sanders, president; Karen N. Basso, senior vp; David L. Coulter, Robert P. Hodson, Veritha W. Lee, Kevin M. Elmore, S. Oliver Hines, vps.

Contact: Charles W. Perry.

R

RBI Insurance Services

908 Pompton Ave., P.O. Box 308,
 Cedar Grove, N.J. 07009;
 201-857-1466; fax: 201-857-1487

	1991	1990
Premium volume	NA	NA
% Treaty	70%	70%
% Facultative	30%	30%
Gross revenues	NA	NA
Total employees	4	4

Founded: 1978.

Specialties: Premature infant reinsurance facility; stop/loss coverage and risk transfer for life, health, HMOs and PPOs; fronting programs and creation of insurance entities for health providers.

Continued on next page

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Continued from previous page
Licensed reinsurance intermediary in: New York.
Conducts business in: New York, New Jersey, Pennsylvania.
Officers: Paul Wolf, president.

RFC Intermediaries Inc.

1117 Perimeter Center West,
 Atlanta, Ga. 30338; 404-392-9541;
 fax: 404-392-1464

	1991	1990
Premium volume.	\$120,000,000	\$120,000,000
% Facultative.	100%	100%
Gross revenues...	NA	NA
Total employees...	85	96
Facultative...	85	96

Founded: 1972.
Parent: Minet Re North America Inc.

Branch offices: Atlanta; Itasca, Ill.; Hartford, Conn.; Philadelphia; Dallas; San Francisco; New York.

Specialties: Domestic and international facultative reinsurance.

Licensed reinsurance intermediary in: New York, California, Illinois, Pennsylvania, Georgia.

Conducts business in: New York, California, Georgia, Texas, Connecticut, Illinois, Pennsylvania, Minnesota.

Officers: Daniel R. Colello, president/chief executive officer; Michael G. Woll, senior vp/chief administrative officer; Robert L. Mendes, senior vp/general counsel; Charles M. Caporale, senior vp/treasurer; Albert J. Devon Jr., Kenneth R. Fewell, Thomas F. McGrath III, Nicholas Mesogiones, Robert Mikalouskas, senior vp; Jeffrey C. Gurtler, Patrick Meagher, vps.

Contact: Daniel R. Colello, 212-809-3900.

Re/Insurance Brokers Inc.

100 Brookwood Place, Suite 605,
 Birmingham, Ala. 35209;
 205-871-4949; fax: 205-871-4950

	1991	1990
Premium volume.	\$9,340,000	NA
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees...	2	3
Treaty.....	2	3

Founded: 1990.
Specialties: Professional liability, accident and health disability, financial reinsurance.
Conducts business: Nationwide.
Officers: Dale Busby, president.

Reinsurance Brokers Co.

3545 N. I-10 Service Road, Suite 300,
 Metairie, La. 70002;
 504-455-4545; fax: 504-888-6645

	1991	1990
Premium volume.	\$3,000,000	\$4,900,000
% Facultative.	100%	100%
Gross revenues...	\$100,000	\$125,000
Total employees...	4	4
Facultative...	4	4

Founded: 1982.
Parent: Hilb, Rogal & Hamilton Co. of Louisiana.

Specialties: Property, casualty, marine, aviation, international.

Licensed reinsurance intermediary in: Louisiana.

Conducts business in: Most U.S. states, Europe, Bermuda.

Officers: J. William Sherar, division president; James A. Gardner, William G. Sherar, vps; Virginia M. Baber, assistant vp.

ReSOURCE Intermediary Group Ltd.

200 Berwyn Park, Suite 110,
 Berwyn, Pa. 19312; 215-647-9500;
 fax: 215-647-4329

	1991	1990
Premium volume.	\$142,700,000	\$147,850,000
% Treaty.....	100%	100%
Gross revenues...	\$1,971,041	\$2,114,000
Total employees...	24	22
Treaty.....	16	15

Founded: 1987.
Acquisitions: Intervest Financial Services Inc. (February 1992), Cross-Com Trading Network Inc. (May 1992).
Specialties: Life, health, property and casualty reinsurance, insurer merger and acquisition, investment banking, acquisition financing.
Licensed reinsurance intermediary in: Pennsylvania, New York.
Conducts business: Nationwide.
Officers: Larry E. Fondren, president; Michael J. Di Loreto, Benedict J. Iacovetti, vps; Karyl J. Wittlinger, vp/secretary/treasurer.
Contact: Larry E. Fondren.

S

John D. Sayer & Co.

Princeton Pike Corporate Center,
 1009 Lenox Drive, P.O. Box 6400,
 Lawrenceville, N.J. 08648-0400;
 609-896-0555; fax: 609-896-2666

	1991	1990
Premium volume.	\$100,000,000	\$90,000,000
% Treaty.....	100%	100%
Gross revenues...	\$4,700,000	\$3,500,000
Total employees...	17	14
Treaty.....	17	14

Founded: 1979.
Parent: Jardine Matheson Holding Ltd.

Specialties: Surety, accident and health.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: John D. Sayer, president; John S. Yeuroukis, executive vp;

Continued on next page

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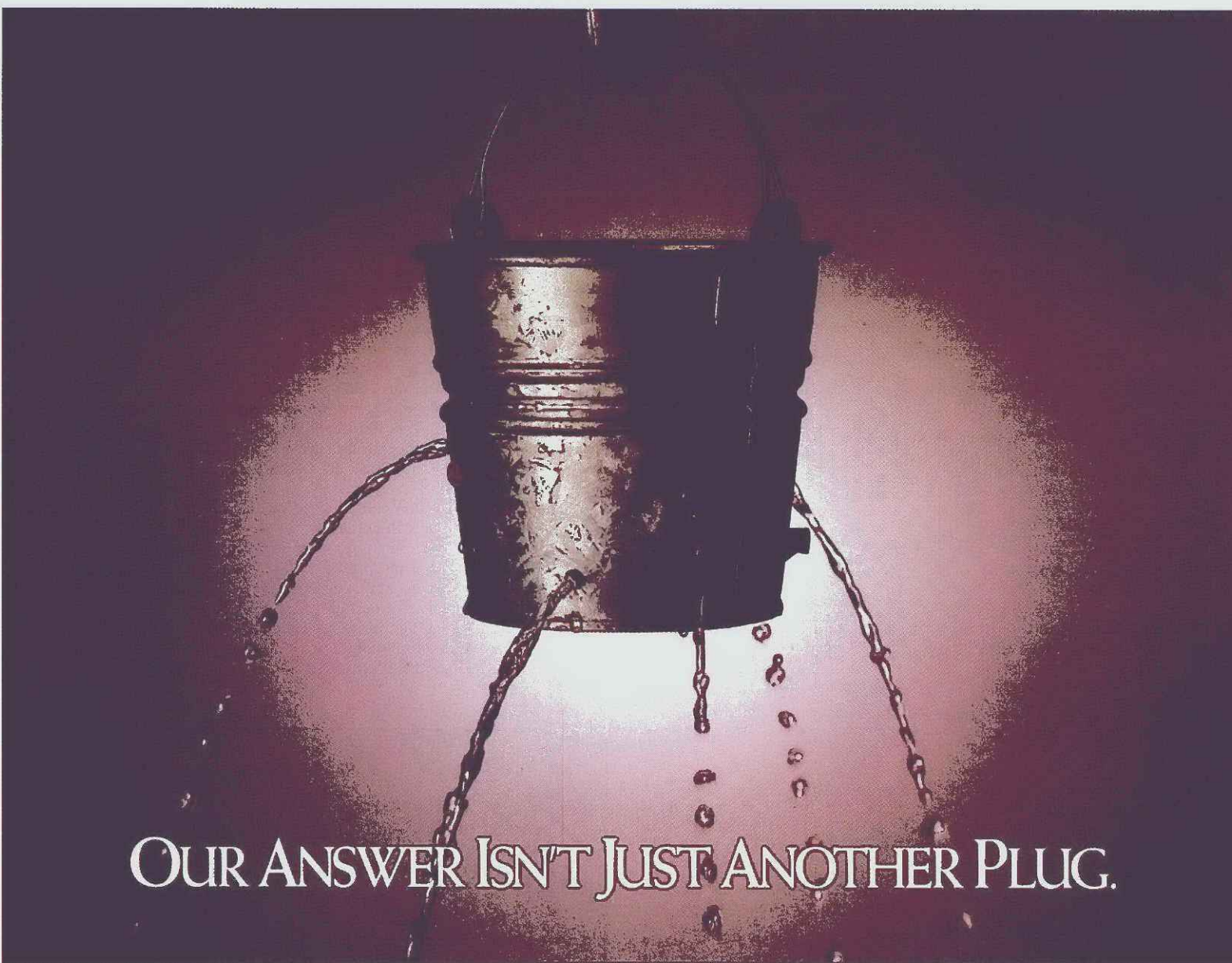
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Spotlight report

Continued from previous page
John E. Januszewski Jr., vp/controller; Demerest S. Newman, Joseph A. Zaffarese, senior vps; Glen T. Jackson, vp.

Smyth, Sanford & Gerard Reinsurance Intermediaries Inc.
135 William St., 16th Floor, New York, N.Y. 10038; 212-374-1323; fax: 212-693-0722

	1991	1990
Premium volume.	\$30,000,000	\$25,000,000
% Treaty	37%	40%
% Facultative	63%	60%
Gross revenues	NA	NA
Total employees	16	14
Treaty	6	6
Facultative	10	7

Founded: 1913.
Branch offices: Coral Gables, Fla.
Specialties: Property, casualty, marine, accident and health, international, machinery breakdown and bloodstock.

Licensed reinsurance intermediary in: New York.

Officers: Douglas L. King, president.

Sterling Universal Ltd.
4 King St. W., Toronto, Ontario, Canada M5H 1B6; 416-364-7231; fax: 416-364-6826

	1991	1990
Premium volume.	\$150,000,000	\$145,000,000
% Treaty	97.1%	97%
% Facultative	2.9%	3%
Gross revenues	\$11,400,000	\$10,400,000
Total employees	83	84
Treaty	79	80
Facultative	4	4

Founded: 1940.
Parent: Alexander & Alexander.
Branch offices: Montreal, Quebec.
Licensed reinsurance intermediary in: New York, Jamaica, Canada.

Conducts business in: Puerto Rico, Bermuda, Jamaica, Trinidad, Barbados, Antigua, all English-speaking Caribbean islands.

Officers: Bent Sorensen, president/chief executive officer; Malcolm E. Thorn, executive vp; John D. Holmes, senior vp/secretary; Ford Crutcher, Paul Mittertreiner, Michael Mulville, David Warren, senior vps; Pierre Asselin, senior vp/branch manager (Montreal).
Contact: Bent Sorensen.

G.J. Sullivan Co.
800 W. Sixth St., Los Angeles, Calif. 90017; 213-626-1000

	1991	1990
Premium volume.	\$257,000,000	\$230,000,000
% Treaty	100%	100%
% Facultative	NA	NA
Gross revenues	NA	NA
Total employees	50	40
Treaty	50	40

Founded: 1980.
Parent: Gerald J. Sullivan & Associates.

Branch offices: New York; Seattle; Columbia, S.C.; Birmingham, Ala.; Toronto.

Subsidiaries: G.J. Sullivan Co. Ltd., Toronto.

Acquisitions: Kininmonth Lambert & Co. Ltd. (June 1991).

Specialties: Surety, professional liability.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide, Canada.

Officers: G.J. Sullivan, chairman; Ronald J. Taylor, president; J.F. Sullivan Jr., Suzanne M. Allaway, Julius Friedman, Paul G. Wayne, senior vps.
Contact: Louise M. Sullivan, Ronald J. Taylor.

Sullivan Payne Co.
1501 Fourth Ave., Suite 1400, Seattle, Wash. 98101; 206-223-1200; fax: 206-625-6926

	1991	1990
Premium volume.	NA	NA
% Treaty	90%	90%
% Facultative	10%	10%
Gross revenues	\$54,500,000	\$52,000,000
Total employees	365	390
Treaty	305	325
Facultative	60	65

Founded: 1928.
Parent: Sedgwick Group P.L.C.
Branch offices: Chicago, Dallas, Los Angeles, New York, Philadelphia, Seattle, Toronto and Vancouver, Canada.

Licensed reinsurance intermediary in: California, Idaho, Iowa, Minnesota, Missouri, Nebraska, New Hampshire, New York, North Dakota.

Conducts business: Nationwide.
Officers: Roger Espe, president/chief executive officer; Bob Holmes, senior executive vp/chairman & chief executive officer-SPCo of Canada; Michael Wybar, W. Brian Smith, Barbara Bufkin, Victor Arneill, executive vps; Lewis Hale, executive vp/chief operating officer; Lennart Barking, Anthony Provenzale, Jeffrey Surr, Bruce Catherwood, Daniel V. Malloy, Daniel V. Malloy III, Craig Ott, Guy Patterson, Jed Rhoads, Michael Bechtol, Taylor Collings, James Grieser, John Jolly, Bart Walton, senior vps; Thomas Hopkinson, president-SPCo of Canada.

Contact: Roger Espe.
Membership: Brokers & Reinsurance Markets Assn.

* BI estimate.

T

T.H.B. Intermediaries Inc.
3333 Wilshire Blvd., Suite 711, Los Angeles, Calif. 90010; 213-388-6630; fax: 213-388-9117

	1991	1990
Premium volume.	\$28,500,000	\$27,500,000
% Treaty	100%	100%
% Facultative	NA	NA
Gross revenues	\$2,147,000	\$2,133,000
Total employees	22	25
Facultative	22	25

Founded: 1984.
Parent: Thompson Heath and Bond (Holdings) Ltd.
Branch offices: Chicago, New York.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: V.H. Thompson, chairman/chief executive officer; L.S. Parks, senior vp (Los Angeles); R. DiClemente, senior vp (New York); W. Ullmann, senior vp (Chicago); L.A. Miles, chief financial officer; C. Taylor, vp-claims.

Contact: Richard DiClemente.

Tanenbaum-Harber Reinsurance Intermediaries Inc.
320 W. 57th St., New York, N.Y. 10019; 212-603-0362; fax: 212-582-6256

	1991	1990
Premium volume.	\$25,000,000	\$15,000,000
% Treaty	90%	90%
% Facultative	10%	10%
Gross revenues	NA	NA
Total employees	7	7
Treaty	6	6

Founded: 1986.
Specialties: Risk retention groups, captives, life, accident and health, specialty casualty, small company programs.

Licensed reinsurance intermediary in: New York.

Conducts business in: Nationwide.

Officers: Robert K. Harris, chairman; Walter L. Harris, chief executive officer; Ronnie Ellen Raymond, president; Juan Carlos Maldonado, controller; Laurence T. Tract, assistant vp; Donna L. Fertel, secretary.
Contact: Ronnie Ellen Raymond.

Totsch Enterprises Inc.
8303 W. Higgins Road, Suite 500, Chicago, Ill. 60631; 312-380-8040; fax: 312-380-8054

	1991	1990
Premium volume.	NA	NA
% Treaty	95%	95%
% Facultative	5%	5%
Gross revenues	NA	NA
Total employees	5	5
Treaty	4.5	4.5
Facultative	.5	.5

Founded: 1978.
Specialties: Property, casualty, crop.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide, Canada.

Officers: Marvin D. Totsch, president; Mary Ellen Totsch, secretary/treasurer; David A. Totsch, Robert L. Totsch, William E. Totsch, vps.

Contact: Marvin D. Totsch.

Continued on next page

Reader Reply Service

Products & Services Listing

Issue of October 26

READER SERVICE #	ADVERTISER	PAGE #	READER SERVICE #	ADVERTISER	PAGE #
1	Accord Re: Ltd.	52	—	IBM/Image	18-19
2	AIG Corporate	44	28	Illinois Insurance Exchange	64
—	Alexander Re	54	29	Intere Intermediaries Inc.	48
3	Allstate Insurance Companies	15	30	ITT/Hartford	37
—	Altair Associates Inc.	14	31	ITT/Hartford	55
4	American Excess	34	32	Johnson & Higgins	32
5	American Re-Insurance Co.	30-31	33	LDG Reinsurance Underwriters	26-27
—	AON Reinsurance Agency Inc.	76	34	Liberty Mutual	25
6	Assoc. Aviation Underwriters	16	35	Lincoln National Reinsurance	50
7	Atrium	53	—	J. Linneman & Company	67
—	B E P International	61,70	36	Media/Professional Ins.	66
8	Bermuda IAC Marketing Comm.	14	—	M&G Reinsurance	22-23
9	Brownyard Group	51	58	MMI Companies, Inc.	72
—	Business Insurance	29,57,77	37	NAC Reinsurance Corp.	35
—	Capital Re	36	38	NILS Publishing Company	62
10	Centre Re-Insurance	42-43	39	North American Reinsurance	21
11	Chicago Board of Trade	60	40	North American Reinsurance	47
12	CIGNA	9	—	North Star	75
13	Commerce & Industry/AIG	11	—	Paige-Ruane, Inc.	71
14	Constitution Reinsurance	10	41	PMA Reinsurance Corp.	59
15	Continental Underwriters	63	42	PMA Reinsurance Corp.	61
—	Copenhagen Re	74	43	PMA Reinsurance Corp.	63
16	Cover X	74	44	PMA Reinsurance Corp.	65
17	Crawford & Company	65	45	PMA Reinsurance Corp.	67
18	Crawford & Company	58	46	PMA Reinsurance Corp.	69
19	Crawford & Company	39	47	PMA Reinsurance Corp.	71
—	Crump Re	80	48	Prudential Reinsurance	Cov. 3
20	Delta Dental Plan Assoc.	4	49	Reliance National	7
21	Duncanson & Holt	Cov. 4	50	RFC Intermediaries Inc.	49
22	Employers Reinsurance Corp.	12-13	—	Schirmer Engineering	69
23	Employers Reinsurance Corp.	51	51	Scor Reinsurance	Cov. 2,2A,2B
24	Environmental Science & Eng.	38	52	Skandia America Group	24
25	Equipment Insurance Mgrs.	59	—	Star Insurance Company	61
26	Express Scripts	24	—	St. Paul Reinsurance	6
—	Gardner Mountain Barr Inc.	60	—	Sutter Preferred	41
—	Gardner Mountain Barr Inc.	70	53	USA Healthnet	20
—	Gardner Mountain Barr Inc.	69	—	U.S. Re Corp.	40
27	Gardner Mountain Barr Inc.	74	54	U.S. Risk Underwriters, Inc.	28
—	Governmental Programs	72	55	U.S. Risk Underwriters, Inc.	36
—	Hannover Reinsurance	33	56	Wausau Insurance Company	5
—	Hermitage Insurance Company	36	—	Western Atlantic	38
—	Hill International	72	57	Yasuda Fire & Marine Ins.	68
—	Home Insurance	41,55	—	Zurich International	17



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Business Insurance

FREE LITERATURE FOR READERS

Issue Date: OCTOBER 26, 1992
Card Expiration: DECEMBER 21, 1992

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 - G Ins Broker
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 - J Attorney
 - K Adj/Apprs
 - L TPA
 - M Healthcare Inst
 - N Other
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 - 2 151 - 499
 - 3 500 - 999
 - 4 1,000 - 4,999
 - 5 5,000 or more
 - 6 Unknown
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- Do you now receive a personally addressed copy of Business Insurance?**
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1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
16	17	18	19	20	21	22	23	24	25	26	27	28	29	30
31	32	33	34	35	36	37	38	39	40	41	42	43	44	45
46	47	48	49	50	51	52	53	54	55	56	57	58	59	60
61	62	63	64	65	66	67	68	69	70	71	72	73	74	75
76	77	78	79	80	81	82	83	84	85	86	87	88	89	90
91	92	93	94	95	96	97	98	99	100	101	102	103	104	105
106	107	108	109	110	111	112	113	114	115	116	117	118	119	120
121	122	123	124	125	126	127	128	129	130	131	132	133	134	135
136	137	138	139	140	141	142	143	144	145	146	147	148	149	150

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Continued from previous page

Towers Perrin Reinsurance

Mellon Bank Center, 1735 Market St., Philadelphia, Pa. 19103-7501; 215-963-7700; fax: 215-963-7873

	1991	1990
Premium volume	\$525,000,000	\$500,000,000
% Treaty	92%	90%
% Facultative	8%	10%
Gross revenues	\$35,000,000	\$34,000,000
Total employees	197	210
Treaty	182	185
Facultative	15	25

Founded: 1934.
Parent: Towers Perrin Forster & Crosby Inc.

Branch offices: Hartford and Stamford, Conn.; San Francisco.

Specialties: Accident and health, umbrella, medical malpractice, surplus lines, surety.

Licensed reinsurance intermediary in: New York, Pennsylvania, California.

Conducts business: Nationwide.

Officers: Philip W. Mitchell, managing director/chief executive officer; William H. Eyre Jr., Patrick J. McFadden, William A. Ray, Christopher T. Brockett, Edwin W. Reynolds, Jacobus Van de Graaf, senior vps; Mary K. O'Gorman, James T. Buysse, Peter C. Hearn, vps.

Contact: Philip W. Mitchell.
Membership: Brokers & Reinsurance Markets Assn.

Tretis Group Inc.

101 Spear St., Suite 200, San Francisco, Calif. 94105; 415-495-3555; fax: 415-495-6735

	1991	1990
Premium volume	\$80,000,000	\$91,500,000
% Treaty	100%	100%
Gross revenues	\$3,972,000	\$4,352,000
Total employees	26	26
Treaty	26	26

Founded: 1986.
Specialties: Property, casualty, finite financial risk.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Robert T. Tremelling II,

president; John M. Peeke-Vout, Mitch Young, directors.
Contact: John M. Peeke-Vout.

U

URTS Reinsurance Intermediaries Inc.

625 President Kennedy Ave., Suite 300, Montreal, Quebec, Canada H3A 1K2; 514-284-9326; fax: 514-284-3112

	1991	1990
Premium volume	\$10,000,000	\$10,000,000
% Treaty	85%	85%
% Facultative	15%	15%
Gross revenues	NA	NA
Total employees	8	8
Treaty	5	5
Facultative	3	3

Founded: 1979.
Parent: The David Group of Cos.
Licensed reinsurance intermediary in: Canada.

Conducts business in: Quebec.
Officers: Raymond David, president; Joseph Lanzo, general manager.
Contact: Joseph Lanzo.

U.S. Re Corp.

99 Park Ave., New York, N.Y. 10016 212-808-5500; fax: 212-808-5206

	1991	1990
Premium volume	NA	NA
% Treaty	99%	99%
% Facultative	1%	1%
Gross revenues	NA	NA
Total employees	19	16

Founded: 1987.
Parent: U.S. Re Cos. Inc.
Branch offices: Atlanta, Dallas.
Conducts business: Nationwide.
Officers: Tal P. Piccione, president/ chief executive officer; Joseph M. Fedor, executive vp; Loic R. Humphries, John M. Kwaak, Brian R. McGuire, Richard D. Wallace, senior vps; Richard Davies, James B. Wynn, vps.

Contact: Richard Davies.
Membership: Brokers & Reinsurance Markets Assn.

V

D.W. Van Dyke & Co. of Connecticut Inc.

95 Rowayton Ave., Rowayton, Conn. 06853; 203-855-0499; fax: 203-852-6776

	1991	1990
Premium volume	\$500,000,000	\$300,000,000
% Treaty	95%	95%
% Facultative	5%	5%
Gross revenues	NA	NA
Total employees	17	14
Treaty	16	13
Facultative	1	1

Founded: 1978.
Specialties: Life, accident and health, surplus relief, workers compensation carve-out.

Licensed reinsurance intermediary in: New York.

Conducts business: Worldwide.
Officers: Donald W. Van Dyke II, chairman/ chief executive officer; Donald K. Drelich, president; Robert A. Welke, senior vp; Chris Koehler, vp; Lauren M. Kennedy, vp/ controller; Kimberly A. Kulesh, assistant vp.
Contact: Donald W. Van Dyke II.

Vermont Insurance Management Inc.

P.O. Box 306, Montpelier, Vt. 05601; 802-229-5042 or 800-872-7175; fax: 802-229-6280

	1991	1990
Premium volume	\$30,000,000	\$22,000,000
% Treaty	57%	62%
% Facultative	43%	38%
Gross revenues	NA	NA
Total employees	12	8

Founded: 1981.
Parent: USA Risk Group.
Branch offices: Washington, D.C.; Sarasota, Fla.

Subsidiaries: Hawaii Insurance Management.

Acquisitions: Hawaii Insurance Management.

Specialties: Alternative markets-captives, risk retention groups, pools.

Licensed reinsurance intermediary in: Vermont.

Officers: H. Lincoln Miller, Michael T. Rogers.
Contact: Michael T. Rogers.

W

Westport Reinsurance Intermediaries Inc.

205 Highway 9, Freehold, N.J. 07731; 908-431-2406; fax: 908-431-3543

	1991	1990
Premium volume	\$8,000,000	NA
% Treaty	100%	NA
Gross revenues	\$200,000	NA
Total employees	4	NA
Treaty	4	NA

Founded: 1991.
Specialties: Property and casualty, accident and health.

Licensed reinsurance intermediary in: New York.

Conducts business: Nationwide.
Officers: Brian Harrigan, president; Kenneth French, executive vp; John Brophy, vp; Sharon Brophy, secretary/treasurer.
Contact: Kenneth H. French.

Willcox Inc. Reinsurance Intermediaries

130 John St., New York, N.Y. 10038; 212-952-0650; fax: 212-952-0295

	1991	1990
Premium volume	NA	NA
% Treaty	99%	99%
% Facultative	1%	1%
Gross revenues	\$35,000,000	\$33,000,000

	1991	1990
Total employees	206	203
Treaty	204	201
Facultative	2	2

Founded: 1894.

Parent: Johnson & Higgins.
Branch offices: Indianapolis, Los Angeles, Philadelphia, San Francisco, London.

Subsidiaries: Willcox Intermediaries Ltd., London.

Licensed reinsurance intermediary in: California, Indiana, New York and Pennsylvania.

Conducts business: Nationwide.

Officers: Willis T. King Jr., chairman/ chief executive officer; Robert O'Leary, president/ chief operating officer; Thomas Hancock, executive vp; Charles Griffin, Emmett Henry, John Reinman, Timothy Rivers, Francis Sickler, Thomas Wafer, senior vps.

Membership: Brokers & Reinsurance Markets Assn.
** BI estimate.*

Willis Corroon's Advanced Risk Management Services

Willis Corroon Plaza, 26 Century Blvd., Nashville, Tenn. 37214; 615-872-3200; fax: 615-872-3333

	1991	1990
Premium volume	\$49,990,500	\$38,425,000
% Treaty	99%	99%
% Facultative	1%	1%
Gross revenues	NA	NA
Total employees	9	8
Treaty	9	8

Founded: 1973.

Parent: Willis Corroon PLC.
Specialties: Limited purpose insurers of medical malpractice.

Licensed reinsurance intermediary in: Tennessee.

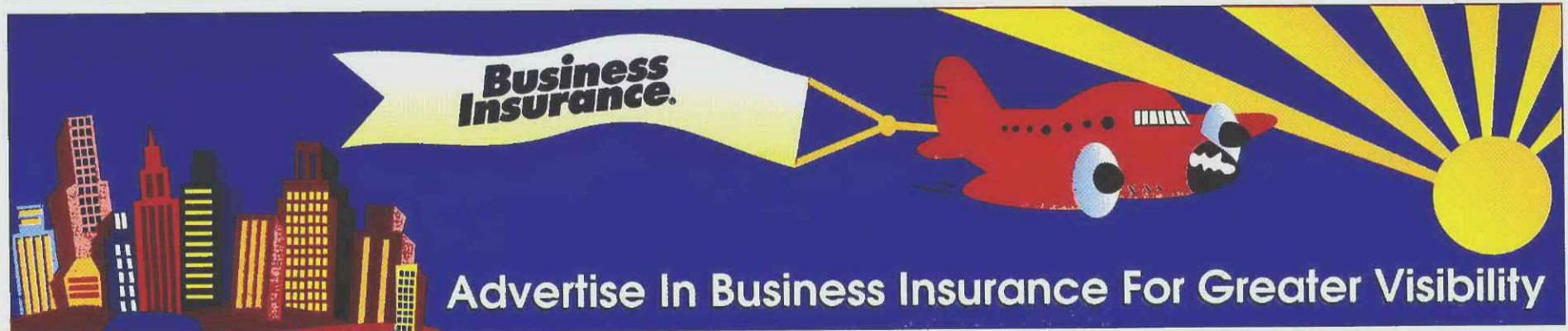
Conducts business in: Tennessee, California, Georgia, Kansas, Kentucky, Michigan, Ohio, Texas, Utah, Wisconsin.

Officers: Manny D. Buzzell, vice chairman; E. Dow Walker, senior vp.
Membership: Brokers & Reinsurance Markets Assn.

Continued on next page



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Specialty Risks Directory: Environmental Risk Management Consultants

Issue Date: November 23
Ad Closing: November 10



New York: 212-210-0133 • Chicago: 312-649-5275 • Los Angeles: 213-561-3710

Continued from previous page

Willis Corroon (Bermuda) Ltd.
 P.O. Box HM 1995, Hamilton HM
 HX, Bermuda; 809-295-1272;
 fax: 809-295-4143

	1991	1990
Premium volume...	NA	NA
Gross revenues...	NA	NA
Total employees...	NA	NA

Founded: 1983.
Parent: Willis Corroon PLC.
Specialties: Direct excess casualty, directors and officers, financial.
Officers: M. Dobbie, executive vp; M.G. Randall, senior vp; R.F. Corroon, assistant vp.
Membership: Brokers & Reinsurance Markets Assn.

John P. Woods Co. Inc.
 90 William St., New York, N.Y.
 10038; 212-785-2500;
 fax: 212-269-4138

	1991	1990
Premium volume...	\$400,500,000	\$360,000,000
% Treaty.....	100%	100%
Gross revenues...	\$14,523,032	\$15,052,953

	1991	1990
Total employees...	51	52
Treaty.....	51	52

Founded: 1978.
Specialties: Property and casualty, life, accident and health.
Licensed reinsurance intermediary in: New York.
Conducts business: Nationwide.
Officers: John Woods, president; Josephine Hoey, senior executive vp-administration/secretary; John Rider, Charles Wade, Thomas Tartaro, executive vps; Ellsworth Whiteman, senior vp; John Woods III, Matthew Albanese, Paul Hearn, Charlene Lacey, vps.
Contact: Josephine A. Hoey.

Y

H.E. Yerkes & Associates Inc.
 127 John St., New York, N.Y.
 10038; 212-344-1707;
 fax: 212-422-8473

	1991	1990
Premium volume...	\$31,975,000	\$30,450,000
% Treaty.....	100%	100%
Gross revenues...	NA	NA
Total employees...	5	5
Treaty.....	5	5

Founded: 1979.
Specialties: Ocean marine, off-shore and energy risks.
Licensed reinsurance intermediary in: New York.
Conducts business in: New York.
Officers: Harry E. Yerkes III, president; Ann R. Kaplan, vp.
Contact: Ann Kaplan.

Z

George G. Zimmerman & Co. Inc.
 5 Cold Hill Road S., P.O. Box 372,
 Mendham, N.J. 07945;
 201-543-3250; fax: 201-543-2947

	1991	1990
Premium volume...	\$113,000,000	\$200,000,000
% Treaty.....	95%	95%
% Facultative...	5%	5%
Gross revenues...	\$3,800,000	\$5,800,000
Total employees...	27	34
Treaty.....	26	32
Facultative...	1	2

Founded: 1980.
Branch offices: Upland, Calif.; Sarasota, Fla.
Subsidiaries: U.S. Cap Insurance Co. Ltd., Tortola, British Virgin Islands.
Acquisitions: Global Accident Line Slip Inc.
Specialties: Life, accident and health reinsurance including workers compensation carve-out, nursing home care, professional athletes, college athletes, student accident cover.
Licensed reinsurance intermediary in: New York.
Conducts business in: 45 states.
Officers: George Zimmerman, chairman/president/chief executive officer; Eugene Schiller, president of Global Accident Line Slip Inc.; Charles Sharkey, executive vp-operations; Richard Boorman, Peggy Marron, assistant vps; Thomas Kinney, vp/controller.
Contact: Peggy J. Marron.

Geographic locations of broker offices

Alabama

Birmingham
 Re/Insurance Brokers Inc.
 G.J. Sullivan Co.

California

Calabasas
 G.L. Hodson & Son Inc.
Concord
 JBW & Co. Inc.
Los Angeles
 Crump Re
 G.J. Sullivan Co.
 Sullivan Payne Co.
 T.H.B. Intermediaries Inc.
 Willcox Inc.
 Reinsurance Intermediaries

Novato
 Consolidated Reinsurance Corp.

Pasadena
 American Intermediaries Inc.
 Falcon Re-Insurance
 Intermediaries Inc.

San Francisco
 Alexander Reinsurance
 Intermediaries Inc.
 AM-RE Brokers Inc.
 American Healthcare
 Intermediaries Inc.
 Aon Reinsurance Agency Inc.
 E.W. Blanch Co.
 Guy Carpenter & Co. Inc.
 Cravens & Co.
 Crump Re
 G.L. Hodson & Son Inc.
 Intere Intermediaries Inc.
 RFC Intermediaries Inc.
 Towers Perrin Reinsurance
 Tretis Group Inc.
 Willcox Inc.
 Reinsurance Intermediaries

Upland
 George G. Zimmerman & Co. Inc.

Woodland Hills
 Preferred Reinsurance
 Intermediaries Inc.

Connecticut

Greenwich
 C.L. Frates Reinsurance
 Intermediaries Inc.

Hartford
 Guy Carpenter & Co. Inc.
 John B. Collins Associates Inc.
 Crump Re
 RFC Intermediaries Inc.
 Towers Perrin Reinsurance

Rowayton
 D.W. Van Dyke and Co.
 of Connecticut Inc.

Simsbury
 Pegasus Advisors Inc.

Stamford
 Alexander Reinsurance
 Intermediaries Inc.
 Herbert Clough Inc.
 National Intermediaries Inc.
 Peglar & Associates Inc.
 Towers Perrin Reinsurance

Westport
 Atrium Corp.

Delaware

Wilmington
 Professional Reinsurance
 Organization (American Healthcare
 Intermediaries Inc.)

District of Columbia

Washington
 Vermont Insurance Management Inc.

Florida

Coral Gables
 Alexander Howden Reinsurance
 Intermediaries Inc.
 Guy Carpenter & Co. Inc.
 Smyth, Sanford & Gerard
 Reinsurance Intermediaries Inc.

Heathrow
 Cypress Creek Intermediaries Inc.

Miami
 Industrial Re International Inc.

Ormond Beach
 Financial Reinsurance Inc.

Sarasota
 Donald B. Peat & Associates Inc.
 Vermont Insurance Management Inc.
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Continued on next page



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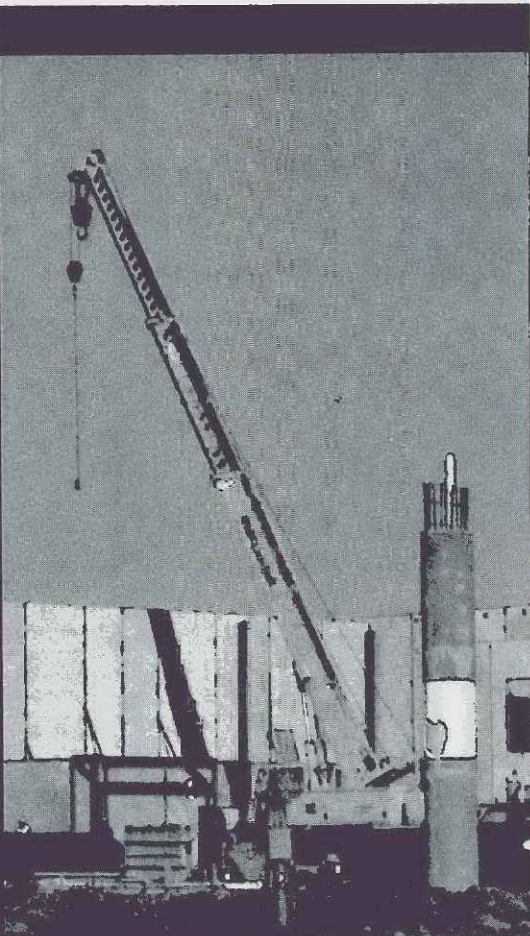
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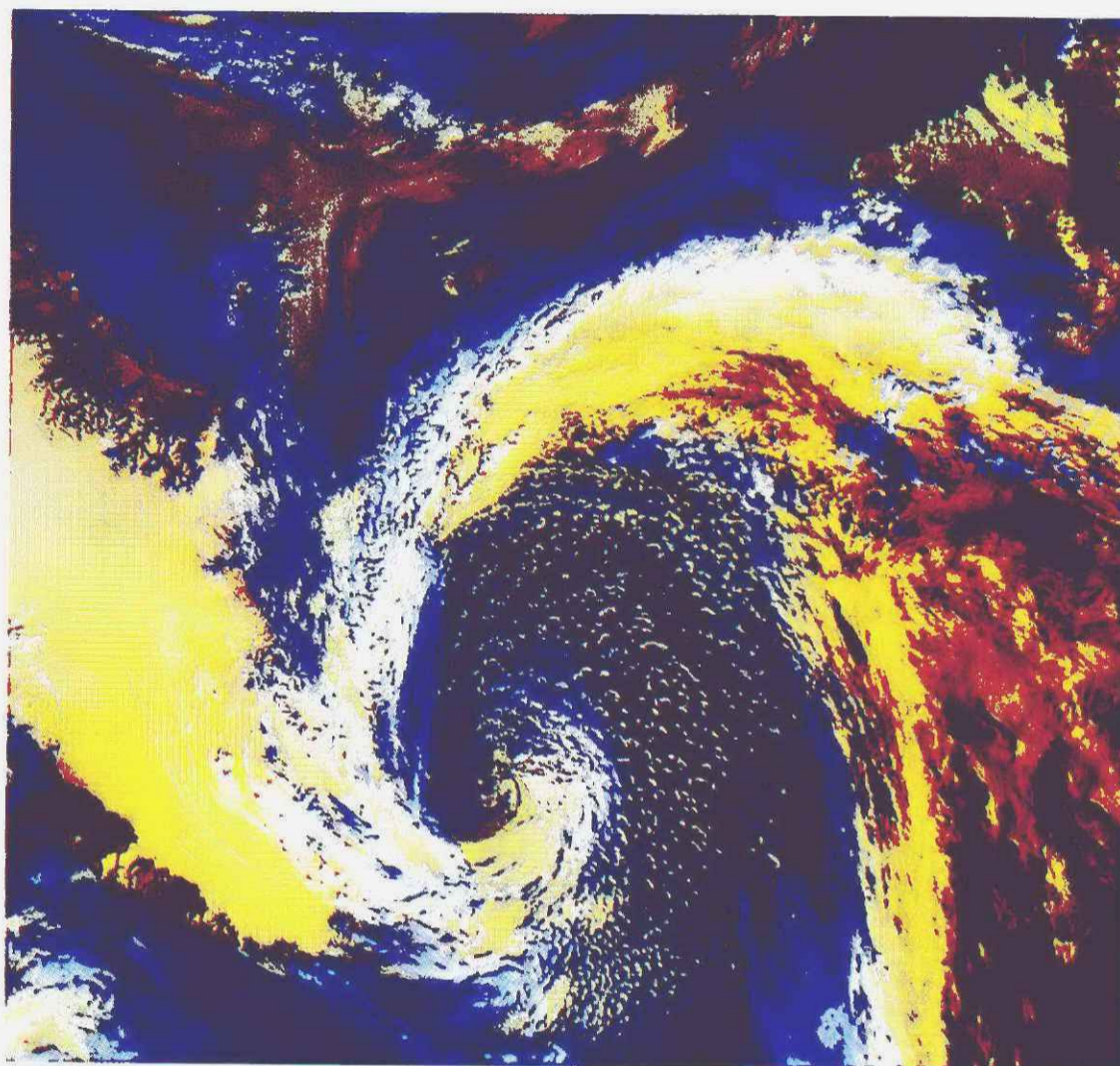
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Reinsurance Assn. of America takes greater action on government affairs

Group expands Washington offices and forms PAC to lobby lawmakers

By MARK A. HOFMANN

WASHINGTON—The Reinsurance Assn. of America's new, larger office near the White House reflects its expanded role in Washington and the state capitals.

The traditionally low-profile trade group has even formed a political action committee, noted Franklin W. Nutter, who last year traded the presidency of the Alliance of American Insurers for a second stint as president of the RAA (BI, Nov. 4, 1991). He previously had served from 1981 to 1984.

The association now has a 17-person staff, nearly doubling its size since the summer of 1991 when Mr. Nutter returned. The growth made it necessary to relocate to larger quarters.

Mr. Nutter said that the changes have allowed the RAA to assume an "activist role, not just in Washington but on the state level as well." The group's concerns in the state capitals have centered around the "reinsurance aspects of the (National Assn. of Insurance Commissioners' accreditation program."

Looking ahead, the RAA continues to promote the property/casualty industry's Earthquake Project, which seeks to establish a federal reinsurance mechanism that would respond to catastrophic earthquakes. The association also intends to be involved in the reauthorization debate on the Comprehensive Environmental Response, Compensation and Liability Act, or Superfund as it is popularly known.

Mr. Nutter noted that the RAA isn't one of the giant associations of Washington, as its PAC adequately underscores. Since RePAC was founded in December 1991, it has raised \$25,000 which has been disbursed to legislators of both parties.

"It's not a big PAC in the scheme of things, but we only have 25 member companies and that was our goal," he said.

Unlike many other associations, the RAA does not operate local offices in key state capitals or financial centers, Mr. Nutter pointed out. Instead, the association relies on tracking reinsurance-related legislation through computerized services maintained by the American Insurance Assn. and Price Waterhouse & Co. The RAA has also secured counsel to represent and lobby for the association in about 12 key states.

In another dozen states, the RAA has affiliated with state associations that represent primary insurers to keep tabs on legislative developments.

On the federal level, the RAA has remained involved in solvency issues, Mr. Nutter said. The association has provided expertise to the House Energy and Commerce Committee staff, whose chairman, Rep. John Dingell, D-Mich., in April introduced a bill that would create a two-tiered system of federal and state solvency regulation (BI, April 13). Mr. Nutter added that

the RAA has not endorsed H.R. 4900, Dingell's solvency proposal.

The RAA also has monitored attempts to impose a higher excise tax on reinsurance premiums due reinsurers domiciled in countries deemed to be tax havens (BI, June 29).

Mr. Nutter noted that this excise tax issue proved to be "fairly divisive" within the insurance industry. Although the RAA lobbied in favor of the increase, the

The RAA seeks an 'activist role, not just in Washington but on the state level as well,' says Mr. Nutter.

association thought that S. 776, the energy bill, was "an odd place" to put the proposal, he said. The provision was dropped before Congress approved the energy bill shortly before adjourning.

The RAA's legislative activities have been bolstered by educational activities. "We briefed almost 400 representatives of state government" in reinsurance seminars, said Mr. Nutter, who added that the seminars were

coordinated with the NAIC and the Society of Financial Examiners. In addition, the RAA has made presentations to individual state insurance departments on request.

During the past year, the RAA has extended its educational activities to Capitol Hill with a pair of briefings for congressional staff.

"We have been fairly aggressive in trying to promote an understanding among legislators, regulators and their staffs of reinsurance, because we view that as a political asset and ignorance as a political liability," said Mr. Nutter.

Within the reinsurance industry itself, the RAA has joined the Brokers & Reinsurance Market Assn. and two European reinsurance groups—the London Insurance Market Network in Britain and the Reinsurance & Insurance Network in Brussels, Belgium—to create universal electronic data standards for reinsurance communications (see story, page 28).

"We have a good relationship with BRMA," which has an overlapping membership with the RAA.

Another major effort, the *Continued on next page*

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Spotlight report

RAA activities

Continued from previous page
Earthquake Project, is "a prominent part of this association's goals and objectives," said Mr. Nutter, who serves as the project's chairman. He said the RAA wants to bring up for a vote in the 103rd Congress a bill authorizing the creation of a federal reinsurance mechanism that would respond to catastrophic earthquakes.

He said that an acceptable bipartisan bill has several sponsors in the House, and Sen. Daniel Inoué, D-Hawaii, has drafted a Senate version. "We really need to secure the sponsorship" of senators representing states around the New Madrid Fault along the Mississippi River in order to get Senate consideration, said Mr. Nutter.

He also predicts Superfund will be another long-term concern of

increasing importance to the RAA.

"Our companies are deeply concerned about the effect Superfund has had on the liabilities they face. People in the reinsurance community are nervous about the impending problems between insurers and

ance system as well," said Mr. Nutter.

The RAA is trying to find ways to more efficiently handle the disputes associated with those claims, he said.

"We're looking at arbitration language and arbitration forms that might be used. We're looking at the questions about developing expertise in this area to try to facilitate the resolution of these disputes. We're trying to get ahead of the curve anticipating problems in the resolution of environmental claims.

"We do expect to be involved in the Superfund debate... in the next Congress. Just as have some of the primary companies, we're deeply concerned about the lack of a consensus. Insurers agree that some reform is necessary," but there's no consensus as to what that reform should be, he said. ■

'We do expect to be involved in the Superfund debate... in the next Congress,' says Mr. Nutter.

reinsurers about the nature of claims and the size of claims, much as insurers and their client-company insureds have been. The feeling is that this is a wave that is likely to pass through the reinsur-

BRMA helping to link reinsurers worldwide

NEW YORK—The Brokers & Reinsurance Markets Assn. is upholding its commitment to enhance international communication in the reinsurance industry.

The group, an association of 26 reinsurers and 12 reinsurance brokers, is becoming increasingly involved in electronic communications.

In its highest-profile project, BRMA is working closely with the Washington-based Reinsurance Assn. of America and two European groups—the London Insurance Market Network and the Reinsurance & Insurance Network in Brussels, Belgium—

Also developing an electronic bulletin board

to create electronic communication standards. The standard will ensure that reinsurers in North America and Europe have compatible communication systems (BI, Feb. 24) and will eventually lead to claims settlements and reinsurance placements being handled worldwide via computer, the groups say (see story, page 28).

"The cooperative spirit and dedication has exceeded our expectations," said Robert L. Gilligan, executive vp and chief operating officer of New York-based BRMA.

Mr. Gilligan said that BRMA is also developing an electronic bulletin board for its members that might interest the larger insurance-buying public. For example, the association hopes to have its reinsurance contract wording reference book on line by year end. Creation of the reference book, which allows ceding companies to see what alternative wordings are available in the marketplace, has been one of BRMA's major undertakings for several years.

The on-line reference contract guide would be accessible 24 hours a day, said Mr. Gilligan. "We would certainly welcome anyone in the world using it," he said.

Mr. Gilligan, who has served as the association's executive vp since January 1991, said that the electronic communications projects reflect BRMA's general mission to promote research, development and communications within the reinsurance brokerage industry. He stressed that the group is not involved in lobbying, a role it leaves to the RAA (see story, page 61).

BRMA recently conducted a research project with international management consultant McKinsey & Co., Mr. Gilligan said. Although the survey results remain confidential, he said the survey showed that reinsurance intermediaries have been "quietly gaining marketshare" in the United States.

The project aims to "build on the strength of the broker channel," Mr. Gilligan said.

The association has not gained any members during the past year, but there are "currently several applications in progress," said Mr. Gilligan. BRMA's membership criteria have not changed since the group's founding in 1987.

Among other criteria, broker members must have a minimum net worth of \$2.5 million and must have conducted business in the United States for at least five years. Reinsurer members are required to have a minimum of \$50 million in capital and surplus and a minimum annual net premium volume of \$50 million (BI, Nov. 4, 1991).

The post of BRMA president has been vacant since the death of Ward Gordon late last year (BI, Dec. 9, 1991). There are no immediate plans to the fill the position, said Mr. Gilligan.

—By Mark A. Hofmann

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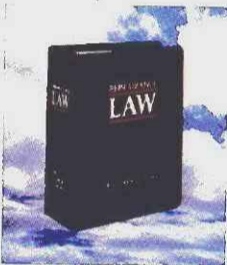


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Senate hopefuls detail positions

Business Insurance this week spotlights the major candidates running for the U.S. Senate in the South: Alabama, Arkansas, Florida, Georgia, Kentucky, North Carolina and South Carolina. The Senate race in Louisiana was automatically won by Democratic incumbent John B. Breaux after he garnered more than 50% of the votes in the state's primary election.

The candidates were asked for their views on pressing issues for risk and employee benefits managers and the insurance industry: health care system reform, tort reform, insurers' antitrust exemption and the potential role of the federal government in insurance regulation.

Alabama

Democratic incumbent **Richard Shelby**, 58, says it is his "official position not to answer specific candidate surveys." However, he offered position papers that state his views on health care reform.

He supports measures that would help small business employers meet the health insurance needs of their employees.

Republican challenger **Richard Sellers** is a self-employed consultant to small businesses and non-profit organizations.

Mr. Sellers, 40, worked for former U.S. Sen. John Sparkman, R-Ala., from 1972 to 1977. President Reagan appointed Mr. Sellers as chairman of the Alabama Small Business Administration Advisory Committee, a post he held from 1981 to 1991.

He favors a private sector solution to the health care crisis.

Mr. Sellers said he generally favors tort reforms, including caps on malpractice suits, limits on punitive damages and restrictions on the "types of claims" that can be brought against a company.

Mr. Sellers does not support efforts to repeal the McCarran-Ferguson Act. He also does not want the federal government to have a role in regulating the insurance industry.

Arkansas

Incumbent Democrat **Dale Bumpers**, 67, would not respond to *Business Insurance's* questionnaire.

Republican challenger **Mike Huckabee**, 36, currently is president of KBSC-Television of Texarkana. He is the former president of the Arkansas Baptist State Convention and former pastor of the Beech Street First Baptist Church of Texarkana.

Concerning health care reform, Mr. Huckabee supports:

- 100% deductibility of medical insurance premiums for the self-employed and small business owners.



- A cap on punitive damages in medical malpractice cases.

- Tax-free accounts for consumers not covered by an employer plan to pay for medical expenses or to buy individual health care coverage.

- "More realistic" reimbursement by Medicare and Medicaid for medical expenses so that patients don't bear the brunt of costs.

Mr. Huckabee says there "must be a major overhaul of product liability legislation, shifting responsibility to the individual who would use a product or machine rather than exempting the user of a product from his or her own responsibility."

He favors a loser-pay tort system, and adamantly opposes a federal takeover of the health insurance or medical care system.

Florida

Democratic incumbent **Bob Graham** says the United States now has a "sickness system, not a wellness system."

Sen. Graham, 55, said he believes the "play-or-pay plan offers the most responsible outline for fundamental reform" of the nation's health care crisis.

However, the senator adds, until Congress and the president can agree on an agenda, "Congress should pursue incremental, realistic measures which would provide the foundation for any fundamental alternatives which might be adopted."

He said "cornerstones" of such a foundation should include illness prevention programs, while enhancing public health services and community care for the elderly.

Sen. Graham said there is an "abundance of frivolous lawsuits" that he says are "costly to many legitimate businesses."

While he called for "court mediation as a means of settling these disputes," Sen. Graham said "any solution regarding frivolous lawsuits and tort re-



Sen. Graham



Mr. Grant

form should be resolved without undermining individuals' rights to access the judicial system."

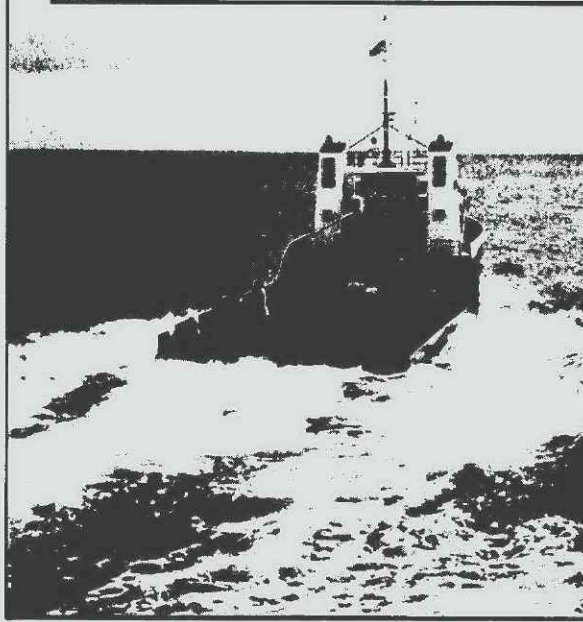
He said insurance regulation should remain with the states.

Republican challenger **Bill Grant** opposes the Democrats' call for a national health care system that would be financed by employers.

Mr. Grant, 49, was elected to

Continued on next page

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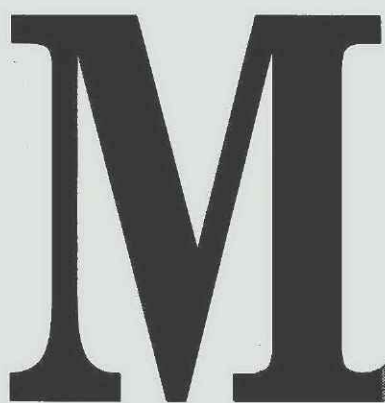
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Senate race

Continued from previous page
the House of Representatives as a Democrat in 1983. He switched parties in 1989 and lost a re-election bid in 1990. He is a former banker and now operates an independent consulting firm.

Health care reforms are needed, but first the causes of high health care costs must be isolated, Mr. Grant said. Once those cost drivers can be determined, a system of lowering those costs can be devised.

High health care costs are partly the result of expensive technology purchased by doctors and hospitals, said Mr. Grant, who favors sharing expensive new medical technology.

He also advocates standardized claims forms, which could lower administrative costs for health care providers.

An advocate of tort reform, Mr. Grant supports caps on attorney fees, reform or abolition of joint-and-several liability laws and penalties for frivolous lawsuits.

With regard to federal regulation of insurers, Mr. Grant maintains that oversight should remain with the states.

Georgia

Democratic incumbent **Wyche Fowler Jr.**, 52, said he considers the two areas of greatest concern in the health care crisis to be soaring costs and a lack of access to quality care.

"It is my view that before we expand the role of the federal government in this area—whether with the single-payer model, the play-or-pay model or even the latest model proposed by President Bush—we can look to an existing program that has proven it works without new



Sen. Fowler

Mr. Coverdell

federal regulations," he said.

"The unified, regional community-based health care program in place in Rochester, N.Y., stresses a cooperative approach on the part of business leaders, insurers, doctors, health planners and providers as well as the government," he said.

"Rochester's health care costs are about 25% below the national average and the program is accessible to 94% of the region's population," Sen. Fowler said

(see story, page 1).

While he advocates tort reform and limiting frivolous suits, Sen. Fowler does not support product liability reform that does not also address the concerns of those who can least afford to fight against a large company.

Republican challenger **Paul Coverdell** believes in changing and improving the current health care system. He does not believe that more government is necessarily a solution, although he would like to see a government-administered risk pool for people without health insurance similar to the state risk pools for motorists who cannot obtain auto insurance.

Mr. Coverdell, 53, believes that small businesses should be encouraged to band together to purchase health care coverage for their workers.

He also supports a legislative

mandate forbidding the denial of health coverages to people with a history of medical problems or pre-existing medical conditions.

Mr. Coverdell is chairman of a family-owned insurance agency, Coverdell & Co. in Atlanta.

He has served as minority leader of the Georgia Senate and as state Republican Party chairman from 1971 to 1989.

Kentucky

Neither Democratic incumbent **Wendell H. Ford**, 68, nor Republican challenger **David Williams**, a 39-year-old attorney in Burkesville, responded to a *Business Insurance* questionnaire.

North Carolina

Democratic incumbent **Terry Sanford** is seeking his second term as a U.S. Senator.

Before defeating Sen. James Broyhill, R-N.C., in 1986, Sen. Sanford served as president of Duke University from 1969 to 1985.



Sen. Sanford

He previously was North Carolina governor from 1961 to 1965. He was also an unsuccessful candidate for the Democratic presidential nomination in 1972 and 1976.

Sen. Sanford, 75, was one of more than 40 co-sponsors of S. 640, the Product Liability Fairness Act of 1992, which was tabled in September. Sen. Sanford said that S. 640 "increases fairness, eliminates arbitrariness, increases incentives for worker safety, encourages new and useful products and stabilizes insurance costs."

Sen. Sanford's major initiative in the area of health care reform is S. 3277, the State Health Care Reform Initiative Act of 1992. The bill, which he introduced in late September, would "permit the secretary of Health and Human Services to grant waivers to states to provide coverage under state health care delivery programs" to people who are otherwise eligible for Medicare or Medicaid coverage.

Republican challenger **D.M. "Lauch" Faircloth**, 64, served as secretary of commerce in Gov. James B. Hunt Jr.'s administration during the late 1970s and early 1980s. Mr. Faircloth sought the Democratic gubernatorial nomination in 1984, placing third in a field of six major primary candidates. Mr. Faircloth switched to the Republican Party in 1991 and won the party's senatorial nomination in the May primary.

The Faircloth campaign provided no information on the candidate's positions, beyond a biography that stressed his commitment to "fiscal conservatism."

South Carolina

Incumbent Democrat **Ernest F. "Fritz" Hollings** is known as one of the most vocal opponents of federal product liability reform in the Senate.

According to a spokesman, Sen. Hollings, 70, takes a "pro-consumer" position on product liability. The senator was one of the key opponents of S. 640, the product liability bill that died in the Senate in mid-September.

Sen. Hollings has not endorsed any health care reform proposal and is "still studying the issue," the spokesman said.

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Sen. Hollings

Mr. Hartnett

5 states to vote for commissioner

Health insurance reform, workers compensation insurance and insurer solvency top the list of issues that candidates for insurance commissioner in five states are stressing this election.

On Nov. 3, voters will be electing commissioners in Delaware, Montana, North Carolina, North Dakota and Washington. Incumbents are seeking re-election only in North Carolina and Washington.

Business Insurance highlights the 12 major candidates who are seeking the five top insurance regulator posts.

Delaware

Three candidates are seeking the key to the Delaware insurance commissioner's office, with one promising that the incumbent commissioner would remain as head of an advisory committee to the new commissioner.

Democratic incumbent David Levinson, who chairs a new political group called "A Delaware Party," would head an advisory committee for **John R. Bothell**, 50, the Delaware Party's candidate for commissioner. Calls to the Delaware Party are answered in the commissioner's office.

Mr. Bothell, a safety trainer for General Motors Corp., is a former insurance agent.

His platform calls for a state constitutional amendment to change the commissioner's office to an appointed position from an elected one.

The platform proposes "requiring all Delaware-chartered insurance companies to either locate their headquarters, principal officers, books and records within the state of Delaware to facilitate proper regulation or, within a reasonable amount of time, to redomesticate to other

12 major candidates give their views on comp reform, solvency regulation

states." The platform also vows "to bring down rates" for workers compensation insurance.

At the center of Republican candidate **Donna Lee Williams'** campaign is a promise to demolish Mr. Levinson's controversial economic growth program.

Conflict of interest charges have dogged the program, which was designed to encourage insurers that are domiciled in Delaware but operate elsewhere to locate their headquarters in the state or at least invest in local businesses. The program was run out of the commissioner's office.

After insurers complained, the Delaware General Assembly began an investigation of the program (*BI*, Jan. 27). No report has been filed.

Ms. Williams, a 31-year old attorney, also wants to enhance solvency regulation. "We really haven't had a real problem like other states—and we want to keep it that way."

Ms. Williams also endorses market-based reforms and cost containment measures to promote access to health care.

Like Ms. Williams, Democratic candidate **Jim Robb**, a 44-year-old attorney and chief deputy insurance commissioner from 1989 until June, advocates terminating the economic growth program. He would honor existing contracts and let the plan end by attrition.

In the health care area, he supports a single-payer plan similar to California Insurance Commissioner John Garamendi's proposal (*BI*, Feb. 24).

Mr. Robb also supports extending Delaware's "liability league," which he described as a risk retention group for municipalities, to certain lines of commercial coverage. Under Mr. Robb's plan, businesses located in municipalities that participate in the group would be able to purchase workers compensation and general liability insurance through the group.

Mr. Robb also said that he would promote Delaware as a captive insurance domicile.

Montana

Two state representatives are

seeking Montana's top insurance regulatory position.

The candidates for state auditor are Democrat **Mark O'Keefe**, 40, and Republican **Fred Thomas**, 34, neither of whom is seeking re-election to his House seat.

Current auditor Andrea "Andy" Bennett lost her bid in the Republican gubernatorial primary.

Mr. O'Keefe, a two-term representative, is the assistant majority whip, chairman of the Joint Interim Committee on Mandated Health Benefits and vice-chairman of the Natural Resources Committee.

He also is a partner in a company that provides wilderness guides to Glacier National Park, and is running as a consumer advocate.

Mr. O'Keefe proposes, among other things, requiring insurers to explain policies in "plain English," and having the insurance department track and analyze health insurance reform proposals and advocate those that would most benefit state residents.

He also favors improving the transferability of employees' health care coverage; allowing

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Republican challenger **Thomas F. Hartnett** served in the U.S. House of Representatives from 1981-87.

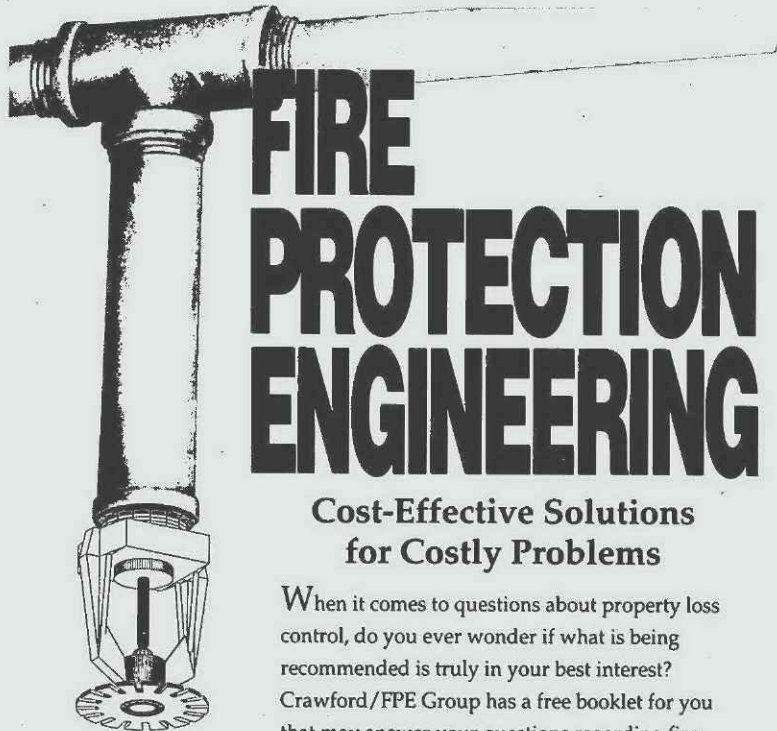
According to a paper released by his campaign, Mr. Hartnett wants to "halt the explosion of expensive and time-consuming lawsuits which puts America at a competitive disadvantage in the world economy."

Mr. Hartnett, 51, supports alternative dispute resolution, expedited settlements and "other needed legal reforms."

Mr. Hartnett has also released a five-point health care reform proposal. He supports: creation of individual medical savings accounts that would allow employers to provide each worker with up to \$3,000 on a pretax basis for unreimbursed medical expenses per year; making health insurance premiums 100% deductible for the self-employed; limiting non-economic damages and attorney's fees in medical malpractice cases; creating health insurance tax credits for the poor; and requiring states to publish a "consumer guide" on the average cost of services and the quality of care provided by doctors, hospitals and medical laboratories.

He dismisses play-or-pay proposals as "simply another tax on business, with small business being hit the hardest."

Michael Bradford, Sara J. Harty, Mark A. Hofmann and Sally Roberts contributed to this report.



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Commissioners

Continued from previous page
individual insurance buyers to form groups to purchase automobile and homeowners coverage; and requiring continuing education for insurance agents.

Another of his proposals is to eliminate what he considers illegal surcharges on auto insurance policies and encourage the prosecution of persons who file fraudulent claims.

Mr. O'Keefe also favors expanding consumer protection through a variety of means, including hot lines, school curricula and a senior citizen counseling program.

Mr. Thomas, a four-term representative, is co-owner of Siphers/Thomas Insurance & Financial Services Co., a medium-sized property/casualty agency that also provides some financial

services. The candidate promises that he would sell his agency if elected.

Among the committees Mr. Thomas has served on in the Legislature is the Governor's Health Care for Montanans Committee, for which he chaired the Insurance Reform Subcommittee.

Mr. Thomas says that he is primarily concerned with workers compensation insurance and health care matters.

Mr. Thomas favors "24-hour coverage" as an alternative to the traditional workers comp system. He also vows to take steps to stop workers comp fraud by both claimants and employers.

Mr. Thomas is especially concerned about the money lost by the state's competitive workers comp fund (BI, Oct. 19). "It is really a serious problem."

In terms of health care, he

favors allowing individual medical accounts to which individuals could contribute a specified amount of pretax earnings to pay health care costs on a tax-free basis.

North Carolina

Democratic incumbent Insurance Commissioner **James E. Long** says the most common question he is hearing in his bid for a third term is, "Are my rates going up because of Hurricane Andrew?"

Mr. Long, 52, first elected in 1984, says the answer is "of course not."

But Republican candidate **Mike Causey**, a 42-year-old life and health insurance agent, says a more important issue is his contention that Mr. Long has not adequately monitored insurer solvency, with the result that five insurance companies doing

business in North Carolina have gone under since 1985.

Both Mr. Long and Mr. Causey also have emphasized workers compensation rates in their campaigns.

Mr. Long recently said that a 58.4% rate hike request "appears not to be an accurate representation of actual workers compensation experience" and would produce "excessive" rates. The commissioner has scheduled a Nov. 12 hearing on the request.

Mr. Causey says that excessive workers comp rates have forced some small businesses to close their doors and are harming the state's economy.

Mr. Long, a former president of the National Assn. of Insurance Commissioners, said that access to health insurance is also a concern to North Carolina citizens. He pointed to reforms of the small-group health insurance

market and the creation of no-frills health insurance packages to ease access as achievements of his second term.

North Dakota

The successor to Earl Pomeroy, who is running for the U.S. House, will be either his younger brother, **Glenn Pomeroy**, or agent spokesman **Kent Olson**.

Democrat Glenn Pomeroy, 36, has been state securities commissioner since 1988. Before that, he was an assistant attorney general.

He also was a three-term state representative, winning his first election in 1978 at age 22.

Mr. Pomeroy said he is seeking the insurance commissioner's post because it would be a new challenge.

"What I have been doing the past 4½ years is a very good training ground" for protecting insurance consumers, he said.

Mr. Olson, 49, the Republican candidate, has been executive director of the North Dakota Professional Insurance Agents Assn. since 1986 and serves on several related committees, including a tort reform coalition.

Before that, he owned and operated an independent insurance agency in Beach, N.D., for 14 years.

"My aim is to get a qualified insurance professional into regulating complex issues of the insurance industry rather than a politician," Mr. Olson said.

In addition, consumers need to be protected from the rising costs that could result from federal intervention in insurance regulation, he said.

Washington

Sixteen-year Republican incumbent **Dick Marquardt**, 70, faces two challengers: Democrat **Deborah Senn**, 43, an attorney, and Independent **Brian McCulloch**, 45, an employee benefits consultant and insurance broker and a former insurance company executive.

Among the challengers' criticisms of Mr. Marquardt is that he has not used his office to champion health insurance reform and that he has not sufficiently protected Washington citizens against insurer insolvencies.

Ms. Senn and Mr. McCulloch also fault the commissioner for accepting campaign contributions from insurance executives and agents.

Another criticism is related to ethics. The challengers and the Seattle Times fault Mr. Marquardt for steering millions of dollars in legal work related to the state's seizure of five failed insurance companies to the law firm of his campaign chairman, Rocky Lindell.

Responding to the criticism of his record on health insurance, Mr. Marquardt said he has supported universal access to health care for years.

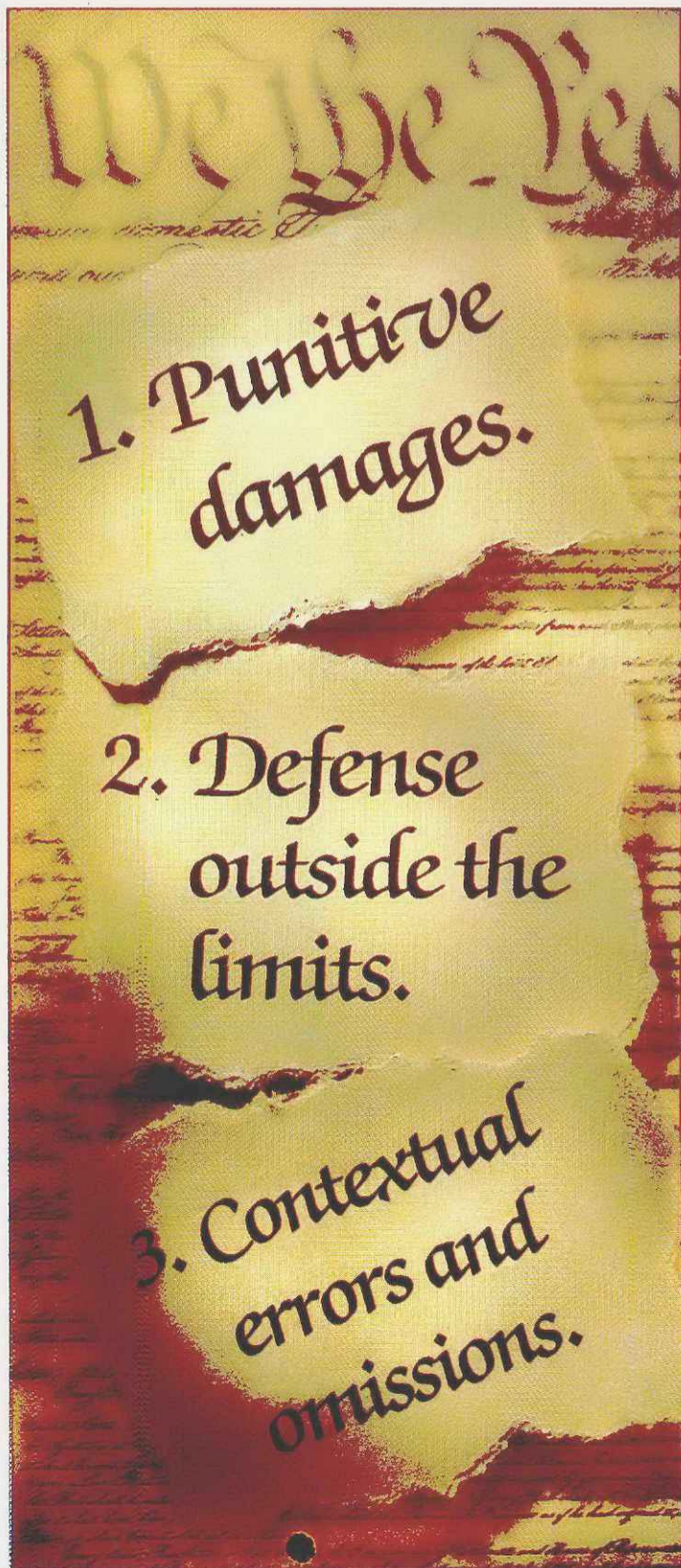
In the past year, the Department's Small Group Insurance Task Force, which Mr. Marquardt formed, designed "legislation making health insurance coverage more affordable and available for small businesses," he said.

While the legislation, HB 2870, was defeated in the Legislature, the commissioner expects that key elements of the bill will be introduced again in the next legislative session.

Mr. Marquardt also pointed out that the Insurance Department worked closely with the

Continued on next page

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Continued from previous page
Legislature to establish the High Risk Health Pool, which provides coverage to ill or disabled people who cannot find coverage in the standard market.

On the matter of insurer solvency, Mr. Marquardt said no Washington-licensed insurer has failed in 3½ years, "a time of very heavy financial pressure upon the insurance industry."

In addition, the department has made many of the procedural and staffing changes needed to satisfy National Assn. of Insurance Commissioners accredita-

because he is "a highly respected attorney, a known factor."

As a practicing attorney for 16 years, Ms. Senn has represented consumer groups, labor unions and small businesses in utility company rate increase cases. She also has served as counsel to several legislative committees.

"This race is about health insurance reform and the insurance industry's money. I will use the powerful authority of this office to fight for affordable health insurance," including preventive care for all state residents, Ms. Senn said.

'This race is about health insurance reform and the insurance industry's money. I will use the powerful authority of this office to fight for affordable health insurance,' says Democratic candidate Deborah Senn.

tion standards. If the Legislature passes a department-developed bill that meets NAIC legislative requirements, Washington will receive accreditation, he said.

Responding to criticism of taking money from insurance interests, Mr. Marquardt said "the overwhelming majority" of his campaign support is unrelated to insurance.

He also cites informal opinion on the matter that he requested from the state attorney general's office. That opinion, he said, concluded that state law prohibited only insurance companies—not individuals working in the industry—from contributing to candidate for commissioner.

On the charges of steering work to Mr. Lindell's law firm, a campaign coordinator for Mr. Marquardt said the commissioner "preferred" to give the difficult legal work of the receivership proceedings to Mr. Lindell

She said that "by rule and legislative mandate, the insurance commissioner should help define the necessary and essential coverages" that all Washington residents should have. That coverage should limit treatment exclusions and pre-existing condition exclusions for people who change jobs or medical plans.

"The financial burden of health care must be shared by individuals, employers and government," Ms. Senn said.

There should be "rational cost management without compromising access, quality or good medical practice," she said.

Mr. McCulloch has 22 years of experience in employee benefits as an executive with several insurance companies and a medical cost management firm. He is now an independent benefits consultant and an insurance broker.

"The failure to pass the small employer group medical bill dur-

ing the last legislative session was unnecessary" and the result of Mr. Marquardt's "lack of leadership," he charged.

Mr. McCulloch said he will work to develop legislation to provide adequate health care coverage for small businesses.

He proposes, among other things, requiring health insurers to cover all small groups that seek coverage and requiring the insurers to use modified community ratings. He also favors allowing the commissioner to establish a reinsurance mechanism for small employers funded by a premium tax on employers.

Washington policyholders were hurt by the failure of five large insurers nationwide in the past 12 months. As commissioner, Mr. McCulloch would "actively and personally monitor developments in the insurance industry in order to head off and/or be ready for significant difficulties."

But Mr. McCulloch faults California Insurance Commissioner John Garamendi's "appalling and premature seizure" of Executive Life Insurance Co. He said that action cost Executive Life policyholders in Washington millions of dollars.

Associate Editors Meg Fletcher, Mark A. Hofmann and Louise Kertesz contributed to this report.

Insurance industry not easy to explain

By LOUISE KERTESZ

SAN FRANCISCO—How would you explain the insurance industry to a future president of the United States?



In light of a rash of "industry bashing," that question was posed to a panel representing insurers, brokers, insurance buyers, consultants, regulators and the press.

Led by Harvard Law School Professor Charles Ogletree—the panel moderator who raised the presidential problem—panelists at the annual Major Issues Forum sponsored by the CPCU-Harry J. Loman Foundation tackled the issue of the public's perception of the insurance industry. The no-holds-barred discussion of major industry topics was held during the recent Society of Chartered Property and Casualty Underwriters Conference.

"We sell an intangible product. Its benefits come to you only in time of trauma," responded James W. Cannon, president of

Consumers fail to hear message

SAFECO Property & Casualty Cos. and executive vp of SAFECO Corp. in Seattle. "How ever well we deliver it," he pointed out, customers are still "in an environment of stress" when they need it.

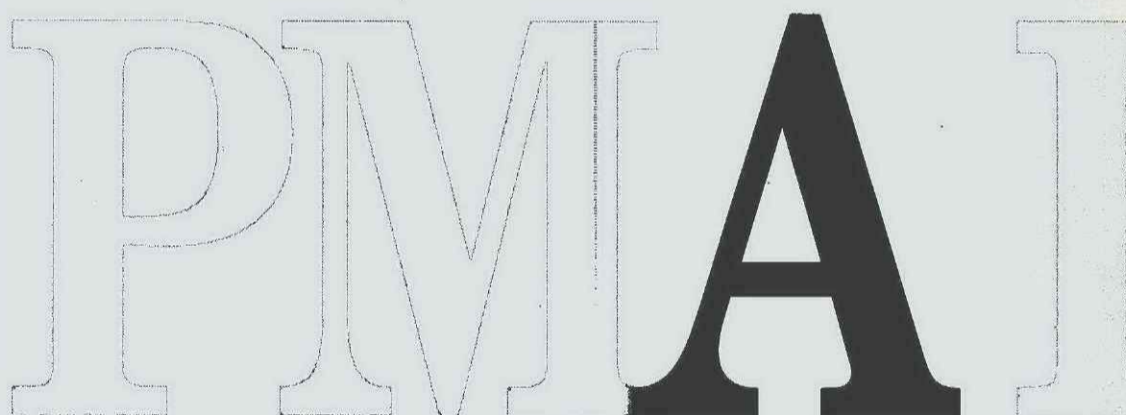
And because the price of insurance is seen as too high and rising ever higher, "it's difficult to feel good about" insurance, Mr. Cannon added. The public views it as "a necessary evil."

"I hold the exact opposite view," said Edith Adame, general counsel for Latino Issues Forum, a non-profit policy research organization based in San Francisco. "The insurance industry sells a good product, yet the message is not there for consumers. The industry has not positioned itself as championing consumer services and needs."

Besides, Ms. Adame continued, industry executives have not accepted their "corporate responsi-

Continued on next page

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Explaining industry

Continued from previous page
bility role in modern America" and often have not kept "close tabs on rising costs."

"They're both right to some extent," said Kathryn J. McIntyre, publisher and editorial director of *Business Insurance* in Chicago. But, she added, "Though the insurance industry believes it sincerely," the argument that insurance is a product customers can't really appreciate "is a cop-out." The industry must simply do a better job of explaining its services.

"The difficulty is that insurance is not a product that is used on a daily or a monthly basis," Mr. Cannon said. He cited policyholders who were victims of last October's fire in Oakland, Calif., as among those who have come to value insurance.

"Unless there is a claim, you get no benefit from your insurance. What other product" can that be said of? asked Joseph P. Decaminada, executive vp, secretary and counsel for Atlantic Mutual Cos. in New York.

To the argument that insurance buyers could better acquaint themselves with the product, Mr. Decaminada responded, "Do you think people want to read about insurance?"

Nevertheless, insurers don't do a good job explaining policies and their exclusions, said Suzanne H. Crager, president of the Risk & Insurance Management Society Inc. and assistant vp-risk management and insurance at PNC Financial Corp. in Pittsburgh.

But consumers also have obligations, countered Quill O. Healey, chairman and CEO at Sedgwick James Inc. in New York.

For example, he asked, "How many of us have read our directors and officers policies?"

Mr. Healey said the industry "in general" is willing to "sit down" and explain policy terms, whereas the consumer is unwilling to pay sufficient attention to the subject.

The situation is different among commercial buyers, who are "more sophisticated" and realize they need insurance to operate their business. Commercial buyers are generally more satisfied with insurance than personal lines customers, said Edwin L. Overmyer, president and CEO of broker Berwanger Overmyer Associates in Columbus, Ohio, and 1991-92 president-elect of The Society of CPCU.

The industry also is concerned about what consumers do read.

"The only news (about the in-

dustry) is bad news," observed Jerrol L. Harris, senior vp at California Casualty Management Co. in San Mateo, manager of California Casualty Group. Nobody writes about the security provided by the insurance industry or about its contribution to American finance, said Mr. Harris, the 1991-92 president of The Society of CPCU.

But recent public criticism of the industry—including that from Democratic presidential candidate Bill Clinton—has been leveled at health insurance and not property/casualty insurance, pointed out Russell R. Miller, chairman of Russell Miller Inc., a consulting and investment banking firm in San Francisco.

For example, "There has not been a great deal of criticism of the industry in Florida" in the wake of Hurricane Andrew, he said. Insurance "did just what it

was supposed to do" after that catastrophe, Mr. Miller asserted.

The problem is that the personal lines buyer views insurance "as a commodity purchase...like buying a can of soup," and insurance is not a commodity. "They will not stand still and learn about the business as we would like them to do," Mr. Cannon said.

"But listen to what the consumer has spoken on," countered Ms. Adame. One-third of California drivers have no auto insurance because of the cost, she said.

"Is that the insurers' fault?" asked Professor Ogletree.

The high cost of auto insurance in California is the result of policyholders having to pay for the uninsured, Ms. Adame said.

Delving into another topic, Professor Ogletree asked the panelists whether "insurance companies should be rooting" for tort reform.

The National Assn of Insurance Commissioners does not have a position on tort reform because there is no consensus on the topic among state regulators, responded William H. McCartney, president of the NAIC and director of the Nebraska Department of Insurance.

Issues like tort reform and health insurance reform are "societal issues," and regulators "have their hands full" with other responsibilities, such as insurer solvency, added Mr. McCartney.

RIMS has joined with insurers in supporting tort reform, but "that combined clout has not gotten us anywhere because our legislators are lawyers, and they look at what they can get out of the system," said Ms. Crager.

Perhaps the industry should not focus on the need for tort reform but on preventing abuse of the claims system, said Mr. Decaminada, who is chairman of the CPCU-Harry J. Loman Foundation. Fraudulent claims are often just exaggerated claims, he said. Policyholders should be compensated for the claim "but not become a millionaire."

Because tort reform will be a long time coming, we should instead focus on "arbitration and mediation of claims" and judgment caps, he said.

Ms. McIntyre expressed concern that if disputes simply are taken out of the court system and sent to arbitration, the industry will not work to improve the civil justice system.

"We need to prosecute the doctors and the lawyers" who are dragging the plaintiffs into the system, Ms. McIntyre added. She noted that in California, "cappers" stand in unemployment lines soliciting workers compensation clients for attorneys.

"A whole infrastructure" of abuse exists that is driving up the cost of insurance "for all of us," said Mr. Cannon, who criticized the NAIC for not taking a stance on tort reform.

The real abuse problem of the '90s is workers compensation, said Mr. Decaminada. "Every time we have a bad economic climate, we have more people injured on the job," while, at the same time, rates are suppressed. Rates need to be increased, he asserted.

"That's always the insurers' answer," countered Ms. McIntyre. The topic is reform of the system, she reminded insurers, noting that the industry should have been talking about reforming the workers comp system 10 years ago.

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Insurers fear national health plan

Health care reform likely would shift costs to property/casualty underwriters: Panel

By LOUISE KERTESZ

SAN FRANCISCO—Property/casualty insurers must take steps now to avoid becoming "the last cost-shift target" once national health care reforms—with their emphasis on managed care—are implemented.

This is the opinion of consultant Robert L. Laszewski, a principal at Health Policy & Strategy Associates in Washington, and others participating in a panel discussion at the annual meeting of the Society of Chartered Property & Casualty Underwriters, held earlier this month in San Francisco.

Some form of federally administered health care program may be inevitable, the panelists agreed.

"In an ideal world," every American should be guaranteed access to health care, said William D. Hager, president and chief executive officer of the National Council on Compensation Insurance in Boca Raton, Fla. "Can we afford it? No. Should we be concerned about a federally administered health care system? Yes."

"What can we do now to prepare for what seems to be coming?" asked moderator Lawrence G. Brandon, executive vp at the American Institute for Chartered

Property Casualty Underwriters in Malvern, Pa.

Reform will widen access, allowing more people into the health care system. "That will exacerbate the need to control costs," said Jeffrey J. Park, executive vp of investment research firm Conning & Co. in Hartford, Conn.

"There is no doubt that government will shift medical costs to the property/casualty industry under national health care reform," said Laura P. Sullivan, vp-counsel and secretary at State Farm Group in Bloomington, Ill.

"The health care industry knows that the workers compensation system is a release valve for its own cost problems," added Mr. Park.

Cost shifting is now a major cost driver in workers comp, said the NCCI's Mr. Hager.

Studies of Minnesota claim files showed that similar injury claims filed in the work comp system cost on average twice as much as those filed in the group health system, he said. The reasons: cost shifting and probable fraud.

Managed care is the key to keeping workers comp costs down, said Edward W. Siver, president of Siver Insurance Management Consultants in St. Petersburg, Fla.

There are three basic steps in controlling workers comp costs, Mr. Hager said:

- Pre-empting injuries with "strong safety programs."
- Telling employees how the workers comp system works, so that they are confident their injuries will be compensated.
- Intervening early before injured workers contact lawyers or secure "ill-advised" medical treatment.

Workers comp insurers may fear that state laws designed to protect injured workers will hinder their managed care efforts. But "there are ways you can get around even the most onerous 'anti-managed care' law," said Mr. Laszewski.

For example, even in a state that protects employees' rights to choose doctors, an insurer can approach a health maintenance organization and say, "We will work with you to keep an injured worker (within the HMO)." This way, the claim is kept within a cost-controlled setting.

This approach will become increasingly necessary because,

"believe it or not, most of the people in this room will be in a health maintenance organization seven or eight years from now," Mr. Laszewski said.

A property/casualty insurer "has to figure out how to plug into this system" with arrangements for treating injured workers through HMOs, he said.

Since employers are directly contracting with providers for the treatment of injured workers as well as for group health benefits, "we in the industry should work with providers, too," he added.

Property/casualty insurers should realize that they are part of the health care system, emphasized Mr. Park. "Vendors are the enemy, not the claimants," he asserted.

"You have to take managed care concepts out of the claims department and into the (health care plan). . . or else the property/casualty industry will be the victim of every interest in the health care field," he said.

Apart from some "inside limits and fee schedules, the workers comp field is wide open" to experiments in managed care, Mr.

Siver pointed out.

One experiment would be so-called 24-hour coverage, where workers would be treated under one system, whether they were injured at work or not. "Wouldn't we be better off admitting there is no distinction between group health and workers comp and designing a product accordingly?" Mr. Siver asked.

He conceded that formulating a 24-hour coverage program will not be an easy task (see story, page 70).

But, Mr. Laszewski said, "In and of itself, employers are not interested in merging workers comp and group health." Instead, employers are interested in getting their health care costs under control by transferring managed care concepts from group health to workers comp, he explained.

Asked what smaller casualty companies can do to compete with the larger insurers "that have spent millions on medical cost containment," Mr. Hager responded, "Get expertise," noting that some insurers have bought managed care companies to gain that expertise.

CPCU meeting attracts 5,300

SAN FRANCISCO—The Society of Chartered Property & Casualty Underwriters' 48th annual meeting and seminars were held Oct. 11-14 at the San Francisco Hilton.

Attendance this year—5,283—was well ahead of last year's pace—3,845. The meeting's theme was "Promises Kept: Making a Difference."

A gala celebration, "Streets of San Francisco," featuring strolling entertainment and theatrical effects recreating San Francisco's famous landmarks, concluded the four-day event.

Next year's meeting will be held Oct. 24-27 in Baltimore. For more information, contact Rebecca A. Bodenner at 215-251-2739.

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Rallying cry for 24-hour coverage

Rising health costs, other changes call for study of concept

By LOUISE KERTESZ

SAN FRANCISCO—"Social and economic conditions beg for us to consider" 24-hour coverage, an Oregon regulator says.

Medical costs are rising far faster in the workers compensation arena than they are for group health care, he and other experts maintain.

One reason is cost-shifting: Workers who lack health insurance often claim that their illnesses are work-related and seek care through the workers comp system.

Twenty-four-hour coverage programs also should be considered because of the changing makeup of U.S. industry, said Gary K. Weeks, director of the Oregon Department of Insurance and Finance.

Most workers no longer work in heavy industry like mining or steel, where it is often obvious which injuries are work-related, Mr. Weeks said during a session at the Society of Chartered Property & Casualty Underwriters' recent annual conference.

There is no single definition of 24-hour coverage, Mr. Weeks noted.

Twenty-four-hour coverage proposals range from coordination of separate workers comp and group health care plans to fully integrating workers comp and group health benefits into a single program, he said.

The so-called "standard model" would eliminate any distinction between group health benefits and workers compensation—two systems that have been separate since the workers comp system was implemented in 1911, said John F. Burton, director of the Institute of Management and Labor Relations at Rutgers University in New Brunswick, N.J.

Employees covered by such a plan would go to the same doctors and receive the same medical benefits whether they are hurt on or off the job, he said.

Twenty-four-hour coverage is an idea whose time has come, Mr. Burton asserted.

"The typical injury in 1911 was a traumatic event—for instance a coal mine collapse—and you could sort out work-related disability," he said.

But, over time, determining whether an illness is work-related has become more difficult. "We spend a lot of time trying to deter-

mine that, and it may be an inefficient use of time," Mr. Burton said. "The work-related test becomes, for a large number of cases, relatively obsolete."

There also is an economic argument for implementing 24-hour coverage programs, Mr. Weeks said. Such coverage would eliminate cost-shifting and present "opportunities for volume discounts that we can't get now because we are operating in two different markets."

No state yet allows 24-hour coverage, though several have approved pilot programs and others are considering similar laws (BI, Sept. 28).

Mr. Burton, conceding that "we don't know where on the spectrum the right 24-hour program should be," called for more states to permit pilot programs.

Twenty-four-hour coverage is an idea whose time has come, Mr. Burton asserts.

Although Florida has allowed such programs since 1990, none has gotten off the ground because "the law as drafted contains conflicting language," Mr. Burton said. The Department of Insurance has been trying to get the Legislature to clarify the law, he said.

Mr. Weeks also attributes the inaction on 24-hour programs in Florida to ambiguous legislation.

"Florida sets the wrong stage for us to move forward," Mr. Weeks asserted. Because no pilot program has yet been set up there, "people say that proves there is no demand for the product," he said. "That's not true."

In Oregon, "we're trying to bring all parties together" before crafting legislation, Mr. Weeks said. Talks have been going for eight months, and a bill will be introduced during the next legislative session, he said.

Meanwhile, Oregon has applied for a grant from the Robert Wood Johnson Foundation to conduct a 24-hour coverage pilot program.

But, 24-hour coverage still will face obstacles even after programs are implemented. There may be "turf battles" when both the group health and workers comp departments of an insurer get involved, Mr. Burton said.

Other turf battles might occur in state regulatory bodies in those states where different agencies regulate group health and workers comp programs.

And risk managers and employee benefit managers also may clash, because the workers comp and group health systems traditionally have been kept separate, Mr. Weeks said.

Other problems in implementing 24-hour coverage will be the need to educate employers, agents and brokers, with perhaps a licensing requirement imposed on brokers placing 24-hour coverage, he said.

And 24-hour coverage itself may have its drawbacks. For instance, coinsurance and deductibles reduce the consumption of health care services. What happens if coinsurance and deductibles are eliminated from group health coverage to create a uniform plan? Mr. Burton asked.

In addition, employers' commitment to occupational safety and health programs might wane under

a 24-hour coverage plan, he said. The workers comp system "has a great influence on occupational safety and health programs," in that employers are experience-rated, he pointed out.

"If we break down the distinction (between group health and workers comp), it becomes harder to use financial incentives on employers to improve workplace safety. We may undermine the safety incentive," he said.

However, Mr. Weeks disagreed. "The notion that experience-rating has driven all this is wrong."

Employers do not implement safety programs just to save money, he said. Morale improves when employees see that their employer wants a safe workplace.

Another potential problem with pilot programs is that some may not be adopted for the long term. "There is a serious issue in designing a pilot. If it is abandoned, what happens to the workers injured" while it was in effect? Mr. Burton asked.

"Workers comp claims can go on for 20 to 30 years, as opposed to the more limited exposure for a group health carrier," he explained.

Insurers will have to design a policy to assure employers that their obligations under the workers comp law are met even though a 24-hour pilot program may fail, he said.

Regulators also will have to do some work before 24-hour coverage is implemented. Insurer asset and reserve requirements and guaranty funds all may have to be modified, Mr. Weeks said.

"But these may not be major difficulties," he said. "We're going to look at these requirements in such a way as to encourage companies to do business in Oregon."

The session was moderated by J. Wesley Ooms, assistant vp at State Farm Fire & Casualty Co. in Bloomington, Ill., and the 1991-92 vp of the Society of CPCU. ■

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Health care data analysis a necessity

By MICHAEL SCHACHNER

BOSTON—Quality data is a necessity for employers to properly design or purchase a cost-effective employee health care plan, a trio of benefits experts insist.

Obtaining, and then breaking down, health care data is the only way for a company to know with any element of certainty whether the benefits it provides are appropriate or whether changes are necessary, they say.

But numerous obstacles to obtaining quality data must be overcome, they point out.

"There's a lot of information you need to know to make sound business decisions. You may not necessarily need to collect the data yourself, but you at least have to get your provider to disseminate it to you," said Bill Custer, research director with the Employee Benefits Research Institute in Washington.

Speaking at the Council on Employee Benefits' 46th Annual Fall Conference, held Oct. 1-2 in Boston, Mr. Custer emphasized that collecting and understanding health care data is vital for employers.

James Stutz, executive director of the St. Louis Area Business Health Coalition, also asserted that employers' need to analyze health care data will grow in the 1990s.



"If employers don't want to pay more than they have to, they should know as much as possible about where their money is going. Why leave money on the table?" he questioned.

Employers must ask a number of important questions when analyzing their programs:

- Exactly who is receiving benefits?

Benefit managers can make much wiser decisions with a firm knowledge of their company's demographics, specifically the age and sex breakdown of their employee population, Mr. Stutz said.

- What are the charges, billing procedures and other pertinent information about the employer's leading providers?

"It's good to know exactly which hospitals your employees go to most. This way you can negotiate with them to get data on charges and procedures," he said.

- How many health care services are actually used?

Raw data on health care con-

sumption, like number of office visits per 100 workers, helps employers determine whether plan design is appropriate.

- What is normal health care utilization for a similar employee group?

Knowledge of group norms is vital, because it allows the employer to assess whether its benefit levels are appropriate.

To make these comparisons, the company needs to possess general data generated by similar employee populations, Mr. Stutz said.

- Are there benchmark companies to emulate?

"Identifying a teacher or a low-cost company is a good idea. It's also wise to identify a high-quality plan elsewhere to shoot for," he said.

Together, low cost and high quality benchmarks also give the employer a tool for communication. "It allows you to convey to management and the employee where you are going and why," explained Mr. Stutz.

- What are per capita benefit costs?

Employers must know what they're paying per employee in benefits to place a value on what is offered. Without this, benefit costs are without context, he said.

The data must meet several criteria to be of any value, said Mark

Epstein, executive director of the National Assn. of Health Data Organizations in Arlington, Va.

"Data has to be comparable over time, and it must be accurate and reliable," he said. "It also has to be timely. Much of the data that's available now is more than a year old. We would like for it to be much newer.

"Today it's not possible, but hopefully soon we'll be able to access data that's only a day or two old," he added.

Mr. Epstein also detailed what he perceives to be the biggest barriers that exist to the collection and comprehension of health care data. "There's simply too much data available, but not enough knowledge of what to do with it all," he said.

In addition, what data is available is not uniform, he added.

For example, "the health care industry lacks definitions of what is a common medical practice. Not only that, but there are major gaps in the data that's available, and there isn't a whole lot of outcome information out there," said Mr. Epstein.

He also noted that there is a problem with gaining access to data.

"Until these deficiencies are ironed out, there will continue to be unnecessary money spent."

Another barrier to employers getting their hands on data is the issue of privacy. "At the individual level, there's the question of who has access to what under what circumstances. At the same time, we still need larger data bases consisting of personal information," said Mr. Epstein.

Cost also continues to plague the data collection game. "We all know that there's a cost to everything, but maintaining and updating current data bases is very expensive," he noted.

"But it's also expensive not to have the data. We're at a point where we have to pick our poison."

Fear of competition also tends to adversely influence hospitals, Mr. Epstein said.

Many hospitals fear they'll lose patients if they offer data to employers, because that employer could compare data from other facilities and then prohibit employees from seeking care at that hospital, he said.

Nevertheless, "we need a national commitment to health data collection and dissemination," said Mr. Epstein.

"The government can't do it alone and neither can the private sector. Health care reform will center around what we know." ■

Corporate culture guides benefit plan

By MICHAEL SCHACHNER

BOSTON—Defining and documenting corporate goals and practices can provide a guide for benefits decisions and assist overall corporate management, says a management and benefits consultant.

By integrating benefits strategies with overall human resources strategies, companies can ensure that benefits programs support overall corporate direction and culture, he said.

And documenting both of those strategies will give a company a roadmap to follow in future benefits decisions, asserted Gregory Wiber, a group executive with Buck Consultants Inc. in New York.

"Your benefits strategy should consist of an information foundation that's business-driven. Benefits strategies today have to

be based on employee demographics, important legislative issues and the competition," explained Mr. Wiber, who spoke at the Council on Employee Benefits conference earlier this month.

Once management has agreed on a strategy, it then has to develop a corresponding plan of action.

"This is really the key element. It's not the statements you make about your strategy, but it's the action plans that really make something go. Your plans of action will be based on current programs and how those programs compare to the strategic statement you have developed," Mr. Wiber said.

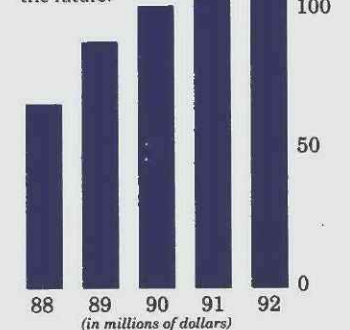
However, the consultant emphasized that companies cannot put the cart before the horse. Before action plans can be deve-

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Benefit planning

Continued from previous page
 loped, the benefits strategy has to be converted into a concise statement.

"The idea of documenting a benefits strategy isn't to create a big binder full of words. It is much better to concisely communicate where the benefits program fits into the corporate strategy, where it's going and why," said Mr. Wiber.

"Touch on the position benefits play in the corporation and explain the company's commitment to benefits and how the benefits will be administered and communicated."

One company that has crafted its benefits program based on a greater corporate strategy is Crum & Forster Inc.

According to Vincent Sweeney, vp-benefits, Crum & Forster's management recently realized that it needed to get its six divisions all on the same page—in benefits as well as other areas.

"We accepted the fact that we were an organization in change. We

wanted to develop a link between the employee, our products and the customer. We needed programs that were variable to meet the needs of the different divisions, but they all had to be linked," he said.

Whatever approach the company would take would have to appeal to employees. "We had to recruit and retain people," Mr. Sweeney said.

Crum & Forster also decided to give the program a very broad appeal. "We placed our priority on the majority (of employees). We decided that we couldn't cater to the individual squeaky wheel," he said.

Its primary communications goal was to convince employees of the value of the program. "We wanted to highlight what has been happening with costs, but we really communicated value."

Before selecting the health care plan it would offer, Crum & Forster also studied its existing plan.

"We had a terrible lack of integration among providers," said Mr. Sweeney. "Our people were going in all directions for care,

which made it impossible for us to evaluate our providers, the value of our plans or anything else."

Another drawback: The plan had no built-in concurrent cost controls. "All the analysis we did was retroactive," Mr. Sweeney explained.

"We thought we could control the future based on the past. Eventually, we realized we had to avoid care rather than control costs."

After all the introspection, Crum & Forster decided on a managed indemnity plan with a "gatekeeper" physician controlling access to all health care, including dental care.

"This returned all responsibility to the provider. He's now less worried about justifying charges and more concerned about quality care," he said.

The program also encourages wellness, "and not just physical exams and immunization.

"The managed care edge will erode after time. We have to get people to a greater state of health. With healthy people, it stands to reason that they'll cost less." ■

CEBS speakers address election, job security

BOSTON—The Council on Employee Benefits' 46th annual Fall Conference, held Oct. 1-2, drew 188 people to Boston.

Among the sessions presented:

- Anthony Knettel, director of health care policy with the ERISA Industry Committee in Washington, kicked off the conference by discussing the impact of the presidential election on health care reform.

"Unfortunately, the election probably won't make as much difference as one would hope. Politics isn't an exact science," he said.

But, if President Bush is re-elected, the health care debate will remain polarized, Mr. Knettel said.

"Given the differences Mr. Bush has with the Democratic Party, there will likely be little reform that he will control. The Democrats in Congress will set the timetable."

And, if Bill Clinton is elected, "there is no guarantee that anything will be different. It's easy for a candidate to say one thing during a campaign, but one's perspective tends to change once it's coming from the White House."

- William Morin, chairman of Drake Beam Morin Inc., a New York-based outplacement firm, described how the workforce and employee values are changing in the 1990s.

"There is no more cradle-to-grave security today. The wonderful days of a promotion every two years are gone. Today, the average college graduate will change jobs 7.5 times, and four of those changes will be

Council on
Employee Benefits

Fall Conference
Boston

involuntary," he said.

He stressed that these factors have given employees and employers whole new definitions of preretirement planning.

"Voluntary retirement programs with financial and career packages are very hot for employees now."

Mr. Morin also said the number of employees leaving companies to work for vendors or as part-time consultants is growing.

Companies are responding to these trends by providing more directional counseling. They're also offering outgoing employees interest-free loans to help them start up their own businesses.

- Al King, director of personal finance services with Coopers & Lybrand in Stamford, Conn., said employers can help the growing number of displaced workers by updating employee benefit data bases.

The data bases should be able to perform "what-if" scenarios depicting future taxes and what income will look like if contributions to 401(k) plans are changed.

Next year's fall conference, the only CEB meeting also open to non-members, is scheduled for Oct. 27-29 at the Ritz-Carlton Pentagon City in Arlington, Va. ■

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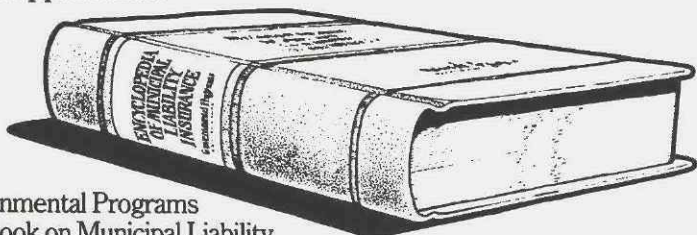
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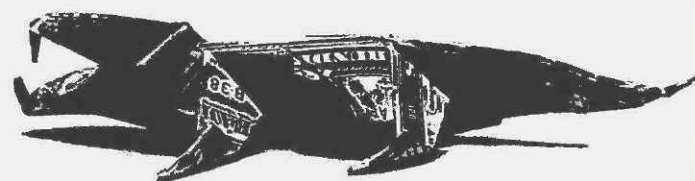
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INTERNATIONAL

Members ready to fight

By STACY SHAPIRO

LONDON—Lloyd's of London members facing huge losses on defunct syndicates managed by Gooda Walker Ltd. and Feltrim Underwriting Agencies Ltd. are prepared for a protracted legal battle if necessary to eliminate their liability for the losses.

Both groups hope they can settle out of court with dozens of members agencies, the Feltrim and Gooda Walker managing agencies and other related parties.

But now that loss review reports have been published on the Gooda Walker and Feltrim syndicates, the members will meet to discuss their litigation strategies.

The 1,300 litigating Feltrim members will meet Nov. 12, said Colin Hook, chairman of the Feltrim Names Assn.

The estimated 2,000 Gooda

Dispute on losses at Feltrim, Gooda could go to court

Walker members will discuss their legal course at a Nov. 30 annual meeting, said Alfred Doll-Steinberg, chairman of the Gooda Walker Action Group.

Both groups say the loss review reports have provided evidence to prove that the losses were largely caused by "sheer incompetence" and "negligence."

Mr. Hook said although the Feltrim report will encourage members to sue if settlement is impossible, "it can't be a good thing (for Lloyd's) to wash your dirty linen in public day by day."

Mr. Doll-Steinberg said it is likely "that we will have to go through a

few (litigation) rounds first before we get a knock-out."

However, a consultant in the market said a settlement is unlikely because "there are huge sums involved."

The Feltrim and Gooda Walker members face estimated 1.37 billion pounds (\$2.23 billion at current exchange rates) in net losses.

The amount of errors and omissions coverage the defendants have available to pay Gooda Walker and Feltrim members could be limited. Though one report suggests that the total amount of errors and omissions coverage available is 500 million pounds (\$813 million), the total could depend on how many claims have been made against the agencies' separate E&O policies in the relevant years of loss.

E&O insurers also may delay a settlement because "if reinsurers are

Continued on page 76

Insurers still assessing damage from blast at Japanese refinery

TOKYO—It is too early to assess the total insured losses from last week's oil refinery explosion and fire in Japan that killed nine employees, said a spokesman for Tokio Marine & Fire Insurance Co. Ltd.

However, London underwriters do not believe that the loss will be big enough to enter London's catastrophe reinsurance market.

It is not known whether the refinery was insured for business interruption, London sources said.

In addition to the nine deaths, eight people were injured, three seriously, in the explosion and subsequent fire at Fuji Oil's Sodegaura oil refinery in Chiba Prefecture, Japan. The explosion occurred at the refinery's No.2 light-oil desulfurization equipment section at approximately 4 p.m. Friday, and the

GLOBAL BRIEFS

equipment section burst into flames, burning for three hours.

The damage to the total refinery complex was quite small, according to a Fuji Oil spokesman. However, because the desulfurization equipment section is now non-functional, related processing units also have been closed down, and the refinery is operating at only 40% capacity.

Fuji Oil's property insurance is written by a consortium led by Tokio Marine & Fire. London sources say the coverage has limits of 130 billion yen (\$1.06 billion at current exchange rate), with Tokio Marine & Fire writing 20% and the rest being coinsured by seven other

Japanese insurers, including: Dowa Fire & Marine Insurance Co. Ltd., Koa Fire & Marine Insurance Co. Ltd., Mitsui Marine & Fire Insurance Co. Ltd., Nichido Fire & Marine Insurance Co. Ltd., Nippon Fire & Marine Insurance Co. Ltd., Sumitomo Marine & Fire Insurance Co. Ltd. and Yasuda Fire & Marine Insurance Co. Ltd.

Reinsurance is placed in domestic and overseas markets.

—By Judith Rawnsley,
Maria Kielmas
and Stacy Shapiro

Colombia quake loss

Insurers are not expecting large claims from two strong earthquakes that struck northwestern Colombia. The Oct. 18 quake, measuring 6.6 on

Continued on page 77

OIL forms high-layer facility

TOPS to offer coverage for North Sea rigs by year end

By ROGER SCOTTON

HAMILTON, Bermuda—Shareholders in Oil Insurance Ltd., Bermuda's petroleum industry mutual insurance company, are forming a new company to provide coverage for offshore oil and gas rigs operating in the North Sea.

As its name implies, TOPS Insurance Ltd. will offer the top \$100 million layer of insurance protection against the total loss of a policyholder's offshore structure.

TOPS, which stands for "total-loss offshore production structure," was incorporated two months ago. It will begin writing coverage in time for the year-end renewal season, operating from OIL's Bermuda headquarters.

The company's launch comes amid a continued capacity contraction at Lloyd's of London for offshore coverages, especially for high-layer exposures on certain high-value risks.

OIL President and CEO K. Doyle Stephens announced the venture on Oct. 16, but has declined to discuss TOPS in detail. A press release states that on Oct. 14, "a group of potential investors" unanimously concluded there was "sufficient commitment to activate the company."

The statement says TOPS is the result of "a private initiative started by a group of interested insurance buyers in response to worsening conditions in conventional markets."

The statement adds that the group plans to hold a

final organizational meeting, described as an "activation meeting," in early December. "At that time, official subscriptions and other documentation will be completed, and the company will be prepared to begin insurance operations, effective Jan. 1, 1993."

TOPS will be insuring the same type of risks covered by OIL. The TOPS coverage is expected to complement OIL's basic policy for specific property, liability and other catastrophe risks.

OIL writes up to \$150 million in all-risk property damage coverage, well-control insurance and third-party pollution liability coverage. It also offers its approximately 50 oil-industry members an optional additional layer of insurance covering another \$50 million per occurrence. Other options include replacement-cost, restoration and re-drilling coverages.

Market sources say that not all OIL members will be contributing to TOPS, nor will TOPS cover be restricted to OIL members only.

Mr. Stephens' announcement did not come as a complete surprise.

He indicated that expansion was in the cards when he noted in his 1991 report to shareholders that OIL was entering a period of substantial growth "as commercial markets continue to harden and capacity becomes more scarce."

And he said in a March interview that the time had come for OIL to take its place in the market and offer its services to a wider range of clients (BI, March 30). ■



Photo by Colin Molyneux/The Image Bank

Vienna, seen here at dusk, hosted the International Insurance and Risk Management Conference.

Europe offers lessons for U.S.

By GAVIN SOUTER

VIENNA, Austria—U.S. risk managers may be the acknowledged leaders in the field, but they could still learn a lot from their European counterparts, says a U.S. risk manager now working Europe.

"Europe has borrowed the best of the U.S. risk management philosophy. What is indeed unfortunate is that the U.S. risk manager has not also borrowed from the best of European risk management practice," said Paul York, vp-risk management and insurance at ABB Asea Brown Boveri Ltd. Before joining the Swiss electronics and manufacturing concern, he was risk manager for Union Carbide Corp.

More than his U.S. counterpart, the European risk manager is adept at dealing with company politics, Mr. York said at the 22nd International Insurance and Risk Management Conference sponsored by Management Centre Europe.

"The European risk manager knows how to deal effectively with the political realities of his life, while the U.S. risk manager is quite unprepared for dealing with or turning to his advantage the politics present in his European subsidiaries, for example," Mr. York said.

The result is that goals take longer to achieve in Europe but, once established, they stay in place. "Consensus and compromise are not by-words in America," he said.

Cross-fertilization of ideas should help risk managers on both sides of the ocean choose between a centralized and decentralized approach, Mr. York said.

Traditionally, U.S. risk managers have favored the former and Europeans the latter, he said. But this is changing.

"Centralization of risk management certainly makes life easier, and some would argue better, for the corporation in achieving its goals," he said.

Among the advantages of the centralized approach are that it is simple and cost-effective, said Mr. York. It also assures quality; assures deductible levels are reasonable; assures loss control measures are implemented; and assures that corporate risk management decisions are carried through.

A decentralized approach presents more problems, but once they are conquered, there are added benefits, he said.

The problems include: varying levels of risk retention; obtaining full coverage; payment of premiums by different corporate units; uniting all of the different units; and minimizing costs.

One advantage Mr. York cited to decentralization is that it gets everyone involved. "Forcing creativity and having a more focused approach can and often does yield positive results."

Take the best from both approaches, he advised. "Like with almost everything in life, moderation in the approach and application of common sense in forging a balanced program, taking the best from each absolute position, will (work best)."

European risk managers can still learn from U.S. risk management practices, he said.

"As a general statement, the level and attention paid to loss control is less in Europe than in America. When Europe adopts the same loss control philosophy, the costs of insurance will go down."

Although highly protected risk principles have made their way across the Atlantic, they still are far from universally accepted, Mr. York said.

The benefits of HPR engineering are becoming more important worldwide, he said. "Just-in-time" inventory controls, long lead times for major or very specialized equipment, and the fact that labor and technical skills may be lost in the event of a major loss have added to the pressure to respond with a more aggressive loss control pro-

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Learning

Continued from previous page
gram," Mr. York said.

And companies should not look for a full return on HPR investments like sprinkler systems through premium reductions, he said. Sprinkler systems' benefits should be measured in terms of the cost of a loss if they were not installed.

Mr. York had other advice for

**Know your insurers
and if you do not
like what you find,
change it,
says Paul York.**

risk managers.

Disastrous results of insurers and reinsurers should encourage risk managers to look more closely at insurer security, he said. "Know your insurers, know where the reinsurance on your account is placed, know what the costs are in each transaction, and if you do not like what you find, change it."

INTERNATIONAL

Getting out of office only gets you so far

Top-level support critical to risk manager

By GAVIN SOUTER

VIENNA, Austria—Support from upper management is essential to a successful risk management program, a British risk manager says.

By getting out of their offices to keep a tighter control over risks, risk managers can go a long way toward controlling and reducing a company's risks.

But the full benefits of a program can only be achieved if a risk management ethos is encouraged companywide, said Richard Reddaway, group insurance manager of Glaxo Holdings P.L.C. in Greenford, England.

Mr. Reddaway spoke at the 22nd International Insurance and Risk Management Conference sponsored by Management Centre Europe.

Glaxo's primary exposures are: public and product liability, product tampering, exporting risks, large exposures in the United States and political risks.

A 14-person risk management department develops companywide health and safety, environmental protection and loss control strategies. That department could not function properly without the total backing of senior management, said Mr. Reddaway.

"Our deputy chairman and chief executive officer recently rewrote the company statement on health and safety. This ensures that health and safety are not seen as optional extras but are crucial components of good company practice."

Although the risk management department monitors health and safety practices and advises the company board, the instructions come from the top, he said.

The risk management department also provides benchmarks to all of the company's operating units through manuals on occupational health and hygiene, environmental protection, and safety and loss prevention, Mr. Reddaway said.

But the documents are originally drawn up by the production managers, who know the most about the production processes, he said.

The risk management department then monitors the adherence to the manuals, carries out regular en-

vironmental audits and also monitors actual incidents, Mr. Reddaway said.

"These requirements do not impose a significant burden on group companies as much of the required information is already gathered in compliance with local statutory or insurance requirements."

The purpose of the exercise is to obtain as much information on losses as possible so that employees do not fear the consequences of reporting incidents, Mr. Reddaway explained.

"There must be no punishment of employees for reporting an incident, as our aim is to learn from our experience."

Risk managers should make sure that they regularly visit all of the company's sites, he said.

"By doing this you can check that the company's risk management standards are being met, promote health and safety in person, and liaise with local insurers and brokers," Mr. Reddaway said.

And formal risk audits should be done at each site every two to four years, he said. "You should always award a mark after the audit because the site management will usually try to improve on the mark next time."

Risk managers should also meet regularly with the company's central insurers, brokers and captive managers, he said.

"I spend at least a week (a year) with our insurers reviewing the progress of each site. And I expect to receive good technical advice and expertise when I am with them."

Throughout the whole risk management process, the risk management department should strive to acquire as much knowledge of the risks a company is exposed to as possible, he said. "Reduce the unknown to the known and control the total cost of risk."

And to ensure the risk management department has a constant measure of its effectiveness, it makes an annual report to company management on its activities, he said.

"This is an excellent means of challenging ourselves," Mr. Reddaway said.

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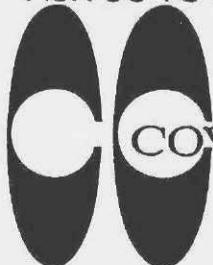
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INTERNATIONAL

Eastern Europe offers insurance opportunities to West

By GAVIN SOUTER

VIENNA, Austria—The nations of Eastern and Central Europe all offer potential for western insurers, but some offer more than others.

The process of transforming centrally managed economies into market economies already has provided opportunities for Western insurers, and more are bound to follow, an insurer said.

But, the economies of the former Eastern bloc nations are evolving at different rates and with varying success, said Manfred Illner, a deputy board member at Allianz Insurance A.G. in Munich, Germany.

The countries that offer the most potential to Western investors are Hungary, the Commonwealth of Independent States, the former East Germany, Poland and the Czech and Slovak republics, Mr. Illner said at the 22nd International Insurance and Risk Management Conference.

"Hungary is probably the absolute fairy-tale country of the East," Mr. Illner said.

Hungarian political conditions are stable and, in contrast to other Eastern European nations, the country has experience with private enterprise through private companies and the franchising of some state enterprises like hotels and restaurants.

Also, Hungary was quick to authorize joint ventures with Western companies and reform its tax system, Mr. Illner said.

The Hungarian insurance industry is also a step ahead of other Eastern European markets, Mr. Illner said. In 1986, the monopoly of the state insurer Allami Biztosito was abolished when a second company, Hungaria Biztosito, was formed to write reinsurance. Since 1988, the two have competed.

"You can measure the potential of this market by the fact that in 1988 approximately 80 deutsche marks (\$52.75 at current exchange rate) per inhabitant was spent on insurance." In comparison, 2,255 deutsche marks (\$1,685) per inhabitant was spent on insurance in West Germany in 1990, he said.

Insurance in Hungary is primarily sold through agents, and more than 10,000 agents or sub-agents work for the insurers. However, 27 authorized brokers work in Hungary.

Foreign insurers have already moved into Hungary. Italian insurer Assicurazioni Generali S.p.A. has set up a joint venture, AB-Generali, with Allami Biztosito; while Colonia Insurance A.G. of Germany has taken a 12% stake in Atlaz, a Hungarian travel insurer. Allianz now owns the majority share of Hungaria Biztosito.

The countries of the Commonwealth of Independent States have had to face more severe political problems and changes, he said. "Nationalist aims of the former states are leading to a growing heterogeneity and willingness to argue."

However, the individual states, apart from Russia, will find it difficult to combat the problems of transforming politically and economically on their own, Mr. Illner said. "The pressure to join together is the result of the lack of an autonomous economic infrastructure."

The cooperation between the states so far, combined with the Russia's dominating influence, has led to the freeing of prices of many goods, tax increases, cuts in state budgets and the dissolution of economic monopolies, he said. On the downside, economic freedom also has brought inflation and food lines.

The insurance industry in Rus-

sia still is limited by a lack of a legal foundation for an insurance market outside of Gosstrakh and Ingosstrakh, the former state-owned insurers, Mr. Illner said.

Currently, a draft insurance bill before the Russian legislature will allow foreign insurers to own 49% of Russian insurers, he said.

In addition to the former state insurers, about 600 private companies have emerged despite the lack of legislation, he said. But many of the new companies are financially unsound. And, "Most of them have not yet even heard of reinsurance."

Insurance is mainly sold through the 11,000, mainly Gosstrakh, agents in the CIS.

Foreign insurers are already investing in the CIS. Ventures have been formed with German, French, Spanish and Polish insurers, he said.

Although East Germany has been absorbed by the Federal Republic of Germany, it still faces problems similar to other Eastern European nations.

"Increased investment and service activity by West German companies and rationalization measures involving the redundancy of a large part of the labor force characterize

the economic situation," he said.

The potential for "foreign" investment in the area has largely been seized by western German companies, he said. Allianz has taken over the former East Germany state insurer, and other German companies have moved into the east.

The break-up of Czechoslovakia into the Czech and Slovak republics adds a new dimension to foreign investment in Eastern Europe as Slovakia looks to its eastern neighbors for economic partnerships, he said.

The Czech republic, too, may not welcome extensive Western investment, Mr. Illner said, and fears being caught in unwanted dependence. "In particular, there is a perceived danger of too close a link

with (Germany)," he said.

However, many companies in both republics gradually are being privatized, and the two state insurers are due to follow, Mr. Illner said.

A new insurance supervisory law based on the German system has been passed by the old Czechoslovakian government, and two new insurers have been established: Kooperativa Poistovna Drustevne Pojistovna and Otcina.

There are few brokers in the market, with most insurance sold through insurer representatives.

Poland's economy has been handicapped by its unstable political situation, Mr. Illner said. "The main problem here is the aspiration for

Continued on next page

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INTERNATIONAL

Eastern Europe

Continued from previous page
power and influence of President Walesa who all too often interferes in daily political life and does not always have a lucky touch."

On the economic front, however, the number of private enterprises is growing, he said. And the high inflation rate is gradually decreasing.

The number of insurers in Poland has grown from two state companies in 1988 to 27 insurers today, Mr. Illner said. "The majority of the business is still, however, in the two state enterprises."

There are 20 authorized brokers in Poland and 25,000 company agents, Mr. Illner said.

Foreign insurers that have entered the Polish market include Zurich Insurance Group and American International Group Inc., he said. ■

Service, managing risk, key to global success

By GAVIN SOUTER

VIENNA, Austria—Political and economic upheaval throughout the world will continue to force insurers to change to meet the demands of their policyholders, an insurer says.

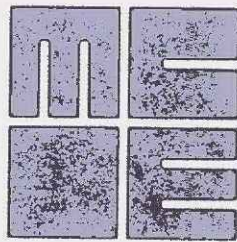
More attention to risk management and policyholder service will be the key to success, he says. Insurers will also need to face up to changes in markets and business strategies if they are to succeed in the new world order.

"The bipolar geopolitical division that dominated the world for over 50 years has dissolved. For the West, Eastern markets are becoming more accessible, and space is opening up for a new international economic

order," said Eugenio Coppola, chairman and managing director of Assicurazioni Generali S.p.A. in Trieste, Italy.

The reduction of the economic gap between Eastern and Western countries will be a slow and uneven process, he said at the 22nd International Insurance and Risk Management Conference.

The economic changes in Eastern Europe already have created turbulence in Western financial markets. This will lead to more pressure for economic and monetary union in the European Community to enable it to support the de-



velopment of Eastern European countries, Mr. Coppola said.

New opportunities also will arise due to the gradual removal of state-imposed economic barriers in Latin American, African and Asian countries, he said.

Technological developments also are increasing the risks faced by insurers, Mr. Coppola said.

To deal with all of the changes, insurers will have to pay more attention to risk management, he said.

Insurers must integrate underwriting with a strategy of common risk management to improve the quality of their relationships with

industry and commerce, he said.

Insurance should be at the core of the risk management system, but it should be used in conjunction with loss prevention measures and effective equipment maintenance.

And, insurers should have a constant dialogue with industrial leaders to harmonize coverage with growing industry needs at "technically adequate rates that are economically acceptable to firms."

Insurers will have to rethink their business strategies, he said.

Currently, many large companies smooth out their results by being present in a variety of countries so good results from one area offset bad results from another, he said, adding that this strategy only works well when economic systems remain predominantly national.

"Now, however, not only are the economies of the industrialized countries more integrated, but so are their reactions and behaviors."

Although benefits can still be gained from global operations—such as ease of expansion—insurers will have to focus more on products and services to gain a competitive edge, Mr. Coppola said.

Insurers must offer well-constructed, well-priced products, technical assistance and efficient claims handling to win clients; but the foundation of good underwriting will still be the application of the right rate for a risk, he said.

"Negative business cycles are not due only to acts of God, but more often to the foolishness of men. Cycles turn up positively when the rates applied comply with the technical rules." ■

Lloyd's losses

Continued from page 73

going to be called upon to indemnify the E&O claims—which is in the interest of the Lloyd's names—the insurers must go through as many (legal) hoops as possible" to prove the claims, said the market source.

Ironically, settlements from E&O insurers will fall back on Lloyd's members. Prior to 1990, Lloyd's syndicates wrote almost all E&O coverage for members agencies and managing agencies.

Lloyd's required each members or managing agency to purchase up to 20 million pounds (\$32.4 million) in E&O coverage, depending on its size, until April 1991 when members agents no longer had to buy the coverage. Managing agents have to buy up to 5 million pounds (\$8.1 million) in coverage this year.

The loss-review committees appointed by Lloyd's reached similar conclusions about the causes of the losses from these syndicates, which wrote primarily London market excess-of-loss retrocessional coverage. Both reports conclude that there was no dishonesty or fraud involved in the syndicates' losses.

The Gooda Walker report focuses on syndicates 164, 290, 298 and 299 for the years between 1988 and 1990. The Feltrim report viewed losses at syndicates 540/542 and 847, particularly in 1988 to 1990.

"The (LMX) spiral market in the late 1980s meant working relationships between a limited number of brokers and underwriters appeared so close as to raise... the presumption of collusion or conspiracy in the placing and acceptance of spiral business," said the Gooda Walker report. "No evidence was discovered in the course of this review to support any such presumption."

"We have found no evidence of dishonest or fraudulent conduct or practices in the affairs of Feltrim or in the LMX market," said the Feltrim report.

Continued on next page

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INTERNATIONAL

Continued from previous page

However, the "unprecedented" string of catastrophes between 1988 and 1990 showed the weaknesses in the LMX market, particularly for these syndicates, the reports noted.

Most of the Feltrim and Gooda Walker syndicate underwriters and agency directors were unaware of their syndicates' potential total aggregate catastrophe exposures, the reports show. Most of the underwriters wrongly presumed that catastrophes would not hit the high layers of LMX retrocessions they were writing. And none of the syndicates covered by the Feltrim or Gooda Walker reports had enough reinsurance protection for aggregate exposures, the reports concluded.

In his defense, Feltrim underwriter Patrick Fagan said, "When you get hit...four times in 30 months with major catastrophes, there is no way a market can survive on that basis."

Tony Berry, underwriter for Additional Underwriting Agencies No. 7 Ltd., which took over the management of the Feltrim syndicates in December 1990, has criticized Feltrim for poorly maintained and error-ridden syndicate files.

The Feltrim loss-review report suggests that Mr. Fagan had no clear idea of the extent of his syndicates' catastrophe exposure or how to forecast the total loss.

For example, in May 1989, Feltrim forecast that the loss to syndicate 540/542 from the Piper Alpha oil rig disaster was 4.86 million pounds (\$9.17 million at the applicable exchange rate), which was 13% of the 1988 premium capacity of 37.4 million pounds (\$70.6 million).

In May 1990, the forecast had escalated to 112% of capacity. Mr. Berry then estimated in August 1990 that the loss would be between 225% and 375%.

Meanwhile, the Feltrim syndicates were also affected by bad debts totaling approximately 7.6 million pounds (\$12.4 million) from defunct reinsurers, including National Employers Mutual General Insurance Assn. Ltd.; H.S. Weavers (Underwriting) Agencies Ltd.; and Chancellor Insurance Co. Ltd., whose underwriter Colin Davies was once the Feltrim syndicates' underwriter.

Judging from the Gooda Walker loss-review report, records were better kept and aggregates better known there than at Feltrim.

In fact, Derek Walker, syndicate

290's underwriter, was one of the few named in either report who was aware that he faced a huge aggregate exposure unprotected by reinsurance. He said in his defense: "I think the object of the exercise was to purchase as much reinsurance protection with the best possible security that I could purchase in the market. One has to balance this against the cost."

The report noted: "Derek Walker acknowledged on several occasions in his underwriter's report that it was not possible to purchase sufficient reinsurance coverage to fully protect the syndicate's aggregate exposure...By retaining a large net exposure, (he) risked an infrequently high loss ratio with the expectation of earning high profits."

But at "no time" could the profits be deemed high considering the enormous risks that were being run,

the committee concluded.

The Gooda Walker loss review committee did not examine the use and commutation of time-and-distance policies, which is being examined by Lloyd's (BI, April 13).

One major difference between the two reports' conclusions is the role of the Lloyd's hierarchy in the syndicates' losses.

The Gooda Walker committee concludes that "Lloyd's had properly administered the relevant regulatory requirements relating to the Gooda Group." However, the committee also suggested that Lloyd's regulation could be improved by:

- Developing a means for ensuring that an adequate proportion of catastrophe exposure is reinsured outside Lloyd's.

- Ensuring that members are aware of the "high-risk" nature of the syndicates they are joining.

- Introducing a "risk-weighted system of control," as suggested by Sir Jeremy Morse's governance report, to replace premium volume as a way to limit syndicate exposure.

- Determining whether syndicates should purchase time-and-distance policies.

The Feltrim loss review committee did not make any recommendations on regulation. However, its report details how Feltrim was registered by Lloyd's in November 1986 to replace its predecessor, W.M.D. Underwriting Agencies Ltd.

W.M.D. was 40% owned by the notorious P.C.W. Underwriting Agencies Ltd. and became embroiled in Lloyd's 1982 investigation of quota share reinsurance. W.M.D. underwriter Colin Davies resigned, and Mr. Fagan became underwriter in December 1982.

When losses of 63 million pounds

(\$102.4 at current exchange rates) from P.C.W. came to light, W.M.D. reviewed the validity of some of its quota-share reinsurance between 1978 and 1982 and realized that the syndicate could not pass its solvency test in April 1986.

As a result, the agency decided in consultation with Lloyd's that W.M.D. should be succeeded by Feltrim Underwriting Agencies Ltd. and changes should be made in the agency and the syndicates. However, the Feltrim report states: "The type of risks underwritten by Feltrim were substantially the same as those carried by W.M.D., most of the members' agents who gave their support were the same and the underwriters...were the same."

The report concludes: "There would have been no losses at all if Feltrim had not been registered by Lloyd's (in 1986)." ■

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GLOBAL BRIEFS

Continued from page 73

the Richter scale, and the Oct. 19 quake that registered 7.2, mainly shook poor areas in tropical and coffee-growing regions.

Although the second earthquake was felt in Bogota and the principal provincial cities of Cali and Medellin, there have been few reports of serious damage to large buildings, according to a spokesman from the Bogota office of Alexander Howden Reinsurance Brokers Ltd.

While provincial roads were damaged, current indications are that oil and gas installations were spared.

The Howden spokesman said that there is some damage to apartment complexes in Bogota, Cali and Medellin, which will be retained in the local market. Catastrophe reinsurance was not expected to be tapped.

One factor in minimizing damage is that Colombia enforces strict construction codes that mandate earthquake-resistant design. No estimate of total economic losses or insured losses is available.

—By Maria Kielmas

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Flintkote

Continued from page 2
 American Mutual Liability Insurance Co., et al. closely mirrors the landmark 1987 ruling by California Superior Court Judge Ira A. Brown Jr. in the coordinated case.

At the time, Judge Brown's ruling was generally considered the broadest interpretation of coverage for asbestos bodily injury claims ever handed down (BI, June 1, 1987).

While Judge Brown's initial decision also applied the broad continuous trigger to property damage claims, he later restricted it to a multiple-trigger approach (BI, Dec. 25, 1989).

The Brown decision is being appealed to California's 1st District Court of Appeal in San Francisco. No hearing date has been set.

In the Flintkote ruling, Judge Gyemant said her decision and that of Judge Brown are consistent with nationwide case law.

"Prior decisions on bodily injury coverage and trigger are significant in two respects: Every decision has held that asbestos-related bodily injury claims are covered claims, and all except one case have rejected the manifestation trigger as contrary to the intent of parties and/or the medical evidence," she said.

The exception is *Eagle-Picher Industries vs. Liberty Mutual Insurance Co.* In that case, the policyholder asked that a manifestation theory be applied (BI, Sept. 28, 1987).

Because Flintkote had settled its coverage dispute with several of its insurers, only Commercial Union Insurance Co., Continental Casualty Co. and the California Insurance Guaranty Assn. will be affected by the Oct. 14 decision governing bodily injury claims.

Commercial Union, Continental Casualty and four insolvent insurers now represented by the guaranty fund together wrote more than \$100 million in general liability coverage on behalf of the now-defunct asbestos producer, according to Flintkote attorney Thomas M. Freeman. The four insolvent insurers are American Mutual Insurance Co., Midland Property & Casualty Insurance Co., Mission Insurance Co. and Transit Casualty Co.

The property damage decision applies to hundreds of millions of dollars in property coverage underwritten by those three insurers, as well as Aetna Casualty & Surety Co., American Re-Insurance Co., CIGNA Insurance Co. of Canada, Insurance Co. of North America, London Guarantee & Accident Co. of New York and Lloyd's of London syndicates.

Flintkote, which was acquired by San Francisco-based Genstar Corp. in 1979, at one time had approximately \$1 billion in CGL coverage for the years governed by the decision, according to Mr. Freeman, who is with Brobeck, Plegler & Harrison in San Francisco, who served as co-counsel for Flintkote.

The Flintkote decision "is like a matching bookend to the Judge Brown decision," pointed out David Steuber, an attorney who represented Nicolet Inc. and GAF Corp. in the coordinated asbestos case.

"The trigger analysis for both the bodily injury and the property damage claims all seems to be the same language as Brown," said Mr. Steuber, who is with Hill, Wynn, Troop & Meisinger in Los Angeles.

Flintkote had sought to be included in the coordinated litigation, but was excluded because the coordinated case was already too massive.

Just like Judge Brown in the coordinated asbestos case, the court in Flintkote looked up in the dictionary definitions for "bodily injury,"

"sickness" and "disease" to determine coverage for asbestos-related bodily injury claims.

"The injury resulting from asbestos occurs continuously from exposure through death," Judge Gyemant said, citing the Brown decision.

Therefore, "every policy triggered by an asbestos bodily injury claim has an independent obligation to respond in full for indemnification, subject to policy limits, deductibles, applicable exclusions and any rights of equitable contribution from the issuers of other policies triggered by the same claim," the court said.

The Flintkote decision also is significant in that it uses a fresh analysis to draw the same conclusion, said Flintkote attorney Mr. Freeman.

"It's easy to describe the decision in shorthand as 'like Judge Brown,' but this judge dealt very carefully with the issues from a different perspective, yet came to the same conclusion," he said.

One policyholder attorney suggested that the new decision may be an improvement on Judge Brown's decision.

"It goes a step further in trying to explain this continuous trigger theory," said Jordan Stanzler of An-

person, Kill, Olick & Oshinsky in Palo Alto, Calif. "It demystifies the jargon."

While much of the decision does closely parallel Judge Brown's ruling, the Flintkote interpretation of the property damage trigger is more restrictive, pointed out Philip R. Matthews, who represented the London market insurers in the case.

"While Judge Brown held that property damage occurs from the date of installation, Judge Gyemant said there must be diminution or contamination for there to be property damage," said Mr. Matthews, who is with the San Francisco law

firm of Hancock, Rothert & Bunshoft.

Attorneys for the other insurers currently are preparing their objections to the decision, he said.

The ruling concludes Phase I of the trial. Next the court will begin Phase II, the application stage, where the policy language decided in Phase I will be applied. Phases III and IV will concern allocation issues and bad faith arguments.

Flintkote Co. vs. American Mutual Liability Insurance Co., et al., San Francisco Superior Court No. 808594.

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Rochester plan

Continued from page 1

"A series of very specific communitywide decisions have been made over the years, creating a health care system that differs from that of the nation as a whole," said Robert J. Blendon, a professor and chairman of the Department of Health Policy and Management at the Harvard School of Public Health in Cambridge, Mass.

The agreement to be community rated, not experience rated, is among the key ingredients in Rochester's success story. The area's major employers—including Eastman Kodak Co., Xerox Corp. and Bausch & Lomb Inc.—all offer community-rated insured health care plans.

That results in higher premiums for those employers. But, the resulting community rates for small employers and individuals is much lower than if the big companies were experience-rated, enabling small firms and individuals to purchase affordable health care coverage.

"If those employers pulled out of that system and said they want experience rating, the system may not work," pointed out Mary Case, a consultant with

Kwasha Lipton in Fort Lee, N.J.

"Few other employers have parochial interests like those in Rochester," said Bob Braddick, a principal in the New York office of A. Foster Higgins & Co. Inc.

"Those employers have said, 'Even though my experience rates are better than the community as a whole, I'm going to continue community rating because in the long-run it'll even out and work out for the common good.' It would be much more complex to achieve that in Los Angeles or Chicago, for example," Mr. Braddick said.

Kodak self-insures its health plans everywhere it operates except Rochester, where it employs nearly half of its 80,000 domestic workers, said Dave Edwards, director of benefits.

Kodak self-insures in other cities because other employers are doing it. "Those communities fell apart. They lost the mindset of improving the community's lot vs. improving their own lot," he said. "It's different in Rochester; the community mindset didn't change. Here we can have the health care delivery and underwriting system work in concert and manage the resources effectively so we don't need to self-insure."

Rochester's system of community rating has paid off. A survey conducted earlier this year by Louis Harris & Associates reported that Rochester's adult uninsured rate was only 6% in 1991—well below the state's 12% uninsured rate and the country's 14% uninsured rate.

Health insurance plan costs for employers in Rochester also are lower than the national average. Per capita health insurance costs in 1991 averaged \$2,378 per employee in Rochester, about 45% less than the state average of \$4,336 and about one-third less than the national average of \$3,573, according to Foster Higgins.

One reason the city's health care costs are so much lower is that Blue Cross & Blue Shield of the Rochester Area insures more than 80% of the city's population through its indemnity plan and Blue Choice, its health maintenance organization.

One other HMO, Preferred Care, also operates in Rochester.

"Having many insurance companies in a city like this would not lower the cost of care or increase the quality of care," said Dr. Philip Bonnani, president of the Monroe County Medical So-

ciety in Rochester.

"That one insurer is able to negotiate with employers and providers to come up with something that is fair to all," he said.

"But don't forget Blue Cross is privileged by statute to enjoy (substantial) discounts off all provider charges," noted Foster Higgins' Mr. Braddick.

Rochester also has benefited from the effects of regional health planning.

The Finger Lakes Health Systems Agency in Rochester is a community-based health planning agency that grew from locally established voluntary organizations of health care providers and consumers created in the early 1960s. Those organizations helped plan for health care needs in the nine-county Finger Lakes region.

Such planning has helped Rochester health care providers control hospital bed capacity and safeguard against an oversupply of expensive high-tech medical equipment.

This has played a key role in keeping health care accessible and affordable in Rochester.

In exchange for adopting a system of regional health planning in the late 1970s, state and federal governments exempted Rochester-area providers for a time from state reimbursement rules, pointed out Bruce Popper, president of Local 1199-Rochester, a labor union representing roughly 1,500 health care workers.

Area hospitals did not have to negotiate their rates or bill according to state reimbursement formulas or diagnosis-related groups until a few years ago, he explained.

However, the Rochester Area Hospital Corporation, a coalition of local health care facilities, established the Hospital Experimental Payment program, which required area providers to adhere to global budgets to serve the health care needs of the population. Under the program, payers negotiated a prospective payment plan with area providers.

The payers said, "Here's the money you get up front. If you use it wisely, you get to keep the change. If not, you have to pay out of your own pocket," Mr. Popper said.

Rochester has 25% fewer hospital beds per capita than the state or nation on a whole, according to Mr. Popper. As a result, hospital bed occupancy rates are much higher in Rochester: 87.3% in 1990, compared with 66.8% nationally, reports BC/BS of the Rochester Area.

And, unlike providers in most other cities, the hospitals in Rochester have agreed to share resources—like expensive, high-tech diagnostic equipment and cardiac intensive care units—rather than provide all of those services and procedures within their own facilities.

This equitable spreading of resources among the facilities has not hindered access and has helped keep costs low.

For example, the average hospital cost per day for 1990 in Rochester was \$409, 28% less than the state's \$568 average cost and about one-third less than the nation's average cost of \$609, according to the RAHC.

"Rochester has the closest thing we've seen to a single-payer system," said Humphrey Taylor, president and CEO of Louis Harris. Its success under such a model may convince policymakers that managed competi-

tion is not all that it is cracked up to be, he noted.

Under managed competition, individuals would be organized into large groups—usually employment-based—and represented by a buyer or sponsor. The sponsor would request bids from competing insurance companies and health care providers. The idea is to control costs through competition rather than price controls.

But just because Rochester has achieved some success does not mean a single-payer system is the answer to U.S. health care ills, said Raymond Savage, vp of BC/BS of the Rochester Area.

However, "I do think there are too many insurance companies, and the pie in many areas is cut too small. And, I think the federal government should become involved if we are to ever begin trying to emulate in any way what is taking place here," he said.

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New Maine law

Continued from page 2

the right direction," said Joan Friedman, assistant general counsel for the Maine Chamber of Commerce & Industry in Augusta.

But, "We are disappointed that it doesn't contain more cost savings," she said.

The law, which adopted key features of Michigan's workers compensation system, will:

- Appoint four labor and four employer representatives to a newly created Workers Compensation Board that will manage the state's workers compensation

system, replacing a 12-member commission.

"Conceptually, the most important part of the new law is it gives a joint labor/management board responsibility and authority to run the system," Mr. Lewis said.

- Create a new mutual insurance company that will operate as a competitive state fund with eight industry divisions and a high-risk unit to replace the state's beleaguered assigned risk plan.

Employers that belong to the mutual will be solely responsible for their individual losses and will have a significant say in

Withholding tax

Continued from page 2

In addition, the rules set the maximum amount that employers may exclude from withholding at \$200, rather than the hoped-for \$500.

The clarifications also require employers to give written notice of employees' right to have lump-sum distributions transferred to an IRA or another employer's plan. This rule would burden employers that have invested in voice response communication systems to speed pension distributions and reduce paperwork.

On the other hand, the IRS did issue model language that employers can use to fulfill the written notice requirement.

The IRS also said employers transferring funds to an IRA or another employer's plan are not required to wire rollovers directly to the new plan. Instead, the employer can mail a check or have the employee deliver the check.

And, employers are not required to roll over a distribution to more than one IRA or pension plan, the IRS says.

The clarifications represent "a good first attempt by the IRS, given that certain things can only be done by Congress," observed Howard Golden, a partner with Kwasha Lipton in Fort Lee, N.J.

"On balance I think they did a very good job as far as breathing life into the actual law," agreed Frank Roque, an attorney with Hewitt Associates in Lincolnshire, Ill. However, some practical issues remain to be addressed, he added.

"We understand that the IRS felt statutorily restrained," but it is unfortunate that an exclusion for hardship withdrawal could not be included, said Henry Saveth, a principal with A. Foster Higgins & Co. in New York.

The IRS has scheduled a Jan. 15 hearing for public comment on the provisions, even though the provisions of the law go into effect Jan. 1. The rules, which have been issued as "temporary" and "proposed," could undergo further changes after the hearing.

"We hope to see substantial changes after Jan. 15," including an exception for hardship withdrawals, Mr. Roque said.

However, Mr. Saveth said, "It's questionable as to how much flexibility the IRS has or will show. It's possible that some of the timing rules might be changed."

The IRS requires that a plan administrator provide an employee receiving a distribution "a written explanation" of the law's tax implications "within a reasonable period of time before making an eligible rollover distribution."

The "reasonable period of time" in most cases is defined as "no earlier than 90 days and no later than 30 days before the distribution is made."

This requirement "will play havoc with voice response sys-

tems," said Gerald L. Uslander, a principal with William M. Mercer Inc. in Washington.

The rule is "very annoying" for employers that have invested in voice response systems, agreed Mr. Roque.

One way to deal with the "no earlier than 90 days" rule would be a wholesale distribution of written notices to employees on a quarterly basis—an expensive proposition for large employers, he observed.

Employers could attempt to have their voice response systems issue a "mailgram" to employees seeking a distribution to explain the withholding requirements, Mr. Saveth said.

"Clearly employers who have invested large amounts of money into voice response are not pleased to inject a paper element into the equation," he pointed out.

And, many experts were hoping that the IRS would set the maximum amount that can be excluded from the withholding provisions at \$500, rather than \$200, said Seth Tievsky, a principal with Ernst & Young in Washington.

"We'd like them to exempt a small distribution, not just a tiny distribution," agreed Mr. Saveth.

Tax legislation, H.R. 11, passed by Congress earlier this month would exempt distributions of \$500 or less as well as hardship withdrawals from the withholding tax. However, President Bush has threatened to veto the bill because of unrelated provisions that would increase taxes (BI, Oct. 12).

On the positive side, the clarifications do include a seven-page notice that can be duplicated by employers and used to meet IRS requirements for providing explanations to employees of the new rules.

The IRS notes that employers are free to delete portions that do not apply to a particular plan or to add language as long as it does not contradict the notice.

Employers are also free to draft their own notices as long as they "contain the information required" and are "written in a manner designed to be easily understood," according to the IRS.

Serious omissions or misrepresentations in the notice provided to employees can result in a \$10 fine for each distribution, up to a maximum fine of \$5,000 per year, Mr. Roque said.

Employers also should be pleased that the IRS will allow them to have the employee deliver a check for the amount of the distribution to an IRA trustee or a new employer, rather than insist on a wire transfer, Mr. Golden said. Not all employers have wire transfer capabilities.

And employers will benefit from the clarification that an employer only has to transfer a distribution to one IRA or qualified plan, he observed. ■

the insurer's operations.

"Having employers run the mutual fund will help remove inefficiencies from the current residual market," said Ms. Friedman of the Maine chamber.

- Reduce and redistribute benefits.

The new law cuts the duration of partial-impairment benefits to 260 weeks from 520 weeks for impairments up to 15%, though more seriously injured workers still receive lifetime benefits. The 260-week limit can be extended in cases of "extreme financial hardship."

In addition, if the state's average claims frequency drops to national norms after five years, the duration limit may be gradually extended over time back to the 520 weeks.

The new law also reduces the maximum weekly benefit to 90% of the state average weekly wage, or \$441. Previously, the maximum was 136% of the average wage, or \$536.

Individual benefits also will be calculated at 80% of take-home pay rather than as a percentage of the state average weekly wage, so lower-paid workers are not overcompensated.

- Create a panel of independent medical examiners to resolve disputes. An examiner's findings are generally binding.
- Increase managed care and

cost containment opportunities.

In addition, employers will be allowed to choose an employee's doctor during the first 10 days of treatment, rather than letting employees initially choose their own physicians.

- Reduce litigation.

The law encourages informal mediation of claims disputes, which is expected to reduce attorney involvement in the system.

In addition, claimants will be required to pay attorney's fees out of their awards rather than having the employer pay them.

The new law is expected to reduce the cost of the workers comp system by 12%, said John Herzfeld of Milliman & Robertson in Boston, who served as an actuary to the state commission.

However, employers' workers comp rates are likely to still rise 3% to 6% despite the new law, said Jack Dexter, president of the Maine Chamber.

The expected increase is due to pending rate hikes retroactive to July 1. The size of the increase, along with the 1988 residual market deficit, is expected to be announced by mid-November by Insurance Superintendent Brian Atchinson.

Supporters of the law hope insurers may be encouraged to return to the Maine market by the law's cost-cutting measures and

the state's new "file and use" system, which will replace strict prior approval of rates.

However, Mr. Atchinson said, "I don't have any delusions that carriers will rush back in Jan. 1."

"We think it probably is as much as we could have expected out of this special session," given that the Legislature was dealing with a system that was "on the brink of disaster," said Joseph A. DiGiovanni Jr., vp with the American Insurance Assn. in Boston.

The law also has its critics.

Maine Senate President Charles P. Pray, D-Millinocket, called the law "seriously flawed." Sen. Pray said he voted against the proposal because it saves small businesses "very little" and puts them "at risk" from deregulated insurance rates before the state-formed mutual insurer is up and running.

In addition, injured workers will face "deep cuts" in benefits and a restricted right to legal representation, he said.

"From the standpoint of labor this was not reform, it was reaction," said Patrick N. McTeague, a union attorney with McTeague, Higbee, Libner, MacAdam, Case & Watson in Topsham. The bill makes "arbitrary" benefit cuts and deprives a worker of his right to counsel, he said. ■

Electronic systems

Continued from page 2

health information from misuse or unauthorized disclosure.

The major elements of the electronic billing and information system could be in place for the Medicare and Medicaid systems within 15 months, Dr. Sullivan said.

Efficiencies gained from the electronic health claims network could slash as much as \$114 billion from the nation's health care bill between 1993 and the turn of the century, he said.

The actions Dr. Sullivan announced last week mirror those detailed in a Bush administration proposal to encourage the use of electronic transmission of claims information (BI, June 22).

Bush administration officials project the president's proposal would save \$75 billion in administrative costs if nearly all health care claims are electronically processed and use a standard format.

And, the officials estimate another \$75 billion will be saved in clinical costs because the number of diagnostic tests and hospital admissions will fall as doctors gain immediate access to complete medical histories.

The Workgroup for Electronic Data Interchange, a group of public and private health care payers and providers, welcomes HHS's public-sector efforts. WEDI presented recommendations for adopting a uniform claims information network to Dr. Sullivan in July (BI, July 27).

"It's terrific and it's consistent with what we want to do," said Joseph Brophy, co-chairman of WEDI and president of Travelers Insurance Co. in Hartford, Conn. Pilot programs of this sort in the Medicare and Medicaid system are "critically important because they are paving the (electronic) highway we all will run on."

"We are encouraged that Dr. Sullivan is aggressively moving ahead with electronic claims processing," said Kathleen Fyffe, director of claims and institutional reimbursement at the Health Insurance Assn. of

America in Washington. "We will be working with him on that effort."

The new system might work like this:

At the beginning of a patient's visit, the patient would present the provider with an electronic "health card" with a magnetic strip, like a credit card. The provider would run the card through a magnetic reader to access insurance information about the patient.

The card would eliminate the need for patients to repeatedly fill out confusing insurance forms.

Doctors also could use the health cards, with the patient's permission, to gain access to their medical histories from a central data base. The Health Care Financing Administration currently has a computerized filing system that contains Medicare eligibility information, but providers need to link up with this system to receive data and transmit claims. HCFA also provides matching grants for states to develop similar systems for Medicaid.

The health card also should streamline billing procedures for doctors and hospitals because they will have instant access to insurance eligibility and benefits information.

HCFA is seeking joint participation of Medicare, a state Medicaid program and private insurers in a specified area to test the standardized health card. The pilot project will demonstrate the use and benefits of the card before it is adopted nationally.

Under Dr. Sullivan's proposal, providers also would file claims electronically via a standardized computer network. HHS says such a system would decrease claims-filing errors because as claims are keyed into the system, the program will prompt providers to fix incomplete or obviously incorrect information.

Medicare providers that submit claims electronically to HCFA will receive payments electronically, Dr. Sullivan said

last week. "In fiscal year 1993, HCFA will be paying electronic claims two weeks faster than claims submitted by paper. These actions will establish a strong incentive for all health care providers to submit Medicare bills electronically."

The American Medical Assn. supports the idea of electronically submitted claims, according to a spokesman in Chicago. However, he said, the AMA would not support a program under which HCFA penalized physicians who file paper Medicare claims by intentionally delaying their payments.

HHS says the electronic system will also meet an ever increasing need for new clinical information. Officials foresee doctors using the "electronic highways" to rapidly access the latest information about the effectiveness of different treatments.

The Computerized Patient Record Council that Dr. Sullivan is calling for to guide the development of the electronic transmission system will be co-chaired by Assistant Secretary for Health James Mason and acting HCFA Administrator William Toby Jr.

Dr. Sullivan has set a Jan. 1, 1995, deadline for Medicare and Medicaid programs to use a standardized billing form for physician services.

"About 30% of all physician claims in the nation would be covered" by such a form, Dr. Sullivan said. "We would also encourage the private sector to use this form."

Meanwhile, a pilot private-sector electronic claims network has been launched at a Chicago-area health maintenance organization.

Share Health Plan of Illinois has begun testing a paperless claims system called ProviderLink. The HMO serves more than 90,000 consumers in Northeast Illinois and Northwest Indiana and estimates that ProviderLink will reduce physician office administrative costs by 10%. ■

Review of AIDS coverage cap opposed

By SARA MARLEY

WASHINGTON—The U.S. solicitor general says the Supreme Court should not review a case involving an employer that revised its health plan to cap benefits for AIDS after an employee filed an AIDS claim.

In an Oct. 16 amicus curiae brief requested by the justices, the solicitor general noted that, if made today, the plan change would likely run afoul of the Americans with Disabilities Act.

The high court has not announced whether it will hear the case.

Two lower courts—most recently the 5th U.S. Circuit Court of Appeals in New Orleans—have ruled in favor of the employer, H&H Music Co. of Houston (*BI*, Nov. 18, 1991).

The survivors of the employee, John McGann, argue that under the Employee Retirement Income Security Act of 1974, the company could not limit AIDS benefits because the decision was a discriminatory plan change targeting only him.

Mr. McGann, who later died of AIDS-related complications, had a \$1 million lifetime limit under

H&H's insured medical indemnity plan. After he filed an AIDS-related claim, the employer switched to a self-funded plan and capped benefits for AIDS-related treatments at \$5,000 (*BI*, Nov. 27, 1989).

"H&H specifically retained discretion to modify plan coverage at any time," the solicitor general wrote.

"Anybody with AIDS was capped," not just Mr. McGann, pointed out H&H attorney Mark Huvard of Harberg, Huvard & Bisk of Houston. "It is an ERISA case, not an AIDS discrimination case. The only reason (the case) was taken to the level it was is because the man had AIDS. It's a political issue."

The plaintiff's attorney argues the plan change was made in direct response to Mr. McGann's claims, which is prohibited under ERISA.

"You can't find a case where the retaliation is as clear," said Suzanne Goldberg of the Lambda Legal Defense & Education Fund in New York, a group that supports legal rights for homosexuals. "For the court not to accept (the case) would

effectively eviscerate the strength and purpose of ERISA to protect employees."

While the solicitor general says H&H Music's actions would likely be barred by the ADA today, it is not clear how that law would respond to the 1988 plan change.

However, "It is my suspicion that under the current administration, ADA does not prohibit such caps," Ms. Goldberg said.

Employers "will not be deemed in violation (of the ADA) if they limit treatment in a non-discriminatory way," said Robert Sandler, an attorney with Saul, Ewing, Remick & Saul in Philadelphia.

But "if the ADA has any teeth, it must be interpreted to prohibit the kind of behavior H&H Music engaged in," Mr. Sandler said.

By hearing the case, the Supreme Court would "muddy the waters," he said. "People would not necessarily be aware that this (case) is decided exclusively under ERISA."

"It is an excellent test case," Ms. Goldberg countered. "The tragedy is that it may be many years until the issue rises to this level again. ■

Pan Am plaintiffs seek bond from insurers

NEW YORK—In an unusual move, families of the 259 passengers who died in the 1988 downing of a jet over Lockerbie, Scotland, are asking a federal judge to require insurers to post a \$750 million bond to ensure payment of any eventual damage awards.

Pan American World Airways Inc. has \$750 million in liability insurance that could respond to Flight 103 claims, but so far the New York court hearing damage claims has awarded only \$20 million to the families of three victims.

Both the jury's finding that Pan Am is liable and those individual awards are now being appealed.

In the meantime, the victims' families are asking U.S. District Judge Thomas C. Platt in Brooklyn to either require the insurers to post the bond or rule that all insurers on the risk are jointly and severally liable for all damages.

A ruling is expected soon.

Even though \$750 million in insurance is available, "there is no guarantee that the companies will be around to pay," said a lawyer for the families, Lee S. Kreindler, a partner with Kreindler & Kreindler in New York.

News reports have detailed record losses at Lloyd's of London and solvency problems elsewhere, noted Mr. Kreindler.

It would be extremely unusual for a judge to grant the

bond request, aviation insurance attorneys say.

The bond request is "particularly extraordinary in advance of the judgment being awarded," said Lloyd B. Ericsson, a partner with Ericsson & Egan in Portland, Ore. It is more likely that insurers would be held jointly and severally liable, he added.

Normally, defendants that are appealing would be required to post a bond of 1½ times the amount of a judgment, pointed John Scott Hoff, a Chicago lawyer specializing in aviation.

United States Aircraft Insurance Group wrote 30% of Pan Am's liability coverage. Others underwriters that participated in Pan Am's \$750 million liability coverage include Lloyd's of London's Ariel syndicate, La Reunion Aérienne in France, Associated Aviation Underwriters of Short Hills, N.J.; and CAMAT in France.

In separate motions, the victims' families are seeking sanctions against Pan Am for knowingly pursuing groundless claims against the U.S. government in an attempt to shift the blame for the bombing (*BI*, Sept. 21). Those motions are still pending in same federal court.

After determining that Pan Am was liable for damages, a jury began deciding damages for each victim individually (*BI*, July 20). After \$20 million was awarded to three of the families, the jury was dismissed.

—By Sara J. Hartly

Health plan survey

Continued from page 1

The survey states "it is more difficult to make the case that PPO/POS plans have reduced annual increases in health insurance premiums."

The survey authors note, though, that while PPO/POS premium increases were high this year, employers see these plans as a bridge to managed care plans. In addition, the authors contend, managed care plans generally offer more benefits for the premium dollar.

Overall, the cost of employer-sponsored health benefits rose an average of 10.9% between spring 1991 and spring 1992, after an adjustment is made for changes in plan design like increased cost-sharing, reduced benefits or the adoption of managed care, Mr. Gabel said.

That compares with overall premium increases of 12% on average in 1991-1990; 15% in 1990-1989; 18% in 1989-1988; 11.5% in 1988-1987; and 6% in 1987-1986, according to Mr. Gabel, citing figures from the 1991 Peat Marwick study along with data from the Health Insurance Assn. of America.

The 1992 annual premium increase was the lowest since 1986 due to the health insurance industry's profitability cycle, he said.

"Health insurance is subject to

a well-defined profitability cycle in which three years of underwriting profits are followed by three years of underwriting losses," he said. "When insurers earn profits, premium increases are modest two years later. When insurers realize losses, premium increases are substantial two years later."

Because 1990 was a highly profitable year for the health insurance industry, premium increases were modest in 1992, he explained.

Another reason for the growth of managed care enrollment is that fewer employers are offering a conventional plan, Mr. Gabel said. The percentage not offering a conventional plan jumped to 38% in 1992 from 29% in 1991 and 11% in 1988.

"Today, in firms with 200 or more workers, more Americans are offered HMO plans than conventional plans," he said.

"Our survey indicates that there will be fewer non-managed care payers to whom to shift costs in the future. Hence, remaining conventional plans will face greater cost-shifting, which in turn will accelerate the growth of managed care while yielding systemwide savings."

And, once all plans become managed plans, further savings are likely to be achieved through in-

creased focus on physician practice patterns, Mr. Gabel predicts.

Among other survey findings:

- The percentage workers contributed toward their health care costs increased significantly in 1992.

For example, employees on average paid 21% of HMO coverage costs in 1992, up from 16% in 1991.

Deductibles in conventional plans rose about 10% for single coverage to \$212 in 1992 from \$194 in 1991, and family deductibles increased 17% to \$531 from \$458.

- Virtually all Americans who receive their health insurance through their employer are now covered by some form of utilization review.

Only 4% of employers offered plans with no utilization controls in 1992, down from 10% in 1991.

- The largest insurer of health care benefits is employers: At least 65% of employee health care coverage is self-insured, Mr. Gabel said.

- More employers are offering flexible benefits: 43% in 1992, compared with 37% in 1991.

Copies of "Health Benefits in 1992" are available for \$90, plus local sales tax. For information contact Brian Newell, KPMG Peat Marwick, P.O. Box 23331, Newark, N.J. 07189; 201-307-7814.

Update

Mutual Benefit plan criticized

NEWARK, N.J.—Mutual Benefit Life Insurance Co.'s rehabilitators say they will implement their \$800 million bailout plan for the insurer even if New York regulators refuse to participate.

Mutual Benefit's rehabilitators filed the rescue plan for court approval in August. The plan calls for at least 42 state guaranty associations and a consortium of life insurers to guarantee full death, disability and retirement benefits, full account values and interest of at least 3.5% over a seven-year period to more than 100,000 individual policyholders and annuity holders (*BI*, Aug. 10).

The New York Insurance Department is withholding its support for the bailout plan for now because the plan would require policyholders to wait seven years to receive full payment on their contracts, a Mutual Benefit spokeswoman said. New York regulators also oppose a provision under which policyholders who withdrew their money now would receive only 55 cents on the dollar, she said.

"It is our desire for New York to sign onto the plan, but if they choose not to, we could continue with the plan by opting New York policyholders out of the plan and paying them 55 cents on the dollar," the spokeswoman said.

That scenario would cost Mutual Benefit about \$700 million.

Punitive damages soar: Study

WASHINGTON—Punitive damage awards against businesses in several states have risen nearly four hundred-fold in 20 years, finds a recent study by the business-backed American Tort Reform Assn.

The study compared punitive damage awards in California, Illinois, New York and Texas from 1968 to 1971 with awards in those states from 1988 to 1991. Each of the states is known for high damage awards; no states where courts are considered more favorable to corporate defendants were included.

Punitive damages in the four states totaled \$312 million in 1988-92, up astronomically from \$800,000 in 1968-1971, ATRA said.

One law professor downplayed the significance of the study. Michael Rustad of Suffolk University Law School in Boston pointed out that the study included many cases in which both parties were large corporations and therefore does not show the impact of punitive awards specifically in the areas of product liability and medical malpractice. ATRA targets its lobbying efforts in both areas.

In a recent study funded in part by plaintiffs' attorneys, Mr. Rustad found that punitive damages were rarely awarded and were not a major societal problem (*BI*, Jan. 13).

High court to hear Keene case

WASHINGTON—Keene Corp., a major defendant in ongoing asbestos litigation, may win an opportunity to argue in court that the federal government should contribute to awards or settlements paid by asbestos manufacturers.

The Supreme Court agreed last week to hear the New York-based company's appeal in a jurisdictional dispute. Keene is seeking permission to argue in the U.S. Court of Claims that the government should share liability because it used asbestos products in naval shipyards and sold raw asbestos to manufacturers.

In what Keene says is its last chance to force the government to pay a portion of asbestos awards, the Supreme Court agreed to review a 1991 federal appeals court ruling. That ruling upheld the dismissal of a Keene suit filed in the Court of Claims, a special trial court that only hears claims against the government. The Court of Claims had ruled that Keene could not pursue its case because it had another suit pending against the government in a federal court in Pittsburgh.

Keene dropped its case in Pittsburgh in the late 1970s to pursue its suit in the Court of Claims, said Vp Stuart Rickerson. To dismiss the case more than 10 years after the Pittsburgh case was dropped amounts to "the (Court of Claims) using a procedural and technical hurdle to knock us out," he said.

Briefly noted

A hailstorm that hit the Dallas-Fort Worth area this month will cost insurers about \$20 million. Including an April hailstorm that caused about \$450 million in insured damages (*BI*, May 11), the area has suffered \$600 million in insured storm damage this year, reports the Southwest Insurance Information Service. . . . The 4th U.S. Circuit Court of Appeals on a 7-5 vote refused to reconsider an August decision that insurers—and not treasure hunters—own more than three tons of gold and other cargo lost when the **S.S. Central America** sank during a hurricane 135 years ago (*BI*, Aug. 31). . . . Pennsylvania Gov. Robert Casey said he will ask the Legislature to block the **24% workers compensation rate increase** that Acting Pennsylvania Insurance Commissioner Cynthia Maleski has approved for 317 Pennsylvania insurers. The increase is effective Dec. 1. . . . The 4.4 million pound (\$8.5 million) loss in 1988 reported by **Lloyd's of London syndicate 1084**, managed by Cuthbert Heath Underwriting Limited, was due to "insufficient reinsurance protection against claims received following the explosion on the Piper Alpha oil rig," a Lloyd's loss review committee report says. . . . **Acordia Inc.**, an Indianapolis holding company for 22 insurance-related concerns, made an initial public offering last month in the United States and overseas of 3.2 million common shares at \$14.50 a share through First Boston in New York. . . . Standard & Poor's Corp. expects to announce next week a new service offering "**financial opinions**" on **Lloyd's of London syndicates**. The opinions are not ratings. . . . A California state court jury has ordered **General Motors Corp.** to pay \$8 million to a man who suffered paralysis when his GM truck overturned and its roof collapsed. Royal Insurance Co. writes GM's product liability coverage, but GM typically has a large self-insured retention.

Industry PACs

Continued from page 1
 cording to Federal Election Commission records.

Democratic candidates received \$1.8 million, while Republican candidates received \$1.4 million.

The totals include primary, runoff, special and general election contributions, as well as money contributed to help pay off old campaign debts, according to an FEC spokeswoman.

The 11 PACs are funded by employees or individuals affiliated with the AIA, the American Council of Life Insurance, CIGNA Corp., the Independent Insurance Agents of America, Massachusetts Mutual Life Insurance Co., Metropolitan Life Insurance Co., the National Assn. of Independent Insurers, the National Assn. of Life Underwriters, Northwestern Mutual Life Insurance Co., Prudential Insurance Co. of America and Travelers Corp.

Some of these PACs contribute heavily to Democratic candidates, while others split contributions evenly and others primarily back Republicans.

The Prudential PAC, for example, gave \$143,580 to 82 Democratic Senate and House candidates, while contributing only \$65,980 to 43 Republican candidates.

The NALU PAC—by far the largest of the insurance PACs—contributed \$484,250 to 167 Democrats, while giving \$360,450 to 152 Republicans.

However, the most Republican of the PACs, the NAI's, contributed \$146,450 to 110 Republican candidates and only \$30,650 to 32 Democratic candidates.

PAC representatives go out of their way to rebut any suggestion that they intend to influence legislators' thinking on insurance-related issues.

Instead, the PACs channel money to candidates with established records or general philosophies on business and government in line with PAC members' views, PAC officials say.

This way, "no one can say you're trying to buy a vote," said Darrell Coover, senior vp-government affairs for the NAI in Washington.

Congressional candidates receiving insurance PAC money tend to fall into one or more of several categories, industry representatives note.

Often, the candidates serve on commit-

tees dealing with insurance issues. Candidates also receive PAC money because they represent districts where insurers are large employers or because they are party leaders or are otherwise influential.

Most Senate and House candidates receiving the largest sums from the 11 insurance PACs fall into these categories (see chart, page 1).

For example, incumbent Sen. Don Nickles, R-Okla., is opposed to a federal government takeover of the health care system and is an advocate of tort reform and state insurance regulation.

While not serving on any Senate committees key to insurers or agents, Sen. Nickles—facing a tough re-election challenge—is seen as a rising Republican star with a pro-small business philosophy, the IIAA's

The NALU PAC—by far the largest of the insurance PACs—contributed \$484,250 to 167 Democrats, and \$360,450 to 152 Republicans.

Mr. Rusbuldt said.

Incumbent Sen. Christopher J. Dodd, D-Conn., is a liberal Democrat, but also serves on the Labor and Human Resources Committee as well as the Banking Committee, and is seen as a strong supporter of the insurance industry, which is a major employer in Connecticut.

Senate Minority Leader Bob Dole, R-Kan., supports "free market" health care reforms and tort reform, while he opposes repeal of the McCarran-Ferguson Act's antitrust exemptions.

Meanwhile, Sen. Bob Packwood, R-Ore., is ranking minority member of the Finance committee and serves on the Commerce committee. He supports reforming the current employer-based health care system.

Other Senate recipients of major insurance PAC money include Sen. Dan Coats, R-Ind.; Sen. Charles E. Grassley, R-Iowa; Sen. Christopher S. Bond, R-Mo.; Sen. Arlen Specter, R-Pa.; and Sen. Ernest F. Hollings, D-S.C.

Contributions to House candidates follow similar patterns, with the largest sums going to Rep. Dan Rostenkowski, D-Ill., chairman

of the Ways and Means committee; Barbara Kennelly, D-Conn., another key Democrat on the Ways and Means panel and a supporter of the insurance industry in her home base of Hartford; and Rep. Beryl Anthony Jr., D-Ark., another Ways and Means member.

While the 11 PACs contribute to many of the same candidates, there are some differences that may reflect philosophical splits among the trade groups.

For example, Rep. John D. Dingell, D-Mich.—sponsor of a bill calling for a federal role in insurer solvency regulation—received \$2,000 from AIA, which supports the concept, but nothing from NAI, which opposes it.

The large number of challengers and competitors for open seats has created more work for PACs trying to decide whom to support.

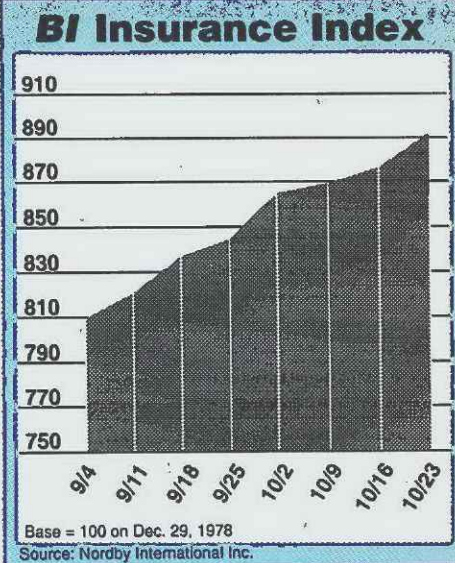
In some cases the choice is easy: Earl Pomeroy, North Dakota insurance commissioner and former president of the National Assn. of Insurance Commissioners, has received \$22,738 from the insurance PACs in his run for the House seat being vacated by Byron L. Dorgan, who is running for the Senate.

In other cases—where, for example, a candidate has served as a state legislator—PAC representatives have had to examine the candidate's state voting record or general philosophy on business and government regulation, PAC officials say.

While the PACs do not contribute to presidential general election campaigns, FEC records show a number of individual insurance industry contributors to both the Clinton and Bush/Quayle primary campaigns.

Bill Clinton's Democratic primary supporters included John P. Mascotte, chairman of Continental Corp.; Lyndon L. Olsen Jr., president and CEO of Primerica Life Insurance Co.; Ted Athanasiades, senior executive vp of Met Life; Walter Kaye, chairman of Kaye Insurance Associates L.P., a New York broker; and James Lee Douglass, Arkansas insurance commissioner.

Industry officials who contributed to President Bush's primary campaign include Garnett L. Keith Jr., vice chairman of Prudential; Robert M. Chmely and Malcolm D. MacKinnon, Prudential senior vps; Jeffery D. Lowe, senior vp of Ohio Casualty Insurance Co.; six top officers of Standard Insurance Co., including President Benjamin R. Whiteley; and Charles Landrum, president of T.H.E. Insurance Co. of Treasure Island, Fla.



Insurance industry stocks kept on climbing last week, as the *Business Insurance Index* rose 14.7 points to 890.9 on Oct. 23 from 876.2 on Oct. 16. Advancing issues for the week were led by National Re Corp., up 20.0%; US Facilities Corp., up 20.0%; and American Indemnity/Financial, up 18.2%. Declining issues for the week followed Reliance Group Holdings, down 4.9%; Argonaut Group, down 4.0%; and AVEMCO Corp., down 3.9%. The most active issue for the week was U.S. Healthcare, 4.5 million shares traded. The *BI Index* was up 1.7%; the NYSE Composite was up 0.6%; the Standard & Poor's 500 was up 0.6%; and the Dow Jones 30 Industrials rose 1.1%.

Oct 22 Companies	Price pence	P/E	Div. pence	Yield %	High—Low pence	1 Week
Comml Int	577	NM	31.5	5.5	577—537	
Genl Accident	544	NM	35.7	6.6	544—505	
Genl Royal Exch	163	NM	0.0	6.1	163—153	
Royal	216	NM	7.0*	3.2	216—183	
Sun Alliance	319	NM	19.0	6.0	319—295	
Brokers						
Bradstock	115	12.9	6.3	5.5	115—112	
CE Heath	312	18.2	34.5	11.0	312—294	
Hogg Group	144	13.6*	10.9	7.5	144—130	
JIB Group	145	11.2	10.0	6.9	145—135	
Lloyd Thompson	210	17.0	7.5	3.6	210—206	
Lowndes Lombt	262	10.2	16.8	6.4	262—255	
PWS Holdings	47	5.4	5.3	11.3	48—47	
Sedgwick Grp	151	12.0	8.0*	5.2	151—134	
Steel Brl Jones	176	8.8	17.7	10.0	176—168	
Willis Corroon	205	13.1	17.6	8.6	205—192	

Source: Philip Olsen, London * Estimated

BI Industry Stock Report

OCT. 19, 1992 THROUGH OCT. 23, 1992

		Weekly Price	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Weekly Price	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value			
BROKERS																								
Alexander & Alexander	NYS	25.50	-0.97	24.39	27.38	18.00	483	1.00	3.92	106	13.10	1.95	29.00	0.87	31.82	29.00	17.75	92	0.00	0.00	7	15.59	1.86	
Gallagher Arthur J. & Co.	NYS	27.75	-3.06	24.02	29.00	20.00	322	0.64	2.31	19	5.88	4.72	38.13	6.27	8.54	38.25	23.25	65	0.24	0.63	24			
Frank B. Hall	NYS	3.00	0.00	-29.41	5.50	2.63	74	0.00	0.00	-3	1.95	1.54	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
Hilb, Rogal & Hamilton	NYS	14.13	2.73	6.60	15.63	11.00	124	0.40	2.83	21	3.56	3.97	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
Marsh & McLennan	NYS	90.63	-0.14	11.37	93.25	70.00	505	2.68	2.96	21	28.00	3.24	33.75	3.85	-17.68	48.25	28.50	24	0.00	0.00	18	13.52	2.50	
Poe & Associates	OTC	13.75	7.84	14.58	16.00	11.25	59	0.40	2.91	17	2.82	4.88	4.56	-1.34	14.07	6.00	3.63	116	0.00	0.00	3	7.76	0.59	
BROKERS	AVERAGE		1.1	8.6					2.1	26														
CONGLOMERATES & HOLDING COMPANIES																								
Berkley W.R. Corp.	OTC	46.75	11.64	53.28	46.75	25.25	641	0.36	0.77	16	36.95	1.27	29.00	0.87	31.82	29.00	17.75	92	0.00	0.00	7	15.59	1.86	
Berkshire Hathaway Inc.	NYS	9475.00	1.88	4.70	9475.00	254.69	0	0.00	0.00	32	7270.00	1.30	38.13	6.27	8.54	38.25	23.25	65	0.24	0.63	24			
ITT (Hartford Group)	NYS	65.00	-1.14	12.55	70.63	50.00	1024	1.84	2.83	18	112.05	0.58	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
Sears (Allstate)	NYS	41.75	-0.30	10.23	48.00	32.50	2632	2.00	4.79	11	34.50	1.21	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
CONGLOMERATES	AVERAGE		3.0	20.2					2.1	19														
INSURERS/REINSURERS																								
AEON N.V.	NYS	42.13	0.00	20.36	42.50	28.81	52	2.68	6.36	7	N/A	N/A	29.00	0.87	31.82	29.00	17.75	92	0.00	0.00	7	15.59	1.86	
Aetna Life & Casualty	NYS	42.25	0.60	-3.98	47.00	36.50	797	2.76	6.53	14	87.60	0.48	38.13	6.27	8.54	38.25	23.25	65	0.24	0.63	24			
Allied Group Inc.	OTC	29.00	0.00		29.25	16.25	135	0.64	2.21	9	19.85	1.46	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
American General	NYS	50.00	1.52	12.36	50.38	39.00	766	2.08	4.16	11	60.00	0.83	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
American Heritage Life Ins.	NYS	31.75	-0.39	3.67	32.50	22.03	7	0.84	2.65	16	N/A	N/A	33.75	3.85	-17.68	48.25	28.50	24	0.00	0.00	18	13.52	2.50	
American Indemnity/Finl	OTC	6.50	18.18	36.84	9.25	4.50	26	0.08	1.23	10	12.93	0.50	4.56	-1.34	14.07	6.00	3.63	116	0.00	0.00	3	7.76	0.59	
American International	NYS	109.50	1.15	11.31	112.50	82.00	2852	0.56	0.51	14	99.30	1.10	29.00	0.87	31.82	29.00	17.75	92	0.00	0.00	7	15.59	1.86	
Aon Corp.	NYS	49.50	0.51	24.92	50.25	35.50	134	1.68	3.39	13	39.70	1.25	38.13	6.27	8.54	38.25	23.25	65	0.24	0.63	24			
Argonaut Group	OTC	27.38	-3.95	15.26	30.25	21.75	76	0.84	3.07	8	20.96	1.31	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
AVEMCO Corp.	NYS	24.38	-3.94	-2.50	28.00	21.50	12	0.40	1.64	26	9.55	2.55	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
Baldwin & Lyons Inc.	OTC	31.13	3.75	20.87	33.00	23.75	4	0.48	1.54	8	24.29	1.28	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
Chandler Insurance	OTC	4.63	0.00	42.31	7.63	2.50	5	0.00	0.00	42	5.95	0.78	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
Chubb Corp.	NYS	85.00	1.95	10.39	88.38	62.38	1429	1.60	1.88	13	42.67	1.99	38.13	6.27	8.54	38.25	23.25	65	0.24	0.63	24			
CIGNA Corp.	NYS	50.75	-2.87	-16.97	61.75	47.13	753	3.04	5.99	11	117.15	0.43	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
CNA Financial Corp.	NYS	94.75	-0.26	-3.32	104.50	78.50	74	0.00	0.00	10	70.23	1.35	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
Continental Corp.	NYS	26.25	2.44	-4.98	34.75	20.00	686	2.60	9.90	18	40.00	0.66	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
EXEL Ltd.	NYS	45.00	11.46	20.00	45.00	30.00	703	0.92	2.04	9	N/A	N/A	33.75	3.85	-17.68	48.25	28.50	24	0.00	0.00	18	13.52	2.50	
Fund American Corp.	NYS	71.75	1.77	2.68	71.75	62.50	172	0.68	0.95	19	36.11	1.99	29.00	0.87	31.82	29.00	17.75	92	0.00	0.00	7	15.59	1.86	
Fremont General Corp.	OTC	25.50	0.99	4.62	27.25	17.00	52	1.00	3.92	6	45.55	0.56	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
Frontier Insurance Group	NYS	36.00	4.73	33.33	40.50	21.91	37	0.60	1.67	13	26.65	1.35	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
Gainsco Inc.	ASE	14.00	2.75	50.00	14.63	7.28	89	0.04	0.29	21	3.37	4.15	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
General RE Corp.	NYS	114.75	7.62	12.64	114.75	77.50	1917	1.80	1.57	15	78.65	1.46	29.00	0.87	31.82	29.00	17.75	92	0.00	0.00	7	15.59	1.86	
Guaranty National Corp.	NYS	19.25	-1.28	32.76	20.38	12.63	28	0.48	2.49	13	N/A	N/A	41.00	17.14	30.16	41.00	21.75	525	0.16	0.39	18	18.90	2.17	
Hanover Insurance Co.	OTC	45.75	1.67	27.97	47.75	33.00	82	0.44	0.96	10	37.44	1.22	30.75	20.00	N/A	30.75	17.00	777	0.12	0.39	14	N/A	N/A	
Harleysville Group	OTC	26.50	0.00	24.71	27.75	1																		

Andrew losses

Continued from page 1

Most marine losses were sustained by oil rigs and platforms off the coast of Louisiana, said Peter Evans, chairman of the Institute of London Underwriters.

Insurers last week continued to report higher losses from Andrew and Typhoon Omar in Guam will lower third-quarter earnings by about \$150 million. AIG initially estimated its losses at \$75 million to \$100 million (BI, Sept. 7).

The latest figure includes approximately \$110 million of net losses from Andrew and Omar and at least \$35 million of net losses from Iniki.

Higher loss estimates led A.M. Best Co. to suspend American Reliance Group Inc.'s A- pool rating last week. The insurer announced that its \$43 million of net Andrew-related losses are more than twice an original \$20 million estimate because it has exhausted all of its catastrophe reinsurance. The publicly traded company says gross losses from Hurricane Andrew will total

about \$500 million.

The insurance group consists of American Reliance Casualty Co. and American Reliance Insurance Co. The pool had been rated A+ prior to the hurricane.

American Reliance reported earlier that it had holes in the upper layers of its catastrophe program (BI, Sept. 14).

"Our reaction is to the (net loss) revision as well as behind-the-scenes discussions the company is having with regulators in New Jersey and Florida," said John H. Snyder, vp in Best's property/casualty division.

Best anticipates that hurricane-related losses will cause American Reliance's surplus to plunge 50% to \$37 million at year-end, from \$74 million at the end of 1991, he said.

"They're still a viable company with \$37 million in surplus but if things get worse—and that's why we're waiting on their third-quarter results—they're going to be constrained," he said.

American Reliance said that it has retained investment banker Alex. Brown & Sons Inc. to advise it on possible means of raising capital.

Some insurers' Iniki loss estimates also climbed last week.

Honolulu-based Hawaii Insurance Group has raised its estimated gross losses from Iniki to

\$200 million from \$140 million to \$150 million.

And, Island Insurance Co. Ltd. of Honolulu has increased its original gross loss estimate to \$55 million from \$30 million. The net loss will be \$5 million.

Although some observers believe that final insured damage figures from the hurricanes will top the latest PCS estimates, they do not believe that hurricane-related losses will turn the market.

The catastrophe losses won't be 'sufficient to turn casualty lines,' says Gloria Vogel.

Jeffrey Cohen, a vp with Goldman Sachs & Co. in New York, thinks insurers' final damage tally will range between \$12 billion and \$13 billion.

Mr. Lloyd-Roberts said London non-marine underwriters expect that total insured losses from Hurricane Andrew alone could be as high as \$12.5 billion.

Industry analysts report that many investors also believe Hurricane Andrew losses will exceed the current estimate and will

cause the market to harden.

But, the analysts are doubtful.

A market turn "will take a change in market psychology," said Sean Mooney, senior vp and economist for the Insurance Information Institute in New York.

Although 1992 has been a record year for natural disasters, insurers still do not face the level of financial distress necessary to turn the market, many agree.

Including the revised Andrew estimate, PCS estimates U.S. insurers have incurred \$14.5 billion in insured catastrophe losses so far this year.

This year's catastrophe losses will cause the U.S. property/casualty industry's \$160 billion capital base to shrink by only about 1%, after accounting for gains, Mr. Cohen said last week at a seminar in New York.

That is not going to have a dramatic impact on the industry "when the industry is anywhere from \$20 billion to \$40 billion overcapitalized," he said.

The industrywide combined ratio is 113% today, compared with 118% eight years ago, he added.

The catastrophe losses won't be "sufficient to turn casualty lines," said Gloria Vogel, first vp with Shearson Lehman Brothers Inc. in New York.

But, "I do think it has the potential to turn the property mar-

ket, particularly the property catastrophe reinsurance market," she said. "I suspect some may test the waters with rate increases in January."

"I think reinsurers will change their approach and will look closer at the type of limits they offer," said Richard Blum, president and chief executive officer of intermediary Guy Carpenter & Co. Inc. in New York. "They could scale back their top-end exposures as a result of this."

"Significant shrinkage in reinsurance capacity will make the next renewal period very tough," said Fred Sandburg, senior vp-equity research for Kemper Securities Inc. in Chicago.

If primary insurers purchase less reinsurance, that could "lead them to withdraw from certain areas of business or raise rates," he said. "Ultimately, this brings us closer to a turn in the cycle."

"I think we're already starting to see a gradual turn," said Joanne Morrissey, a principal with Firemark Consultants Inc. in Morristown, N.J.

She said the turn will come not from a shortage of capacity but because insurer executives "are psychologically ready for a turn."

Louise Kertesz, Sally Roberts and Michael Schachner contributed to this report.

For the Record

Ohioans to vote on toxic labeling law

COLUMBUS, Ohio—Voters in Ohio will decide in the Nov. 3 general election whether to create a toxic chemical right-to-know law that critics say is tougher than one Californians approved in 1986.

The ballot initiative, called Issue 5, would require businesses to issue warnings for 458 chemicals known to cause cancer, birth defects or other reproductive disorders. Manufacturers would have to place warnings on product containers sold in the state. Businesses that release any of those chemicals into the environment would be required to deliver or mail warnings to those affected.

Any person living or working within two miles of a business would be able to ask Ohio regulators to require the business to assess its exposure, and local groups could apply for grants to obtain technical evaluations of a business' assessment.

Businesses that dump toxic materials would pay for the program through an annual fee of one cent per pound of waste until \$3 million is raised. Half the money would be used to administer the law and half to finance the technical assistance grants.

The proposed law exempts businesses with fewer than 10 employees and many government entities.

The main proponent of the measure is Citizen Action, a non-profit group affiliated with consumer advocate Ralph Nader.

California voters passed a right-to-know law, Proposition 65, in 1986 (BI, April 4, 1988).

Grand jury indicts Loeb for taking union funds

NEW YORK—A federal grand jury has indicted William L. Loeb on charges of embezzling about \$242,000 from a Jericho, N.Y.-based union he controlled and the union's welfare fund.

The indictment alleges that Mr. Loeb embezzled the money from Consolidated Local Union 867 and

its welfare fund to pay for a vacation, a helicopter charter and a \$60,000 limousine; to cover private legal expenses; and to pay gambling debts at casinos in the Bahamas and Puerto Rico.

Mr. Loeb also is president of the National Council of Allied Employees, an allegedly phony union that has sold group health insurance through local chapters nationwide (BI, May 18). NCAE—which is being investigated by the federal Office of Labor Racketeering—does not figure in last week's indictment of Mr. Loeb in U.S. District Court in New York.

Also charged with embezzlement in last week's indictment were Helen Piasecki, Local 867's former secretary-treasurer; and Peter Rezk, who is charged with embezzling \$73,329 in an alleged kickback scheme.

At an arraignment last week, Messrs. Loeb and Rezk pleaded not guilty. No date has been set for Ms. Piasecki's arraignment.

Mr. Loeb faces 70 years in jail and \$3.5 million in fines if convicted on 14 embezzlement counts. Ms. Piasecki faces 20 years in prison and \$1 million in fines if convicted on four embezzlement charges. Mr. Rezk faces five years in prison and a \$250,000 fine on one embezzlement charge.

Insurers negotiate Maxwell claim payout

LONDON—London underwriters are trying to agree on a 6.5 million pound (\$11.1 million) settlement of a claim under a personal accident policy that covered Robert Maxwell.

Underwriters originally rejected a claim by Maxwell Communications Corp. P.L.C. on the 20 million pound (\$34 million) policy after a loss adjuster's report said the publishing magnate likely committed suicide last November.

However, after negotiations with Willis Corroon P.L.C., which placed the risk, leading underwriters agreed to a compromise settlement of 6.5 million pounds. The majority of underwriters agree with the set-

tlement, but not all of those on the slip have yet consented, sources say.

The risk was led by Lloyd's of London syndicate 782, managed by Oxford Underwriting Agencies Ltd.

Florida court orders cleanup covered

MIAMI—A Florida appellate court has ordered an insurer to provide cleanup defense coverage following a state Supreme Court ruling that the pollution exclusion clause in comprehensive general liability policies does not bar coverage for gradual pollution.

The 3rd District Court of Appeals ruled that Liberty Mutual Insurance Co. is obligated to defend Lone Star Industries Inc.

The insurer argued that contamination at a Miami wood treatment facility occurred in the course of daily operations and was not "sudden and accidental."

But the state high court last month in *Dimmett Chevrolet Inc. et al. vs. Southeastern Fidelity Insurance Co.* found that the pollution exclusion is ambiguous and must be construed in favor of policyholders (BI, Sept. 21).

Florida's highest court joined those of Colorado, Georgia and Wisconsin in citing the exclusion's drafting history in ruling in favor of policyholders.

Wyatt offers D&O comparison guide

CHICAGO—The Wyatt Co. is offering a new guide to help risk managers analyze their directors and officers liability coverage.

The two-volume "Wyatt D&O Maps" is designed to help buyers understand their policies and to explain available policy endorsements.

"In other words, if you have a weakness and it's correctable by an endorsement, you'll know which endorsements are negotiable and which ones aren't," said Phil Norton, the Chicago-based consultant who heads Wyatt's national D&O practice and is an editor of the guide.

The guide discusses what is typically found in applications, provisions and the standard exclusions

and endorsements now used in the D&O marketplace, said Mr. Norton.

Following the general information, Wyatt's D&O Maps contain specific information on the D&O underwriters that collectively comprise 90% to 95% of the market. Information on each company includes a copy of its policy form with common endorsements, and present and past capacity.

Charter subscriptions cost \$220 until Dec. 31, after which subscriptions cost \$275. For further information, contact D&O Services, The Wyatt Co., 303 W. Madison, Suite 2400, Chicago, Ill., 60606-3308; 312-704-2719.

Louisiana regulator sues failed insurer, others

BATON ROUGE, La.—The Louisiana insurance commissioner is suing Presidential Fire & Casualty Co., seeking an unspecified amount to cover the failed insurer's liabilities, which total about \$10 million.

The suit, filed late last month in state district court, charges the insurer was formed without the capital and surplus required by state law.

In addition to the insurer and its directors, the suit names a bank and an attorney who allegedly advised state regulators that a transaction between Presidential Fire & Casualty and the bank was sufficient to meet the requirements.

The insurer, based in Gretna, La., failed earlier this year (BI, March 2). Regulators are seeking enough to pay claims and obligations of the insurer, totaling around \$10 million.

The lawsuit contends that in 1985, Presidential Fire & Casualty's principals indicated they had sufficient unencumbered capital in a certificate of deposit to meet the state requirements.

However, the suit claims, the certificate of deposit actually secured a \$1.4 million loan to A&R Capital Corp., a business owned by Presidential Fire & Casualty's president, Gordon Rush Jr.

The suit alleges that Gretna lawyer Harry C. Stumpf advised Investors Bank & Trust Co. of Gretna that the money could be shown as unencumbered. At the same time,

the suit charges, Mr. Stumpf told the bank it would have access to the certificate of deposit should there be a default on the loan.

The suit also names as a defendant Russell F. Haas, former president of Investors Bank & Trust, which the department charges improperly listed the funds as unencumbered.

Zenith suit alleges workers comp fraud

WOODLAND HILLS, Calif.—Zenith National Insurance Co. is suing a group of health care providers, charging abuses of the workers compensation system.

In a suit filed Oct. 20 in federal court in Los Angeles, Zenith alleged a conspiracy to submit "fraudulent, inflated and exaggerated claims for workers compensation benefits... by means of a pattern of mail fraud." The suit, which seeks unspecified damages, alleges violations of the Racketeer Influenced and Corrupt Organizations Act, which could treble any award.

Named in the suit were: Dr. James W. Eisenberg and other officials of a medical clinic chain he owns; Excalibur Ventures Inc., which allegedly "procured workers comp claimants to visit the clinics"; Robert Yale Libott, an attorney who allegedly referred injured workers to the medical clinics; and Lien Collections Inc., which allegedly handled the collection of "fraudulent" workers comp liens for the clinics.

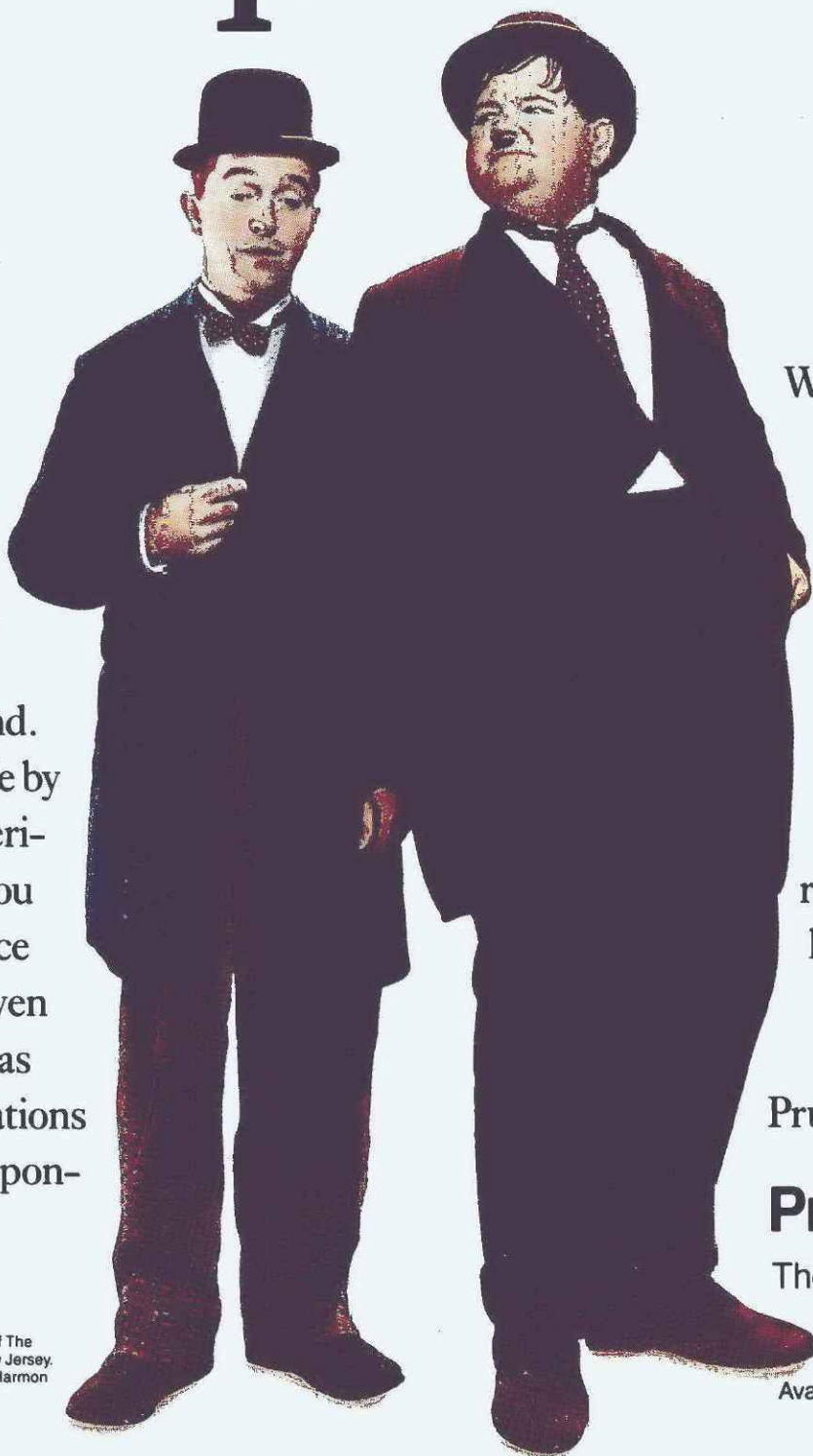
This is the fourth RICO suit Zenith has filed alleging workers comp fraud. In August, Zenith settled a suit against Dr. Byron Crawford and Wellington Medical Corp. (BI, Aug. 24). Earlier this month, it settled a suit with American Psychometric Consultants. Both providers dropped a total of more than \$1 million in workers comp claims. The other suit is pending.

Zenith was the first insurer in California to file a RICO suit alleging workers comp fraud. "Why doesn't anyone else do this?" asked Victor Rabinowitz, vp and general counsel. If five or six other insurers would "pick their targets carefully... it would make a dramatic impact on the system," he said. ■

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