OCTOBER 30, 1989

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives / $1.75 a copy; $70 a year

© Entire contents copyright 1989 by Crain Communications Inc. All rights reserved

Update

X.L. raising limits to $100 million and eliminating reserve premiums

HAMILTON, Bermuda—X.L. Insurance Co. is raising its excess liability limits on Dec. 1 to $100 million excess of $25 million and no longer will require policyholders to pay reserve premiums equal to 25% of their first year's premium.

Bermuda-based X.L. currently writes limits of $75 million excess of $25 million.

The "increased limits were generated by demand," said X.L. President Brian

Continued on next page

Blast rips Phillips complex

Coverage: $1.3 billion

By MICHAEL BRADFORD

PASADENA, Texas—Phillips Petroleum Co. expects to pay no more than $70 million of undetermined but massive property damage and expected business interruption losses following a powerful explosion last Monday at one of three plants in a huge Phillips petrochemical complex.

The explosion killed as many as 22 workers and injured another 109 employees.

Phillips has $300 million in actual cash value property insurance and a $1 billion wraparound program covering depreciation and business interruption losses.

The $1.3 billion in limits could be nearly depleted by the loss if the highest loss estimates prove accurate.

Phillips' property and business interruption insurance are written by the oil industry's captive insurer, U.S. insurers, the London market and other foreign insurers.

Texas Employers Insurance Assn. underwrites Phillips' workers compensation insurance, *Business Insurance* learned. TEIA did not return phone calls.

There were seven confirmed worker fatalities as of Friday, with 15 employees still missing. Of the 109 workers sent to the hospital, 33 were admitted, some with critical injuries.

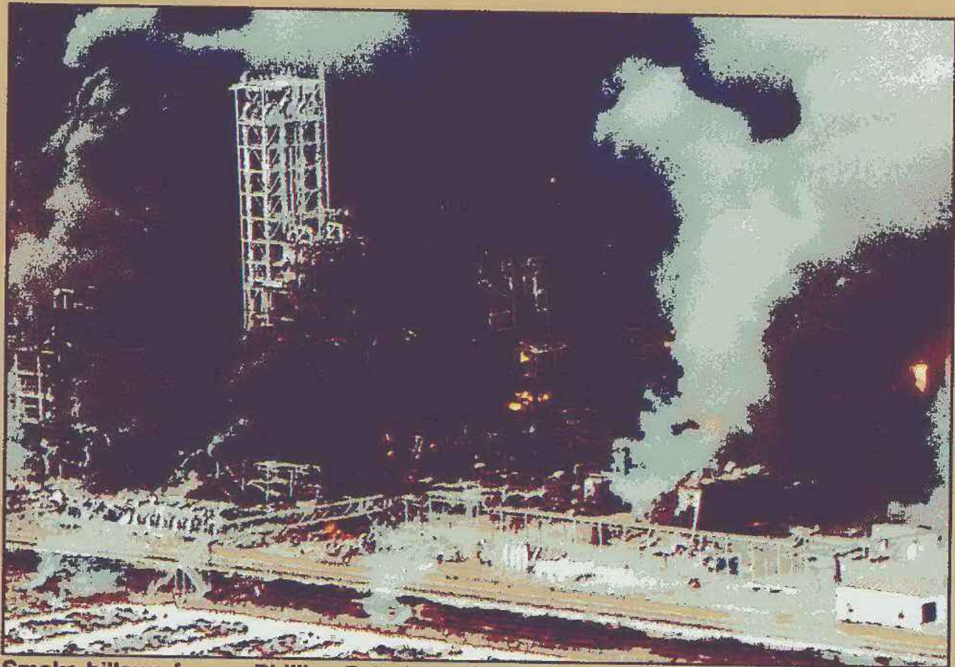
Most surviving families are expected to receive the maximum $238 weekly death benefit, payable to a surviving spouse until she remarries.

The Oil, Chemical and Atomic Workers Union Local 4-227 won an injunction Tuesday to ensure it would be part of the team that first re-enters the facility to investigate the cause of the explosion. The union has expressed concerns about safety stemming from increased overtime and the use of contract workers at the Houston-area plant.

The blast, which registered 3.2 on the Richter scale, was triggered by an escape of hydrocarbons, a Phillips spokesman said.

One petrochemical industry consultant estimated the potential property loss alone

Continued on page 66



AP/Wide World Photo

Smoke billows from a Phillips Petroleum Co. plastics plant in Pasadena, Texas, that exploded last week. It could be the third loss this month exceeding $1 billion.

Rules still hazy for pension loans, consultants say

By JERRY GEISEL

WASHINGTON—Employers that comply with Labor Department regulations for pension loans risk violating Internal Revenue Code non-discrimination rules, employee benefit experts warn.

And, it isn't clear whether a Labor Department effort last week to further clarify the controversial rules will fully resolve this latest problem.

"Plan sponsors face the Hobson's choice of complying with the Department of Labor requirements or disqualifying their plans," wrote Howard Weizmann, executive director of the Washington, D.C.-based Assn. of Private Pension Plans, in a letter sent to Labor Secretary Elizabeth H. Dole.

Plan disqualification can cost an employer tax deductions for pension plan contributions.

"It is a real conundrum," said Henry Saveth, a principal with A. Foster Higgins & Co. Inc. in New York.

The potential problem of a pension plan flunking one set of federal rules because it complied with another set of federal rules arises from a Labor Department advisory opinion issued earlier this month in a letter to a benefit consultant (*BI*, Oct. 9). That opinion letter modified highly controversial and much-criticized Labor Department pension plan loan regulations published in late July (*BI*, Aug. 7).

In that advisory opinion, sent to Buck Consultants Inc. of New

Continued on page 58

Quake's insured losses estimated at $1 billion

By MICHAEL BRADFORD and LOUISE KERTESZ

While the California earthquake will cost insurers about $1 billion, or only a fraction of the up to $10 billion in total damage, the "psychological" impact of a disaster coming on the heels of Hurricane Hugo could increase property insurance rates, brokers say.

The Property Claims Services Division of the American Insurance Services Group estimated Friday that the net insured loss to buildings and vehicles in California from the quake is $960 million.

The earthquake increased total catastrophe losses in the United States this year through Oct. 17 to a record $6.6 billion. That figure does not include damage caused by last week's explosion at a Phillips Petroleum Co. petrochemical complex in Pasadena, Texas (see related story).

Even excluding the Phillips loss, this year's catastrophe toll far exceeds the previous industrywide record of $2.82 billion set in 1985.

Meanwhile, an AISG survey of insurers reveals that losses from Hurricane Hugo are slightly lower than a preliminary estimate of $3.98 billion. However, the preliminary estimate of Hugo's damage is not being revised since the latest survey is part of an interim progress report. A final estimate of Hugo claims will not be prepared for three months.

The California Insurance Department also estimates that insured losses from the earthquake will $1 billion. But Assistant Insurance Commissioner Richard Roth noted that

Continued on page 65

Maxicare to file reorganization plan

HMO calls future strong

By JERRY GEISEL

LOS ANGELES—Maxicare Health Plans Inc. contends that its reorganization plan will allow it to emerge from bankruptcy as a stronger, more competitive health maintenance organization.

But benefit experts say it is too soon to predict its long-term prospects.

"Maxicare will emerge as a well-capitalized, competitive health maintenance organization," pledges Peter J. Ratican, chairman and chief executive officer of the Los Angeles-based HMO.

"The new Maxicare will have adequate cash for operations and regulatory requirements, along with manageable debt and substantial shareholders' equity on its balance sheet," Mr. Ratican said.

The reorganization plan calls for creditors and shareholders to receive at least $78.8 million in cash and $67 million in notes (see story, page 67). Maxicare, which filed for Chapter 11 bankruptcy on March 16 (*BI*, March 20), intends to submit the reorganization plan to a U.S. Bankruptcy Court next month.

Maxicare, which has not released full 1988 results, reported a 1988 third-quarter net loss of $169.7 million and a net loss of $250.5 million for the nine months ended Sept. 30.

But benefit consultants and stock analysts agree that Maxicare, the largest publicly traded HMO with as many 2.4 million enrollees only two years ago, will face an uphill battle to regain employers' and employees' confidence, which was shaken by the HMO's financial problems.

"Maxicare suffered a severe credibility loss," said

Continued on page 67

Defendants ask Texas judge to dismiss state antitrust suit
Page 2

Update

X.L. raises limits to $100 million

Continued from previous page

O'Hara, noting that the company's surplus of $908 million (unaudited) at Sept. 30 is strong enough to support higher limits.

In dropping the reserve premium requirement on new business, X.L. will return or credit reserve premiums previously collected at renewal. However, the reserve premium will not be returned to policyholders that cancel prior to their next anniversary date.

As originally designed, the reserve premium was to be returned as a premium credit after a policyholder was with X.L. for five years, or forfeited by those who left X.L. sooner (*BI*, April 10).

X.L. had required reserve premiums for financial stability and to obtain a commitment from policyholders. X.L. now believes it has sufficient capital and commitment, Mr. O'Hara said.

Alaska slowed cleanup: Exxon

ANCHORAGE, Alaska—Exxon Corp. is suing the state of Alaska to recover an unspecified portion of the $1 billion the company spent cleaning up the massive Alaskan oil spill, charging that the state interfered with Exxon's cleanup efforts.

The suit, filed Oct. 23 in state Superior Court in Anchorage, charges the state violated terms of a oil spill contingency plan prepared by Alyeska Pipeline Service Co. by "opposing any use of dispersants," although the plan "made clear that immediate use of dispersants was a central feature. . .for dealing with a large spill."

Thus, the U.S. Coast Guard—which has sole authority under the plan to approve use of dispersants—did not approve their use until more than 60 hours after the spill, the suit says.

However, Fred Boness, an attorney with the Anchorage law firm of Preston, Thorgrimson, Ellis & Holman, which represents Alaska in litigation with Exxon, disputes the company's claims. He said Coast Guard Cmdr. Steven McCall, head of the combined U.S. and state spill response team, testified at a National Transportation Safety Board hearing May 20 that it took Exxon and Alyeska 17 hours to provide aircraft to spread dispersants. He said Cmdr. McCall testified he immediately approved use of dispersants, but they were ineffective.

Alaska earlier sued Exxon and Alyeska, charging negligence in allowing conditions that led to the March 24 disaster and in their response (*BI*, Aug. 21). Exxon also faces approximately 150 spill-related lawsuits seeking $300 million in damages, a spokesman said.

Execs' convictions reinstated

BROOKLYN, N.Y.—Federal workplace safety regulations do not prevent states from filing criminal charges against employers that allegedly violate safety laws, a New York appeals court has ruled in reinstating criminal assault convictions against the owners of Pymm Thermometer Co.

Pymm Thermometer owners William and Edward Pymm had been convicted of assault for exposing their workers to mercury in a windowless factory workshop. But the conviction was overturned in 1987 by a state Supreme Court judge, who ruled the case should be tried in federal court because violations of Occupational Safety and Health Administration rules were involved (*BI*, Nov. 30, 1987).

However, a four-judge panel of the Appellate Division of the state Supreme Court upheld the convictions last week, ruling that OSHA rules merely set a minimum standard for workplace safety and do not preclude the state action.

Belvedere reinsurers sought

HAMILTON, Bermuda—New York-based Belvedere Corp. is considering two competing bids for its Bermuda reinsurance operations: Belvedere Holdings Ltd. and Belvedere Insurance Co. Ltd.

One offer is a management buyout proposal from the reinsurers' top executives. No details of the offer have been released.

The other bid is from a group calling itself the Wilson Group, which consists of Francis Carter, the former president of Belvedere Insurance, who left the company in 1986; Peter Wilson, who until recently was head of Forum Reinsurance; and a trust vehicle known as the Sebag Trust. The bid was unveiled Thursday in an announcement that said the purchase offer was worth more than $14 million.

Belvedere Chairman Robert Higgins said Belvedere's board has not concluded that a sale would be in the firm's best interests.

However, a Belevedere Corp. statement said the sale of the Bermuda subsidiaries is a condition of the proposed purchase of 49.9% of the parent company's stock by Christiana Holding Co. Inc., a subsidiary of Storebrand International A/S of Olso, Norway. The Christiana deal stipulates that the Bermuda units must be sold by Oct. 31, a deadline Belvedere Corp. is seeking to extend.

Briefly noted

Following the collapse of merger plans between Concord, Mass.-based **Forum Re Group Inc.** and **Forum Re Group (Bermuda) Ltd.**, Jonathan Crawley has rejoined the board of the Bermuda company. Mr. Crawley—who was to have headed the merged operation—assumed the additional title of chairman of Aneco Reinsurance Underwriting Ltd., a unit of Forum Re (Bermuda). He also serves as president. Forum Re (Bermuda) also is abandoning a proposed employee stock ownership plan as a result of the failed merger. . . .**E.I. Du Pont de Nemours & Co.** is suing more than 100 domestic and foreign insurers in Delaware state court for the cost to cleanup 12 hazardous waste sites nationwide. . . .**United States Fidelity & Guaranty Co.** is asking the Illinois Supreme Court to reconsider its decision not to review a sweeping pro-policyholder ruling by an appellate court in a pollution coverage dispute (*BI*, Oct. 9; March 20). . . .The Senate last week approved a two-year re-authorization of the **Federal Crime Insurance Program**, which provides burglary and robbery insurance to businesses and residents in high-crime urban areas. The House approved reauthorization last month (*BI*, Sept. 25, 1989). . . .**Munich Reinsurance Co.**, the world's largest reinsurer, is issuing an additional 650,000 shares each valued at 100 deutsche marks ($55) to raise its share capital to 655 million deutsche marks ($357 million).

Liquidator to challenge Union Indemnity ruling

By STACY ADLER

NEW YORK—The liquidator of insolvent Union Indemnity Insurance Co. says he will seek to reargue or appeal a recent state court decision allowing 11 surety bond reinsurers to rescind their contracts.

If upheld, the decision could have widespread implications for the Union Indemnity liquidation, said Kevin Foley, deputy superintendent of the New York Insurance Department and Union's liquidator.

Conceivably the decision could allow all Union reinsurers to rescind their contracts, he said.

"The decision is written in such a way that it potentially has implications for other reinsurers," said Mr. Foley, who said he could not estimate the amount of reinsurance payments still owed Union Indemnity.

In addition, the decision could cause reinsurers to seek recision of contracts with other insurers in liquidation, according to Mr. Foley.

Judge Ira J. Gammerman ruled Oct. 16 that 11 surety bond reinsurers of Union Indemnity could rescind their contracts because they were entered into fraudulently (*BI*, Oct. 23).

The judge found that statements in a lawsuit Union's liquidator filed against Frank B. Hall & Co. Inc. alleging that Hall was responsible for the collapse of Union constitute legal admissions that the reinsurance contracts were based on gross misrepresentations. Hall will pay $48.5 million to settle that suit (*BI*, June 5).

The liquidator, in its briefs, strenuously argued that the statements made in the Hall litigation do not constitute legal admissions, but were "merely restatements of the liquidator's allegations."

Furthermore, the liquidator contended that "memorandum of law of the liquidator and the affidavits of the liquidator's counsel, which form the sole basis for the reinsurer's motion, are themselves incompetent to prove the existence of any fraud."

However, Judge Gammerman said: "It is immaterial that the admissions in the other proceeding were made in part by counsel on behalf of the liquidator and were contained in affidavits and briefs. They still constitute admissible evidence against the party on whose behalf these statements were made in the other action just as if they were made by the liquidator himself.

"What is evident from these admissions is that material omissions as well as misrepresentations occurred, that Union officers and directors were aware of the operations and financial condition of the company and that a conscious plan was in operation to utilize Union for Hall's purposes and not to run the corporation as an independent entity. It is also conceded that had a reinsurer been aware of insolvency, it certainly would not have underwritten the sum encompassed by reinsuring the bankrupt company," he ruled.

"Thus, the reinsurance treaties are void and the reinsurers are not liable thereunder to anyone," the judge concluded.

Union Indemnity was found insolvent by $138.5 million as of year-end 1984 and ordered into liquidation in July 1985. A more recent estimate of the insolvency is not available, Mr. Foley said. ■

Texas antitrust suit

Insurers ask judge to follow federal court's lead

By JUDY GREENWALD

AUSTIN, Texas—Insurance industry defendants charged with violating Texas antitrust laws are optimistic that dismissal of a similar suit in federal court will persuade a state judge to dismiss their case as well.

Remaining defendants in the Texas litigation filed motions Oct. 18 seeking a summary dismissal on several grounds. Their court papers frequently cite U.S. District Judge William Schwarzer's Sept. 21 dismissal of the federal antitrust litigation (*BI*, Sept. 25).

A Texas attorney general's spokesman, though, says attorneys for the defendants are "dreaming" because the state and the federal litigation are unconnected.

Two other Texas defendants, Travelers Insurance Co. and St. Paul Fire & Marine Insurance Co., earlier this month reached settlement agreements with state Attorney General Jim Mattox. Both insurers, which each paid $500,000 but admitted no wrongdoing, said they wanted to cap their legal costs (*BI*, Oct. 16).

The Independent Insurance Agents of Texas sharply criticized the settlements as a public relations setback for the state's insurance industry (see story, page 59).

A hearing date on the new motions will likely be set Friday. The attorney general can file responses up to seven days before the hearing, said the spokesman.

The federal and Texas antitrust lawsuits are similar in that both charge insurers with boycotting certain lines of coverage, but the state action further accuses companies of conduct to artificially inflate rates (*BI*, Nov.7, 1988).

Texas defendants base their motion to dismiss on three federal antitrust doctrines, all of which, they contend in court papers, have been incorporated into Texas law:

- The McCarran-Ferguson Act, which provides a limited exemption from federal antitrust laws, but does not protect boycotts. Court papers say "despite plaintiff's characterization of it," defendants did not boycott.
- The "state action" immunity doctrine, which grants an antitrust immunity for state-regulated activities.
- The Noerr-Pennington doc-

Continued on page 59

Benefit consultant directory

Business Insurance will publish its annual directory of employee benefit consultants in the Dec. 18 issue, which also will contain a Spotlight Report predicting trends in the employee benefit market in 1990.

The directory is published as an editorial service; there is no charge for companies to be included. However, to be listed, consultants must fill out and return a questionnaire provided by *BI*.

If your company provides employee benefit consulting services and you have not yet received a questionnaire, please request one by writing Sara Harty, Editorial Assistant, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590; or call 312-280-3195.

The deadline for returning completed questionnaires to *Business Insurance* is Nov. 17.

Inside

- In the aftermath of two devastating natural disasters, the insurance industry has an opportunity to prove its worth and turn around its image, says this week's editorial. **PAGE 8**
- As worthy as the goal of Sen. Kennedy's health care mandate, the bill threatens the future viability of many small businesses, says Howard J. Bolnick, president of Chicago-based Celtic Life Insurance Co. in Speaking Out. **PAGE 39**
- The devastating earthquake in the San Francisco Bay Area underscores the importance of constructing buildings to withstand temblors, say speakers at the Society of Chartered Property & Casualty Underwriters' meeting. Coverage begins on **PAGE 50**
- Marsh & McLennan Cos. Inc. last week unveiled its European strategy by acquiring its West German brokerage correspondent and hinting at additional acquisitions in Europe. **PAGE 60**

Departments

Advertiser index....48
At issue....64
Benefit beat....63
Books & ideas....40
Classifieds....62
Comings & goings: industry....48
Info....61
Insurance services guide....66
Letters....8
Markets....60
Opinions....8
Perspectives....39
Speaking out....39

Vol.23, No.44—*Business Insurance* (ISSN 0007-6864) is published weekly by Crain Communications Inc., 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to *Business Insurance*, Circulation Department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 313-446-1611. Copyright 1989 by Crain Communications Inc.

Managing risk in Europe

Free trade signals bigger exposures in manufacturing

Stacy Shapiro

AEAI/RIMS forum delegates in Monte Carlo had a Naval escort. See story, page 18.

By CAROLYN ALDRED

MONTE CARLO, Monaco—European risk managers need to develop contingency plans to respond to increasing business interruption exposures, advise risk management experts.

For European manufacturers, "the average business interruption loss is showing a manifold increase. Higher concentrations of value, greater use of technology and the increasing complexity of production operations all lead to a greater emphasis on loss control," said Albert W. van Blitterswijk, international risk and insurance manager at Unilever N.V. in Rotterdam, The Netherlands.

In particular, "the present trend toward a more open market within the European Community may also influence the significance of business interruption insurance," he said. When products begin to move more freely across national borders with the removal of trade barriers beginning in 1992, companies with operations throughout Europe will consolidate production, he explained at the AEAI/RIMS Risk Management Forum in Monte Carlo, Monaco, Oct. 15-18.

The conference—jointly sponsored by the Brussels, Belgium-based risk management association, Assn. Europeenee des Assures de L'Industrie, and the New York-based Risk & Insurance Managament Society Inc.—attracted a record 1,008 registrants.

A manufacturer currently may produce the same products for the West German market in West German factories and for France in French factories, Mr. van Blitterswijk said. As trade restrictions are relaxed, the manufacturer more likely will concentrate the production of one product for all of Europe in a single factory, he said.

"Naturally such a setup has cost advantages, but the other side of the coin is that the whole business becomes more dependent on a factory making a specific product. If, for example, the factory in West Germany stops production owing to a fire or other catastrophe and the other factories cannot take over—which is highly likely in view of specialization—part of the profit may be lost for a long time," Mr. van Blitterswijk said.

Consolidating production units also creates "a greater need for larger storage accommodation," which customarily is contracted out to a third party, he said.

"This brings to the fore the problem of third-party warehouses. Certainly at a time when costs have to be reduced or kept low, operational management will have to look for the cheapest warehouse," he noted.

However, the cheapest warehouse probably will not have the highest safety precautions, Mr. van Blitterswijk said. As a result, risk managers should "formulate requirements or guidelines in cooperation with the operational management which have to be met before a rental contract with a third-party warehouse is concluded," he said.

While business interruption insurance is important, "it should be borne in mind that loss of stock means empty shelves in the shops. The business interruption insurer will then make a payment, it is true, but this does not fill the shelves or scare off competitors," Mr. van Blitterswijk pointed out.

European business interruption coverage includes an indemnity period to allow a policyholder to regain the production and market share enjoyed before production was lost, noted Henri-Marcel Dierickx, a director of Brussels, Belgium-based insurer Groupe A.G.

Many U.S. business interruption policies terminate when production resumes, he said.

But the indemnity period contained in European policies—usually a specified number of months—"has to be determined very seriously," Mr. van Blitterswijk cautioned.

According to the Dutch risk manager, factors that must be considered include:

- The time needed for clearing debris before repairs can begin.
- Whether rebuilding on the same site is possible and permissible.
- The time needed to draw up and apply for rebuilding permits.
- The period needed to replace critical machinery.
- The time needed to make up for either loss of market share, lost customers or both.

"However excellent security and insurance may be, it is always better to have a factory that's operating than a fistful of insurance checks. The continuity of the business must always be the starting point," he said.

The "hidden" costs of a major loss were highlighted by Thomas G. Kaiser, senior vp and area manager for Arkwright Mutual Insurance Co. of Waltham, Mass.

"Minimizing the long-term cost of risk involves a lot more than the cost of insurance premiums," he said.

Under one theory, the hidden costs of a large loss are approximately 50 times greater than the insured loss, Mr. Kaiser said.

To illustrate this point, Mr. Kaiser showed a video of the effects of a factory fire on Warbasso Ltd., a Canadian textile company.

The company had "plenty of insurance" but is out of business today because it was unable to handle the fire's "hidden costs," he said.

These included:

- The loss of shelf space in stores.
- A lack of motivation among the sales staff, who had limited products to sell after the fire.
- The diversion of management attention from normal business to rebuilding.
- Problems with training and hiring new staff.
- Increased advertising to regain market share.

The impact of a major loss on a company "is much more than what insurance pays. We must accept the responsibility to minimize the

Continued on page 16

Firms jostle with mergers, streamlining

By CAROLYN ALDRED

FLORENCE, Italy—The upcoming economic unification of Europe will reshape the risks of running a business in Europe as companies streamline operations to remain competitive and strive to meet rising consumer expectations.

There already have been a flurry of mergers and restructuring among companies jostling for position in Europe's proposed single market, pointed out risk managers and insurers at the International Insurance & Risk Management Conference in Florence, Italy, Oct. 10-13.

For example, companies that previously had divisions located in different countries are consolidating those units into fewer but larger production plants, according to Bernhard Fink, a board member of Gerling-Konzern Group in Cologne, West Germany.

European industry also must adjust to meet consumers' demands for increasing quality, safety and ecological responsibility, he said, noting that companies also will be marketing their products more intensely.

Many companies are thus changing—and increasing—their risk exposure as they prepare to position themselves in the single European market, several speakers agreed.

The conference, which attracted 346 delegates from 18 countries, was organized by Brussels, Belgium-based Management Centre Europe, the European affiliate of the American Management Assn.

Commercial and social changes in Europe have made "insurance and risk management, which up until a few years ago were still one of the quieter sectors of industry, one of the liveliest and most changeable of all," said Jurgen Zech, chairman of Cologne Reinsurance Co. of Cologne, West Germany.

"Risk management is a function which is growing in importance in step with risk potential," Mr. Zech said.

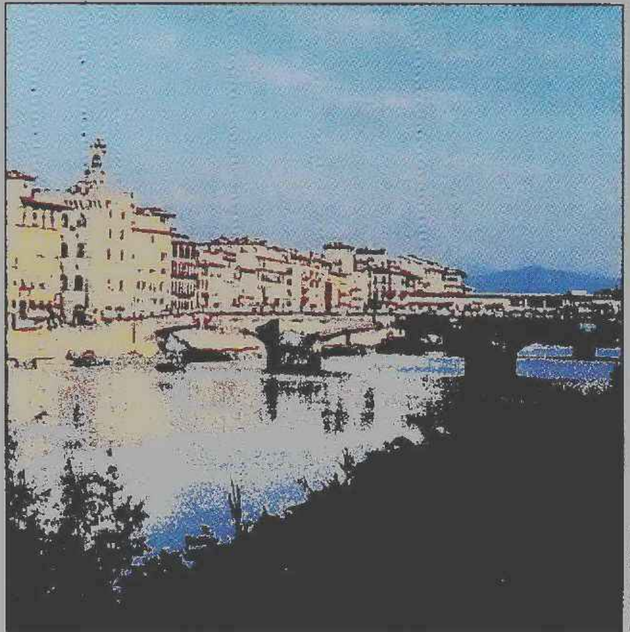
And increases in potential risks are a "threat to the profitability and existence of a company," said Mr. Jurgen, chairman of several conference sessions.

"Fundamentally well-known risks, such as potential loss of earnings after a business interruption, take on new financial dimensions when a company is active on a multinational scale," said Gerling's Mr. Fink.

For example, the removal of trade barriers among European Community members means companies operating throughout Europe increasingly will concentrate manufacturing at one or two sites.

Loss exposures, particularly for business interruption losses, increase dramatically with a high degree of concentration, said Andre Gully, managing director of Commercial Union IARD in Paris, a unit of Commercial Union Assurance Co. P.L.C.

Mr. Gully, a specialist in underwriting business interruption coverage, said business interruption losses far exceed property damage in many European industrial accidents.


Carolyn Aldred

Florence drew 346 delegates from 18 nations to the International Insurer & Risk Management Conference.

Several recent losses highlight the enormous potential for lost profits, he said.

For example, business interruption claims stemming from an explosion at a BASF A.G. ethylene oxide plant in Antwerp, Belgium, reached a record $270 million—more than three times the predicted property damage figure (*BI*, April 10).

And, business interruption accounted for $255 million of the total $1.4 billion in losses resulting from the 1988 explosion of the Piper Alpha oil platform in the North Sea—even though only one of the rig's four owners had business interruption coverage (*BI*, July 11, 1988).

Terrorism and malicious acts also increase business interruption exposures for European-based companies, according to the French underwriter.

For example, recent U.K. and European product tampering cases have driven customers away, he said.

Also, a spate of bombings in central Paris two years ago resulted in lost business for restaurants, theaters and shops, Mr. Gully said.

Mergers and acquisitions among European industrial and retail companies also are increasing directors' and officers' liability exposures, delegates noted in a workshop chaired by Paul Cox, director of risk management for Maxwell Communications Corp. P.L.C. in London.

But "the role of a risk manager in mergers or acquisitions is often controversial. Some companies do not allow the risk manager to get involved, and other management is more enlightened," Mr. Cox said.

Other risks "increasingly arise which can threaten the very existence of a company," and these cannot be effectively managed by financial means alone, Mr. Fink said. "Prominent among these threats are the losses of market presence and position caused by a major incident," he noted.

Another major threat is the harm caused to a company's image by lawsuits alleging the company has damaged the environment or harmed consumers, Mr. Fink explained.

Continued on next page

Risk and 1992

Continued from previous page

Indeed, pollution and environmental concerns have become major political issues in Europe (see story, page 10).

In addition, Europeans increasingly are concerned about product quality and safety. The European Community is attempting to harmonize product liability and product safety standards throughout the 12 EC nations.

And the "increasingly frequent criminal prosecution of managers leads to a loss of image and can even cause the exodus of a company's most valuable executives," Mr. Fink said.

As a result, in the future "adequate risk provision will become one of the most important criteria, next to the offer of modern employee benefits, in the competition for scarce executive talent," Mr. Fink predicted.

He also asserted that while insurance will remain an important risk financing mechanism, it should not be the only one used in the expanded European marketplace. Companies also should consider increasing retention levels, and they should investigate the viability of forming captive insurance companies, he said.

The "Euro-risk manager must see himself more than ever before as responsible for company protection. He must make management aware of those risks which threaten the existence of the enterprise," he said.

"Product and environmental risks now are more important in industrial companies. There is much greater awareness, but top management still is not concentrating on the problems," he said.

"Comprehensive risk management is called for, and the organization of a company must be made to deal with this," Mr. Fink said.

In many ways, the current restructuring of companies is helping the risk manager's position, according to Thierry van Santen, risk and insurance director for Valeo, a Paris-based auto parts manufacturer.

"European companies are developing rapidly in the face of international competition. They are being reorganized," with most forming holding companies and operational units, he said. These structures are a welcome change for the risk manager, because they place him at the very heart of general management," he explained.

New structures put risk managers 'at the very heart of general management,' says Thierry van Santen.

As a result, according to Mr. van Santen, risk managers now are better able to:

- Communicate a risk management philosophy to both the general management and the workforce.
- Become completely integrated in the company strategy, providing assistance in decisions involving mergers, acquisitions and new markets.

And, as companies become more international, "the European risk manager has an advantage over his American counterpart because he is already trained to negotiate beyond his own boundaries due to the industrial geography of Europe. This means he feels more at home with problems beyond the borders of Europe," Mr. van Santen observed.

However, "apart from isolated companies and a few industrial sectors, corporate risk management on the threshold of the 1990s corresponds only very inadequately to today's requirements," Mr. Fink contended.

Risk analysis does "not correspond to the transformed situation" and "for many companies risk management means nothing more then insurance management," he said. ■

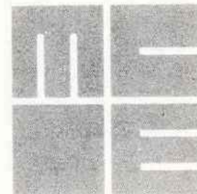
Minet unit buys 38% of Italian brokerage

By CAROLYN ALDRED

FLORENCE, Italy—London-based broker Minet Holdings P.L.C. has purchased a 38% interest in a partnership of Italian brokers as it expands operations into Europe.

Minet Europe Holdings Ltd., the subsidiary formed earlier this year to oversee the brokerage's European drive, formally opened its Florence office—its first in Italy—during this month's International Insurance & Risk Management Conference.

Minet Italia s.r.l. has the option to increase its holdings to 51% within two years.



But the three Italian brokerage firms—Guido Tadini, Massimiliano Colacicchi and Paolo Montani—initially will work in partnership and retain a controlling interest.

The Florence office has a staff of 15, and four other employees are based in Arezzo, also in Tuscany, Italy.

Minet Italia will open an office in Milan soon and plans to open offices in all major Italian cities, said Michael Pix, a director of Minet Europe Holdings Ltd.

"Italy is the first of our European moves. We plan to become involved in all the major European countries" beginning with Spain, France, Portugal and Sweden, Mr. Pix said.

The Minet operation in Italy "will not just be a contact office. We're setting up a Minet presence to work with the local Italian market," he added.

Minet Holdings P.L.C. is the world's eighth-largest insurance broker based on 1988 gross revenues of $311.3 million. ■

Risk meeting attracts 346 to Florence

FLORENCE, Italy—Risk managers, insurers, brokers and consultants from 18 countries met in the Renaissance city of Florence, Italy, for the International Insurance & Risk Management Conference, which was held Oct. 10-13.

The conference was organized by Brussels, Belgium-based Management Centre Europe, the European affiliate of the American Management Assn.

The conference attracted 346 delegates, including 77 from France; 34 from Italy; 31 from Holland; 27 from Switzerland; 25 from West Germany; and 18 each from Spain and the United Kingdom, according to David Rowledge, a senior group director for Management Centre Europe.

Barcelona, Spain, will host the 1990 International Insurance & Risk Management Conference.

More information is available from Mr. Rowledge, MCE, Rue Caroly 15, 1040 Brussels, Belgium. Telephone 32-2-516-1911.

Assurex partners produce 3 billion dollars in annual premiums.

Getting your share?

Independent Partners United for Growth

ALABAMA
McGriff, Seibels & Williams, Inc.
Thames Batre' Mattei
ALASKA
Homestate Insurance Brokers of Alaska, Inc.
ARIZONA
The Mahoney Group
BRITISH COLUMBIA, CANADA
Mointra Services, Inc.
CALIFORNIA
Barney & Barney
Bolton and Company
Woodruff-Sawyer & Co.
COLORADO
Day, Webb & Taylor
CONNECTICUT
Arthur A. Watson & Co., Inc.
ENGLAND
Robert Fleming Insurance Brokers Limited
FLORIDA
J. Rolfe Davis Insurance Agency, Inc.
Seitlin & Company
GEORGIA
Hamilton Dorsey Alston Company
Palmer & Cay/Carswell, Inc.
HAWAII
American Mutual Underwriters, Ltd.
ILLINOIS
Mack and Parker, Inc.
INDIANA
Insurance & Risk Management
IOWA
Cottingham & Butler, Inc.
LaMair-Mulock-Condon Co.
KANSAS
Insurance Management Associates, Inc.
KENTUCKY
Powell-Walton-Milward, Inc.
LOUISIANA
Gillis, Ellis & Baker, Inc.
MAINE
Morse, Payson & Noyes Insurance
MANITOBA, CANADA
Ryan Agency Limited
MARYLAND
Early, Cassidy & Schilling, Inc.
Riggs, Counselman, Michaels & Downes, Inc.
MASSACHUSETTS
Fred C. Church, Inc.
MICHIGAN
General Underwriters, Inc.
MINNESOTA
Brandow Howard Kohler & Rosenbloom, Inc.
MISSISSIPPI
Fox-Everett, Inc.
MISSOURI
The Daniel and Henry Co.
Gilbert-Magill Company
NEBRASKA
The Harry A. Koch Co.
NEW BRUNSWICK, CANADA
Wilson Insurance Ltd.
NEWFOUNDLAND
Anthony Insurance Inc.
NEW HAMPSHIRE
Kendall Insurance, Inc.
NEW JERSEY
National Insurance Associates
NEW MEXICO
Bundy, Seligman & Thomas
NEW YORK
Adams & Porter Inc.
Hatch-Leonard/Markin-Shaw, Inc.
NORTH CAROLINA
Collier Cobb & Associates, Inc.
NOVA SCOTIA, CANADA
Fraser & Hoyt Insurance Ltd.
OHIO
The McElroy-Minister Company
The James B. Oswald Company
Picton-Cavanaugh, Inc.
Schiff, Kreidler-Shell, Inc.
OKLAHOMA
McEldowney, McWilliams, Deardeuff & Journey, Inc.
ONTARIO, CANADA
Tower-Chisholm Ferguson Ltd.
OREGON
Jewett, Barton, Leavy & Kern, Inc.
QUEBEC, CANADA
P. Brunet Assurance Inc.
RHODE ISLAND
Starkweather & Shepley, Inc.
SOUTH CAROLINA
Boyle-Vaughan Associates, Inc.
TENNESSEE
Treadwell & Harry Insurance Agency
TEXAS
Ordway-Saunders Company
Roach Howard Smith & Hunter
John L. Wortham & Son
UTAH
Fred A. Moreton & Company
VERMONT
Kinney, Pike, Bell & Conner, Inc.
VIRGINIA
DeJarnette & Paul, Inc.
Henderson & Phillips, Inc.
WASHINGTON
Parker, Smith & Feek, Inc.
WEST VIRGINIA
McDonough Caperton Insurance Group
WISCONSIN
Laub Group Inc.
PLUS INTERNATIONAL ASSOCIATES

Assurex International • Community Corporate Center • 445 Hutchinson Ave. • Columbus OH 43235

1096BI

At Wausau's Fire Protection Laboratory, we've started and put out thousands of fires. That's how we teach our loss control specialists, policyholders, even fire departments about the causes of fire and the best ways to extinguish them.

But the most important lesson to be learned is to avoid fire in the first place. A great many companies that suffer a major fire *never re-open their doors.*

It is vital to understand that you can protect your property with insurance, but not your business. Your competitive edge and share of market can disappear fast when you can't deliver product.

That's why, at Wausau, we emphasize loss control, and we're recognized as one of the few carriers with extensive property insurance expertise. So, if you're committed to protecting your property *and* your business, Wausau can help you qualify for very low Highly Protected Risk (HPR) rates.

Fight fire with the professionals who know how to help you avoid fire — Wausau [rated A+ (Superior) by A.M. Best Co.].

Wausau Insurance Companies, 2000 Westwood Drive, Wausau, Wisconsin 54401 Telephone (715) 845-5211 A Member of the Nationwide® Group.

Caution urged on European markets

By CAROLYN ALDRED

FLORENCE, Italy—Risk managers must tread carefully amid the changing contours of the European insurance market.

Insurers are competing for commercial lines business merely to gain ground in their battle to increase market share in personal lines, warned Bernhard Fink, a member of the executive board of the Gerling Konzern Group Cologne, West Germany.

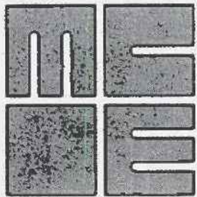
"The management of industrial risk does not play a particularly significant role in the current transformations of the European insurance industry," he told October's International Insurance & Risk Management Conference in Florence, Italy.

"The mergers of European insurance groups, under the spell of the rampant 'single market' fever, is leading at best to greater financial strength, but not to improved know-how in industrial risk management per se," he said.

"If you look at the current constitution of the industrial lines market you see more and more comprehensive cover being offered at premiums not even likely to cover costs. This is being sold by many insurers as a loss leader to increase a company's image or profile," he explained.

Insurers are subsidizing industrial lines to increase market share, said Mr. Fink. "In a liberalized Europe, competition is essential. But we want soundly based technical competition, not cutthroat competition."

Meanwhile, relations among European risk managers, insurers, brokers and suppliers of service will change profoundly in the coming years, said Thierry van Santen, director of risk and insurance for automobile parts maker Valeo in Paris.



Insurers in Europe have "inclined toward immobility because of the tightly regulated markets," he said.

But he sees the removal of European Community trade barriers creating a "frantic repositioning" of companies and warns risk managers to adapt quickly.

"On the one hand, European insurers are repositioning themselves and, on the other hand, American insurers are discovering a potential market larger than their own. Finally, Japanese insurers are anxious to participate," he said.

Within five years this "will surely mean a concentration of the market" among about 20 companies, he said. Among that group, he predicts, will be four or five U.S. firms, three Japanese and two Swiss concerns.

Michael Butt, chairman and chief executive of Eagle Star Holdings P.L.C. in London, likened the power battles among insurers in the European market to the fighting between Italian city-states during the Renaissance.

Quoting from The Prince, the 1513 political satire by Florentine statesman Niccolo Machiavelli, Mr. Butt said those city-states were among the period's most advanced, but were nevertheless ill-equipped to survive among the new, larger states of Europe.

"Small, inward looking" and prone to infighting, they ignored the threat posed by France and Spain, said Mr. Butt.

The two powers controlled Europe because they were much larger and had disciplined armies. "The city-states may have been able to defend themselves together but were too concerned with fighting each other," he said.

European companies are playing Italian city-states to the France and Spain of large, disciplined U.S. and Japanese insurers and financial institutions, he warned. "It is no exaggeration to say the eyes of the world's insurance industry are now on Europe."

Mr. Butt's company is a subsidiary of B.A.T. Industries P.L.C., itself the target of a huge takeover bid.

To thrive in Europe, industrial risk insurers will have to offer "custom-made, cross-border solutions and be able to confront specific industrial risks with professionalism," said Gerling's Mr. Fink.

"A standard Euro-policy is an erroneous vision. There are too many differences in living conditions throughout Europe and even in the 1990s, Europe will be characterized by a multitude of—in part, widely divergent—situations in the individual countries," Mr. Fink added.

In the future, "underwriters indulging in industrial risk are going to have to become greater specialists. Supply of financial coverage will become less important than a professional approach and the innovation of coverage," he said.

Industrial risk underwriting cannot be a "sideline, it must be an area for top specialists," he said.

Commercial underwriters will have to develop "profound risk dialogue with the top executives of the insured enterprises. Financial coverage is a core aspect but it is not the only aspect. Mastering risks requires comprehensive risk management," said the German underwriter.

Claude Sautiere, deputy managing director of Paris-based broker Gras Savoye, stressed the immense differences within Europe. "Europe is only at the beginning of its activity. Regional differences may even be reinforced during the early years. Local habits are far from dying out," he said.

As a result, the successful brokers in Europe will "have to be national and international. The broker has to be able to offer the choice to his client of global insurance arrangements or local insurance arrangements. The broker has to be present in the countries where his client is," said Mr. Sautiere.

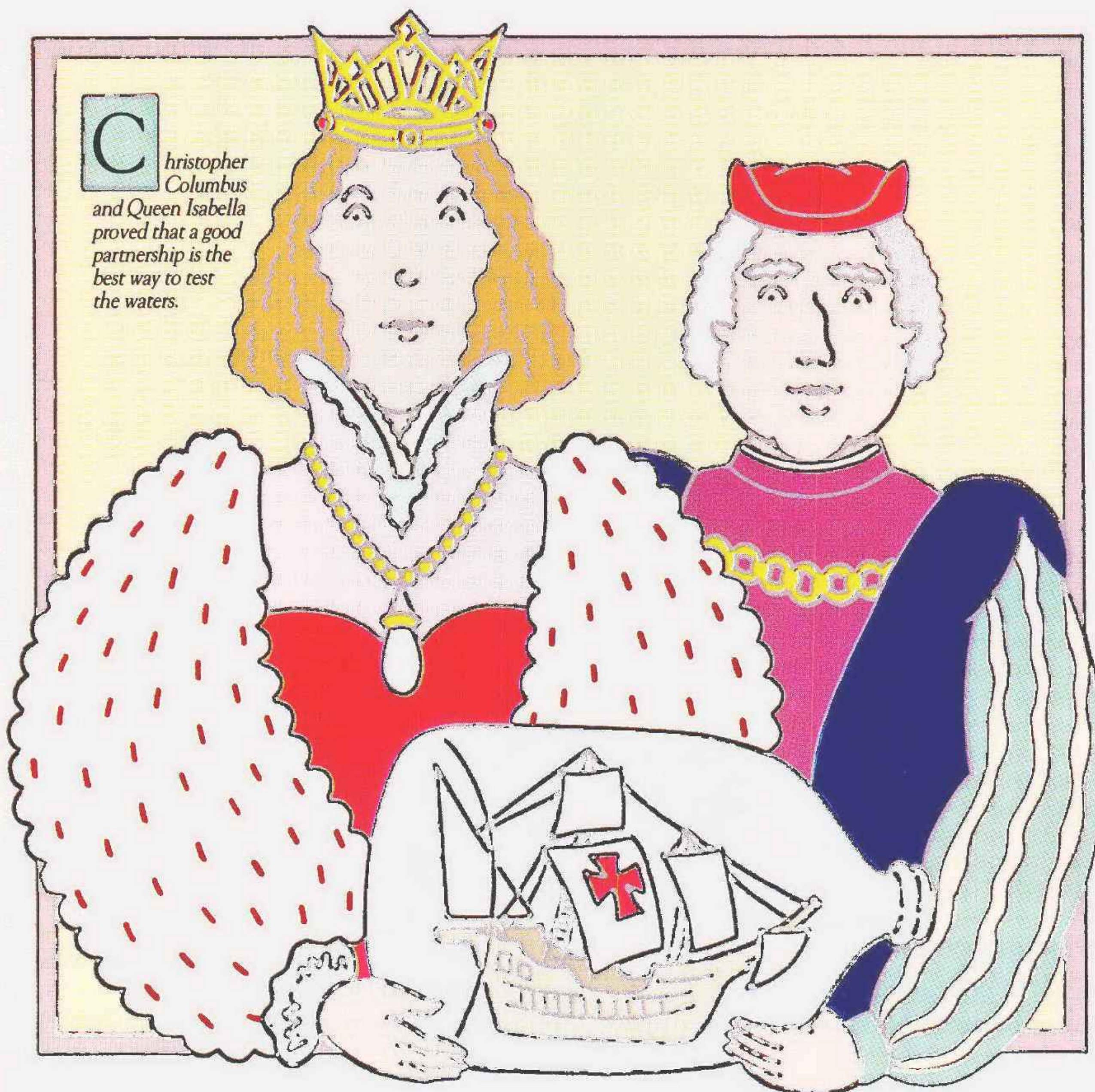
"A few broking firms will become Pan-European, others will find niches," predicted Mr. Sautiere, whose own firm is part of the worldwide UNISON chain of correspondent brokers (*BI*, June 26).

"This new European insurance scene will have numerous consequences" for risk managers, noted Mr. van Santen, including:

- The disappearance of co-insurance systems.
- Acceptance of 100% of risks by insurance companies.
- Increased importance of knowledge of the risks involved.

"These consequences will require the risk manager to establish direct contacts and negotiations with companies to whom he must appear credible and be in a position to conduct real risk management policies," said Mr. van Santen. ■

With the right partner, you'll have smooth sailing.



Introducing Partners Plus. We'll help you discover the potential of Group Long Term Disability.

With Partners Plus from Employers Reinsurance, you can quickly tap into the booming GLTD market. Without investing a lot of money. Or assuming a lot of risk.

Partners Plus provides you with everything you need. From a tailor-made policy, to administrative software, to claims service.

And unlike many companies, we don't compete with you in the marketplace.

Best of all, Partners Plus offers you ultimate ownership of the business.

For more information, call toll-free 1-800-255-6931. We're the partner you've been looking for.

Employers Reinsurance Corporation

THE FUTURE OF MAJOR MEDICAL DRUG PLANS ...TODAY.

Wouldn't it be convenient to be able to "gaze into a crystal ball" to predict the future of health benefits? With drug costs currently outpacing other major medical coverages, it would be particularly helpful.

No Such Luck!

Therefore...PCS did something even better. We talked with our clients! And listened closely.

What we heard was a need to combine the strengths of the PCS system with major medical plan designs to limit utilization. Based on that input we didn't predict the future—we created it!

MAJORx. An exciting, leading edge innovation to allow you to manage your major medical drug costs like never before.

The bottom line? SAVINGS!

For all the details on how MAJORx can work for you, please write or call toll-free 1-800-223-7745 or in Arizona 391-4770.

Solutions to Major Medical Drug Management.

PCS, Inc.

Marketing Department
9501 East Shea Blvd.
Scottsdale, Arizona 85260-6719

Opinions

Now is the time to shine

IN THE AFTERMATH OF TWO devastating natural disasters, the insurance industry has an opportunity to prove its worth and turn around its lousy public image.

We are sure everyone recognizes this and is doing their best to do so. With that in mind, we offer the following suggestions.

First and foremost, insurers simply have to do what they are in business to do: Pay claims quickly and fairly, with compassion for the plights of the policyholders.

Yes, that is obvious, but lest the obvious be overlooked, insurance company executives should send special messages to their teams reminding them of this.

Everyone should be aware it is time to pull out all the stops and act with more speed than they normally do. Whatever amount of overtime or additional staff is needed to get claims processed as quickly as possible should be ordered.

And, insurance company personnel should be instructed to do everything they can to reduce red tape and take as much hassle out of the claims settlement process as possible. Now is not the time —not that there ever is—to nickel and dime the claimant.

Claimants, especially in California where insurers suffer their worst public image, probably are approaching the claim process with expectations of being treated badly. Now is the chance for everyone in the insurance business—from insurance agent and broker to claims adjuster—to exhibit their best performance.

While being efficient, those who deal with claimants also must exhibit some genuine concern for their policyholders. A few kind words along with the check is simply good manners.

Secondly, insurers should be in the forefront of private efforts to provide relief to those who are uninsured for their losses. The Seibels Bruce Group Inc. of Columbia, S.C., is leading the effort to help victims of Hurricane Hugo by collecting contributions from the insurance industry. Chairman Sterling E. Beale already has received more than 700 contributions to the South Carolina Hugo Relief Fund established by the company earlier this month (*BI*, Oct. 9). The contributions—from insurance companies, agents, agents associations and individual employees—have ranged from a few dollars to $20,000.

In California, broker Bolton & Co. of South Pasadena has established an earthquake relief fund to solicit contributions for the American Red Cross and is urging the insurance industry to match its $10 per employee contribution.

And USF&G Corp. has announced that it has made a $400,000 contribution through the USF&G

Foundation to the Central Maryland Chapter of the American Red Cross for use in the recovery efforts in both South Carolina and California.

As Mr. Beale said in announcing the Hugo Relief Fund: "Our industry has an opportunity now to go beyond the contractual obligations of our insurance contracts and make a statement to the public that we are also a sensitive, caring, sharing industry. More importantly, it will feel good. Even more importantly, it will help thousands of people who cannot help themselves right now."

Thirdly, insurance company executives should make themselves available to the public, especially through the press, to explain how insurance responds to catastrophes like hurricanes and earthquakes. Fireman's Fund Corp. Chairman Jack Byrne set an example with his participation on the MacNeil/Lehrer NewsHour following the quake.

Finally, insurance companies must make future underwriting decisions on products and price with concern not only for their profits but for their customers.

The insurers that quickly lifted the customary 30-day moratorium on underwriting earthquake insurance after a quake—namely Allstate Insurance Co. and Fireman's Fund—showed the kind of concern for customer needs that too often has been lacking in the insurance business.

Regarding price: If these disasters lead insurers to increase premiums charged, as some suspect they will, the amount of the increases had better be justified and justifiable to the policyholders. Insurers simply cannot afford to repeat 1985 and 1986 when they raised premiums by too much too quickly.

Letters

Who's to blame for Section 89 debacle?

To the editor: Your Oct. 9 editorial, "A Lesson to be Learned," falls short in calling to task those responsible for the debacle of Section 89.

The insurance companies, with few exceptions, simply left the matter to their clients. The companies hid behind the excuses that they use to duck giving strong advice to employers who pay them millions in service fees.

The brokerage community is far more guilty. From the first view of the absurdity of Section 89 to the last confused moment before the House move to repeal, the brokerage community kept digging into its clients' pockets for every cent it could reach. Spending millions to try to reap the fee bonanza they saw, the brokers and consultants sold doom and gloom for profit. Then at the very end, they scratched to save their investment by hanging tightly onto the employee notification requirements.

No one in the brokerage ranks broke the profit hunting parade long enough to tell their clients to bombard their elected officials, help interested congressmen like Rep. John LaFalce, D-N.Y., or put pressure on Rep. Daniel Rostenkowski, D-Ill.

Way back in 1986, a strong move to educate Congress, the press and the public would have cost very little.

That would be far less than some brokerage houses spent on now worthless software.

If employers cannot depend on their brokers and consultants, whom should they trust?

Curtis G. Logan
Fern Park, Fla.

Continued on page 58

Business Insurance welcomes letters from its readers. Please keep your comments as brief as possible. We reserve the right to edit letters for clarity or space. We will not publish unsigned letters. Send your comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.

Business Insurance®

Reporting weekly for corporate risk, employee benefit and financial executives

Publisher: Alfred Malecki *(New York)*

Associate Publisher/Editor: Kathryn J. McIntyre, A. R. M. *(Chicago)*
Managing Editor: James M. Burcke *(Chicago)*
Senior Editor: Jerry Geisel *(Washington)*
Assistant Managing Editor: Dave Lenckus *(Chicago)*
CHICAGO: Stacy Adler *(Associate Editor)*
Jeanne M. Bartels *(Graphics Editor)*
Karen Brown *(Assistant to the Editor)*
Linda J. Collins *(Agent/Broker Editor)*
Meg Fletcher, A.R.M. *(Associate Editor)*
Sara J. Harty *(Editorial Assistant)*
Mark A. Hofmann *(Associate Editor)*
Karen Huelsman *(Copy Editor)*
Marilou Jones *(Directory Editor)*
Laura Mazzuca *(Agent/Broker Topics Associate Editor)*
Amy Palmer *(Graphic Artist)*
Roger Schillerstrom *(Editorial Cartoonist)*
Timothy Stanton *(Copy Editor)*
Paul Winston *(Copy Editor)*
Joanne Wojcik *(Copy Desk Chief)*
Christine Woolsey *(Associate Editor)*
DALLAS: Michael Bradford *(Associate Editor)*
LONDON: Stacy Shapiro *(International Editor)*
Carolyn Aldred *(Associate Editor)*
LOS ANGELES: Donna DiBlase *(Bureau Chief)*
Louise Kertesz *(Associate Editor)*
NEW YORK: Douglas McLeod *(Bureau Chief)*
Judy Greenwald *(Associate Editor)*
Collin Nash *(Editorial Assistant)*
Michael Schachner *(Associate Editor)*
WASHINGTON: Adrienne C. Locke *(Associate Editor)*

Advertising Director: Donald A. Walsh *(New York)*
Midwest Sales Manager: Robert L. Niesse *(Chicago)*
CHICAGO: Deborah D. Neale *(District Manager)*
Margaret Hikido *(District Manager/Classified Sales)*
Elmer Kerstowske *(Production Manager)*
Eastern Advertising Manager: Martin J. Ross *(New York)*
NEW YORK: Charles A. Horvath *(District Manager)*
Jack Forrest *(District Manager)*
Kathryn Premetz *(District Manager)*
Cynthia Bykowski *(District Manager)*
LOS ANGELES: Michael J. Sharpe *(Western Advertising Manager)*

Director of Communications: Ronnie I. Drachman *(New York)*

EDITORIAL: Chicago: 312-649-5398
Dallas: 214-363-1066
London: 01-404-4228
Los Angeles: 213-651-3710
New York: 212-210-0140
Washington: 202-662-7200
ADVERTISING: New York: 212-210-0133
Chicago: 312-649-5276
Los Angeles: 213-651-3710
COMMUNICATIONS: New York: 212-210-0132
CIRCULATION: Detroit: 313-446-1611

Published by Crain Communications Inc., Chicago

G.D. CRAIN JR.
Founder (1885-1973)

MRS. G.D. CRAIN Chairman
MERRILEE P. CRAIN Secretary
S.R. BERNSTEIN Chairman-executive committee
WILLIAM A. MORROW Senior Vp-operations
RANCE CRAIN President
ROBERT C. ADAMS Vice president-production
KEITH E. CRAIN Vice chairman
H.L. STEVENSON Corporate editor
MARY KAY CRAIN Treasurer
PENELOPE A. GEISMAR Corporate communications mgr.

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Fax 312/280-3174, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207, Fax 212/210-0704, CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231, Fax 214/696-1936; Suite 814, National Press Building, Washington, D.C. 20045, Fax 202/638-3155; 6404 Wilshire Blvd., Los Angeles, Calif. 90048, Fax 213/655-8157; 20-22 Bedford Row, London WC1R 4EB, England, Fax 01/430-2176. $1.75 a copy. $70 a year in U.S. Canada and all other foreign add $32 for surface mail. Europe and Middle East only add $72 for air delivery. First-class mail to U. S., add $77; to Canada add $87. Bermuda only, $152 per year expedited delivery. WILLIAM STRONG, vp-circulation. SHEILA GORMLEY, circulation manager. JOHN HUFFMAN, fulfillment director. Four weeks' notice required for change of address. Send subscription correspondence to Circulation Department, Business Insurance, 965 E. Jefferson Ave., Detroit, Mich., 48207, or phone 800-992-9970 or 313-446-1611, Fax 313/446-1650. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48013. Microfiche copies available: Bell & Howell, Micro Photo Division, Old Mansfield Road, Wooster, Ohio 44691. Portions of the editorial content of this issue are available for reprint or reproduction in other media. For information and rates to reproduce in general circulation media, contact: ART MERTZ, The Crain Syndicate, 740 Rush St., Chicago, Ill. 60611, 312-649-5303. For reprints or reprint permission contact: Reprint Department, Business Insurance, 220 E. 42nd St., New York, N.Y. 10017, 212-210-0229, Fax 212/210-0704.

VBPA

Member of Business Publications Audit of Circulation

ABP

Day in and day out, the insurance professionals at Gow & Hanna tackle the tough jobs.

LASR (our Large and Special Risks Division) is strategically located to ease placement; to cut through obstacles and get results quickly and effectively.

What our CARMA Division is to the construction industry, LASR is to all other commercial accounts, be it manufacturing, retail or wholesale business, institutional, transportation, habitational, development or whatever. We can handle it.

A joint venture between ourselves and the agent or broker, we work with the Insured to obtain the desired risk management/insurance programs.

For additional information, call Rob Montgomery in New York at 1-800-248-LASR.

GOW & HANNA
Bright Minds Focused on Results

Gow & Hanna Inc.
100 Maiden Lane
New York, New York 10038
212-509-6100/Fax: 212-509-9291
New York/Houston/Cleveland
Buffalo/Hartford/Los Angeles

Insurers seek role in forging pollution law

By CAROLYN ALDRED

FLORENCE, Italy—Insurers will limit the availability of pollution liability coverage in Europe to avoid massive losses unless sound pollution liability laws are developed, warn some European underwriters.

And, with Europeans becoming increasingly concerned with how business affects the environment, manufacturers and insurers must work together to promote fair pollution laws before governments impose indiscriminate regulation, noted several speakers at the International Insurance & Risk Management Conference earlier this month in Florence, Italy.

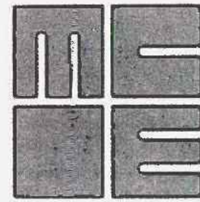
"The only solution to the severe pollution problems is a solution among insurers, industry and governments," said Harry Driver, manager of European commercial insurance for Sun Alliance & London Insurance P.L.C.

"Let's pray we don't adopt the same solution as in the United States, which was a very rigid, brutal approach," said Wilhelm Zeller an executive board member of Cologne Reinsurance Co in Cologne, West Germany.

If insurers and industry cannot find a solution, that unfortunately would "leave it up to the state," remarked Elmo Freiherr von Schorlemer, a management board member at Colonia Versicherung A.G. in Cologne.

Insurers' stake in environmental impairment liability will 'depend mainly on the how the law develops," Mr. Zeller said.

Clearly, he said, a company should be liable for damage it causes, but "it is also clear that an explosion of liability imposing a virtually absolute liability on a host of parties"—including those who have produced little or no contamination—"can in no way be passed on to the insurers."



Politically, insurers should make it clear that "a growing gap between liability and insurance coverage will emerge unless well-reasoned and sound principles of liability are retained," he said.

As the governments of countries throughout Europe consider imposing strict pollution liability regulations insurers say they are increasingly reluctant to write any form of pollution liability coverage.

For example, West German insurance companies fear they will be unable to offer viable insurance protection if proposed strict liability laws regarding air and soil pollution are passed, Mr. Zeller said.

The country imposed strict liability for water contamination in 1966, and pressure to extend that standard to ground and air pollution "is a very hotly discussed issue in West Germany, and sooner or later other European countries will be faced with the same dilemma," he said.

Insurers are "seriously suffering" heavy losses from contamination coverage written in the 1970s and 1980s and are having second thoughts about the broad pollution coverage they have offered for 30 years, Mr. von Schorlemer said.

Mr. von Schorlemer noted that insurers have recently paid "hundreds of millions of deutsche marks in claims because the cover offered was so broad and comprehensive."

But policyholders now react with hostility to insurers' attempts to tighten the coverage, he said.

An executive of a West German manufacturer counts himself among such policyholders.

"We have had strict liability for water contamination in West Germany for 30 years," said Wolfram Rohde-Liebenau, executive director of Siemens A.G. in Munich.

"We have and expect to continue to have insurance coverage. And if there's going to be future legislation for soil and air, we expect our insurers to continue to support us and to give umbrella coverage even when it starts raining," he said.

But, the proposed extension of a strict liability standard to air and soil pollution now before the West German Parliament would cause insurers considerable problems, Colonia's Mr. von Schorlemer said. "It is easier to provide insurance for water pollution because the pollution can be more easily traced to the polluter than any contamination of the soil or air," he explained.

In addition, the proposal would extend the strict liability standard to a company even if it has not exceeded legal emission levels, he pointed out.

"The pollution liability issue will change the insurance scene dramatically," Mr. Zeller predicted.

Insurers will have to inspect every site before offering pollution coverage, he said. "It will no longer be done on the basis of underwriters sitting at the desks and asking questions."

Around the world, insurers are dealing with pollution liability problems in a variety of ways, according to conference speakers.

Cologne Re has produced a booklet —"Summary of Environmental Impairment Liability and Insurance Solutions," which was released last month—that provides an overview of pollution coverage available in 10 countries.

For example, Cologne Re found that:

- In the United States, the Insurance Services Office Inc.'s 1973 comprehensive general liability form provides coverage for sudden and accidental pollution on an occurrence basis, while ISO's 1986 commercial general liability form virtually excludes pollution coverage.

U.S. insurance buyers also can obtain environmental impairment liability insurance for gradual and sudden and accidental pollution from some insurers, with limits varying depending on market conditions.

U.S. EIL insurers will cover bodily injury and third-party property damage—and sometimes first party cleanup costs—on a claims-made basis for specified and inspected sites.

- In the United Kingdom, individual general liability insurance policies offered by U.K. insurers cover "fortuitous (pollution) events, sometimes sudden, unintended and unexpected happenings" on an occurrence basis for bodily injury, third-party property damage and third-party pure financial loss, including business interruption.

However, policyholders with particularly hazardous risks are covered on a claims-made basis.

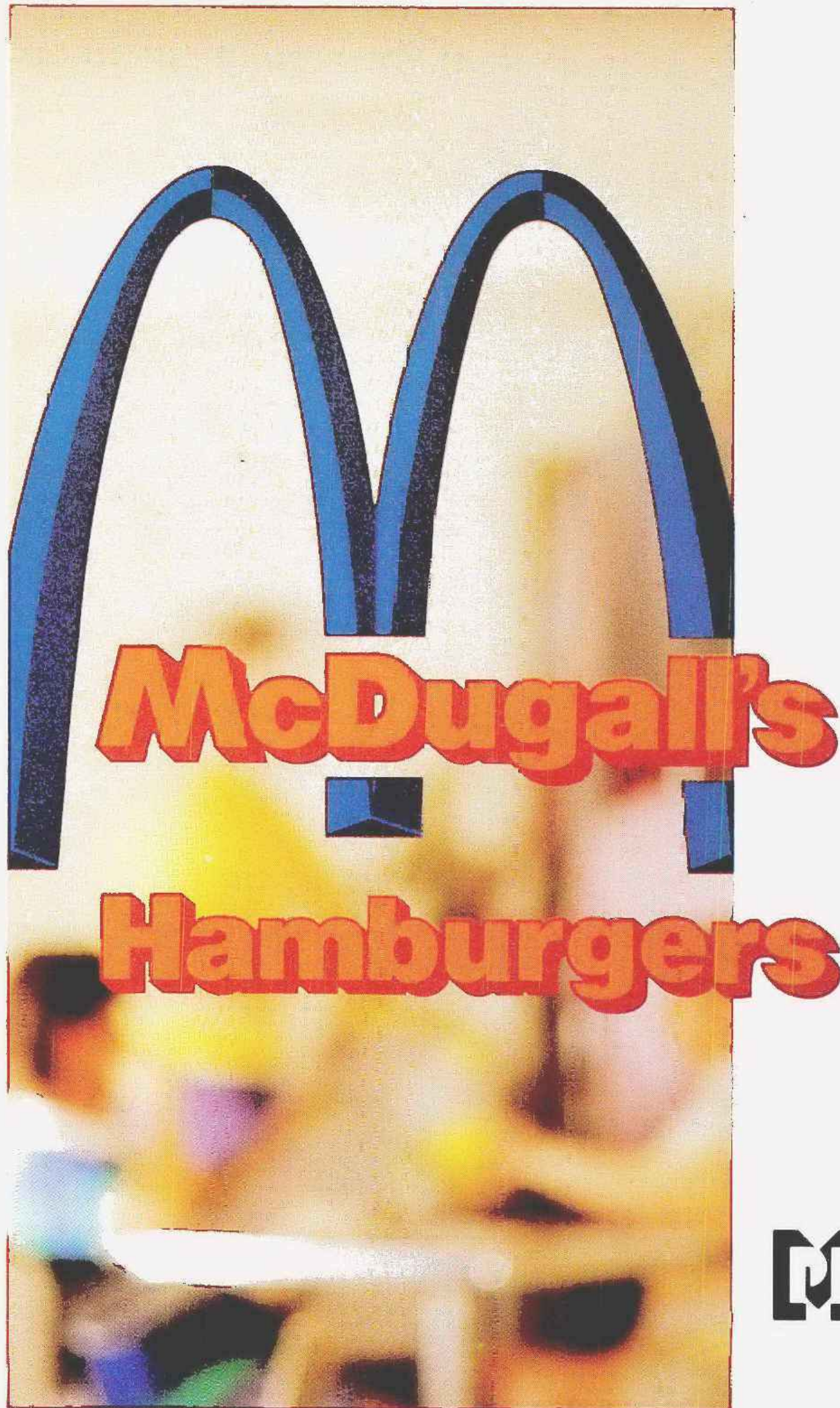
Claims-made EIL insurance can be obtained to cover bodily injury and third-party property claims resulting from gradual pollution of specified sites.

EIL policies that cover cleanup costs also are available.

- In West Germany, a uniform general liability insurance policy provides sudden and accidental coverage for bodily injury and third party property damage on an occur-

Continued on page 14

Imitation can be the sincerest form of trouble.



If one company follows another's recipe for success, it can easily wind up in the pan. And quite often, the imitator and its advertising agency are slapped with an infringement lawsuit quicker than they can say "large order of fries."

But most of the time, the advertiser or agency doesn't know its ingredients may be someone else's trademark or copyright. Infringement lawsuits are on the rise and even the innocent infringer has to pay to defend a suit and may still have to pay damages.

That's why Media/Professional Insurance offers copyright and trademark infringement coverage for qualified advertisers and advertising agencies as a regular part of our Media Special Perils policy. Media/Professional's highly specialized in-house legal department, superior claims handling and affiliation with A+ "Superior" rated SAFECO are only part of the reason why we're the leading media insurance underwriter.

Remind your media clients that imitation isn't just the sincerest form of flattery. It's sheer folly. Then call the experts at Media/Professional Insurance.

Media/Professional Insurance, Inc.
Two Pershing Square, Suite 800 · 2300 Main Street
Kansas City, Missouri 64108 · 816-471-6118

America's E & O Authority

Any insurance company can write a cheaper policy today. Liberty Mutual asks: How much cheaper insurance can you afford tomorrow?

In today's competitive insurance business, the old cliché is true: *You get what you pay for.* What may seem like a good deal today—could become a very expensive "final" cost tomorrow.

Final workers compensation costs are determined by claims. Therefore, it is our philosophy that the company that helps prevent accidents and manages your claims best will give you that lower final cost. Working together with our policyholders we've developed the most innovative Loss Prevention and Claims programs in the industry. Programs that time and time again reduce final cost.

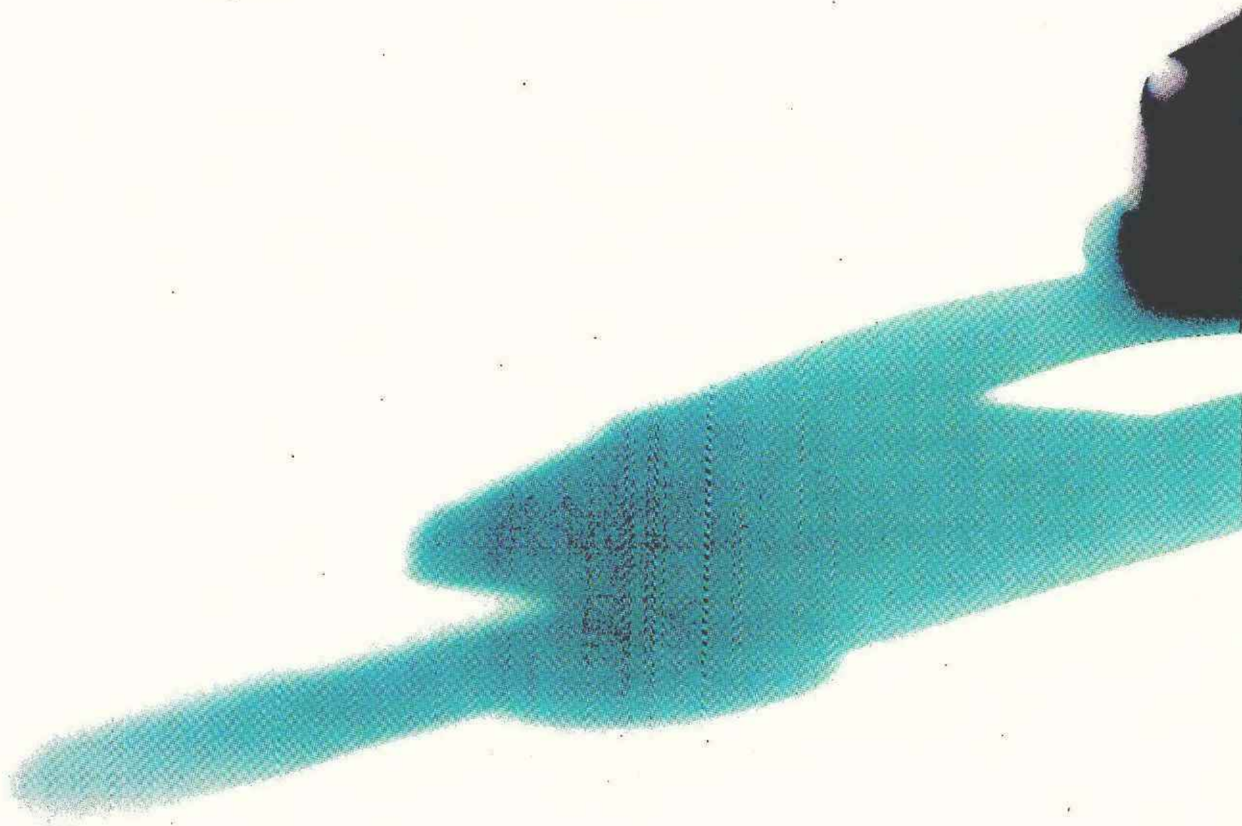
We have a philosophy that works for today and tomorrow. One that over 100,000 American businesses believe in. A philosophy that has made us number one in Workers Compensation and a leader in Liability and Property insurance.

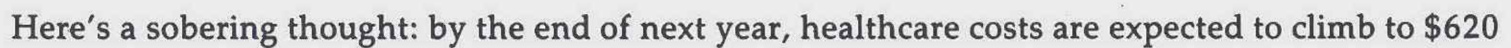
AMERICA BELIEVES IN LIBERTY MUTUAL INSURANCE.

LIBERTY MUTUAL®

© Liberty Mutual Insurance Group/Boston

WE HAVE OUR OWN WAY OF LOOKING AT HEALTHCARE COSTS.





Here's a sobering thought: by the end of next year, healthcare costs are expected to climb to $620 billion. No wonder employers are climbing the walls in search of a solution. At Intracorp, we believe we have one. We feel the only way to make that number smaller is to look at healthcare costs closer. A lot closer. So we created cost control measures at every step of the healthcare cycle, from the onset of an illness, right through to its resolution. We closely monitor hospital admissions to determine whether hospitalization and length of stay are appropriate. We offer the same critical assessment of outpatient cases and provide reviews of treatment plans for mental health and substance abuse. We pay special attention to serious cases. In fact, Intracorp pioneered the concept of total case management for catastrophic illnesses which represent only 3% of all claims, yet account for 40% of all claims dollars paid. Lastly, we painstakingly scrutinize healthcare bills looking for inaccurate charges or inappropriate treatments. If you'd like us to take a closer look at your healthcare costs, write Intracorp, Dept. I3, 1205 Westlakes Drive, Suite 300, Berwyn, PA 19312. After all, the closer we look, the better you'll look.

Property losses batter ethylene users

By CAROLYN ALDRED

MONTE CARLO, Monaco—A graphic example of the increasing dependency of companies on their suppliers is the current inadequate supply of ethylene in the world market, according to a U.S. insurance executive.

Companies "must understand the effect others can have on their production, whether it is a customer or supplier or a supplier of a supplier," said Thomas G. Kaiser, senior vp of Arkwright Mutual Insurance Co. in Waltham, Mass, at the AEAI/RIMS Risk Management Forum in Monte Carlo, Monaco, Oct. 15-18.

"Let's look at the worldwide supply of ethylene during 1987 and 1988 as an example of how organizational survival is threatened and in many cases not even suspected—until it is too late—by the risk manager and the organization," he said.

Ethylene, which is a hydrocarbon, is a major component of antifreeze, plastics and rocket fuel. But, a string of losses among ethylene producers throughout the world has radically disrupted the supply of ethylene, Mr. Kaiser said.

"The effect of all this between initial manufacturers and their customers is easy to comprehend. But it becomes more clouded when you look at the customer's customers, a step not always taken by risk managers," Mr. Kaiser observed.

For example, the ethylene shortage has hurt plastics manufacturers, which depend on the chemical.

But, in addition, many manufacturers that rely on plastics have incurred huge expenses in making alternative arrangements, Mr. Kaiser pointed out.

For example, Dean Foods Co., a Franklin Park, Ill.-based dairy producer, had to buy paper milk cartons "at considerable expense" to replace its plastic containers, he said.

"In fact, hundreds of these examples exist," Mr. Kaiser said.

According to Mr. Kaiser, world production of ethylene has diminished since May 1987 due to a series of losses among producers:

- A May 1987 explosion of a 66,000-ton ethylene production unit in Taiwan.
- A June 12, 1987 explosion at National Petrochemical Co. in Tarragona, Spain.
- A June 1987 fire at an Antwerp, Belgium, plant owned by BP Chemicals, a unit of London-based British Petroleum Co. P.L.C.
- The loss of production at 12 Taiwanese chemical plants when a typhoon blasted Taiwan the week of July 21, 1987.
- An Aug. 15, 1987, explosion at a Saudi Arabian ethane extraction plant. Ethylene can be derived from ethane.
- A Sept. 9, 1987, explosion at the DEC ethylene production plant in Varna Bulgaria.
- An October 1987 explosion at the Elizabeth, N.J., fluoropolymers plant owned by Waltham, Mass.-based Ausimont N.V.
- The April 1988 explosion of a 210,000-ton ethylene cracker at a plant owned by Repsol Quimica S.A. in Puertollano, Spain.
- A May 5, 1988, explosion and fire at a Shell Oil Co. refinery in Norco, La. This explosion wiped out 6% of the total U.S. supply of ethylene (*BI*, May 9, 1988).
- A March 7, 1989, explosion at an ethylene oxide plant in Antwerp, Belgium, owned by BASF A.G. of Ludwigshafen, West Germany (*BI*, April 10).

"Because of the shortage of ethylene, and the current price, this could be one of the largest business interruption losses in history," Mr. Kaiser said of the BASF loss. The plant is expected to be closed for two years, he noted.

"How would your company face a prolonged reduction of major supply components—as much as 40% of what you need to make your product?" he asked risk managers.

"The real impact of this series of large losses touches almost everyone worldwide in increased costs and rising prices for supplies and for finished goods," he said.

"Many of the downstream losses were not—and are not—insured, and many companies never suspected they could face a loss. However, the world is too dynamic, changing and, most importantly, linked together for these events not to effect each other," Mr. Kaiser observed. ■

Loss costs

Continued from page 3

long-term cost of risk for our organizations," he said.

To minimize the impact of such losses, companies must base contingency plans on an assessment of all of a company's exposures, said A.S. Strijbos, managing director and chairman of R. Mees & Zoonen Assurantien BV, insurance brokers and pension consultants in The Netherlands.

According to Peter Meijers, also of R. Mees & Zoonen, a thorough contingency plan involves:

- Examining company profit sources. This includes assessing each product's market, life cycle and potential for replacement.
- Anticipating events that can cause interruption of production, including acts of God, machinery failure, operational mistakes and criminal acts.
- Examining vulnerable points in the production and distribution process, including reviewing suppliers and inspecting buildings and machinery.
- Addressing loss control measures that may be taken after an accident has affected production.

These may include relocating production, such as to another site in the company or with a friendly competitor; taking over another company with similar production; marketing a new or replacement product; or obtaining supplies from elsewhere to continue to supply clients.

- Projecting worst-case scenarios and assessing responses.
- Estimating the costs associated with recovering a product's lost market share. ■

Execs split on central risk management

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Johnson & Johnson's corporate risk management department audits, teaches and consults with its international operations managers, but does not dictate to them.

Responsibility for risk management, including insurance buying, is in the hands of local managers, says Ronald P. McCartney, corporate insurance manager in the company's New Brunswick, N.J., headquarters.

"We are decentralized," Mr. McCartney explained at a seminar on multinational risk management practices during the AEAI/RIMS Risk Management Forum held Oct. 15-18 in Monte Carlo, Monaco.

"All our operating companies are responsible for their markets; my job is not to be directive, my job is to consult with local management," he said.

However, J&J does impose what Mr. McCartney called the "J&J credo"—produce prime quality products, be fair to employees and be fair to vendors. If these are followed, the company believes it will turn a profit, he said.

From this credo follow two important J&J standards:

- All operations will be protected by sprinklers. Only the board of directors can grant exceptions to the rule and therefore 99% of J&J's properties have sprinklers.
- When an employee misses a work day due to injury, the operating company's managing director must report orally to management in New Jersey within 24 hours.

A managing director must also file a written report within seven days explaining how the accident happened and what is being done to prevent similar accidents.

"Our goal is to be the safest corporation in the world," said Mr. McCartney, adding that a lost work day "is the worst thing you can have" at J&J.

The company recommends preferred underwriters to its operations around the world, but does not mandate their use, he stressed. Local managers decide on all insurance purchases and each company pays its premiums, according to Mr. McCartney.

J&J also uses a worldwide network of brokers that have been given guidelines on appropriate coverages, he noted. For example, J&J guidelines call for the purchase of business interruption insurance on the American gross earnings form rather than on the European loss of profits form.

"We tell them that there are certain things that we strongly recommend that they have," Mr. McCartney said, noting as an example that no J&J operation could decide to give up its auto liability insurance.

Rather than buying too little insurance, some operating companies buy coverages the corporate risk management department believes could be self-insured, Mr. McCartney noted.

In those cases, the corporate department points out the savings from self-funding, but local managers must decide whether to self-fund.

Mr. McCartney stressed that in touring J&J facilities he has never found a "situation where local management was acting so unresponsibly that I had to bring it to senior management attention."

Mr. McCartney

In contrast to J&J's approach, Terry E. Sparkes, risk and insurance manager for CMB Packaging (UK) in Reading, England, described the highly centralized risk management approach taken by Metal Box P.L.C.'s packaging divisions, which merged in April with Paris-based Carnaud S.A. to form CMB Packaging S.A.

Mr. Sparkes noted he was confining his remarks to pre-merger risk management because CMB Packaging is now reviewing the program.

Central managers in the United Kingdom made all decisions on the purchase of catastrophe insurance policies for Metal Box operations around the world and the limits purchased, according to Mr. Sparkes.

Other coverage was purchased locally through individual brokers, subject to standards issued in the United Kingdom, he said.

"We didn't want uninsured exposures," he said of the centralized control over insurance buying.

Broker selections were not imposed upon local managers, however, each appointment required approval by corporate management.

Contrary to the impression that some audience members had of his program, Mr. McCartney confirmed in a later interview that his company "certainly has global protection" and that only a "small percentage" of its operations are not insured with J&J's worldwide insurer.

In addition, "we have a worldwide network of brokers, consultants and engineers looking at all aspects. Standards have to be met," he said.

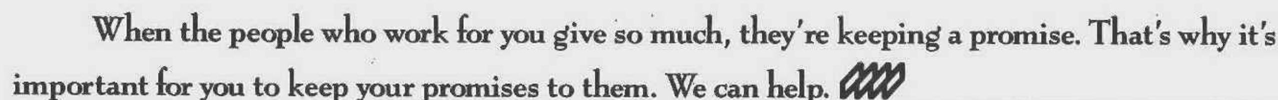
In essence, Mr. McCartney said, local managers are responsible for quality management, including risk management, and "they do it better."

The seminar was moderated by Laura Markos, director of risk management at Avery International Corp. in Pasadena, Calif. ■

A promise to keep a long stay in the hospital from becoming a financial injury.

A promise to make concern for their loved ones go beyond "How's the family?"

A promise that the end of a career won't be the end of a comfortable lifestyle.



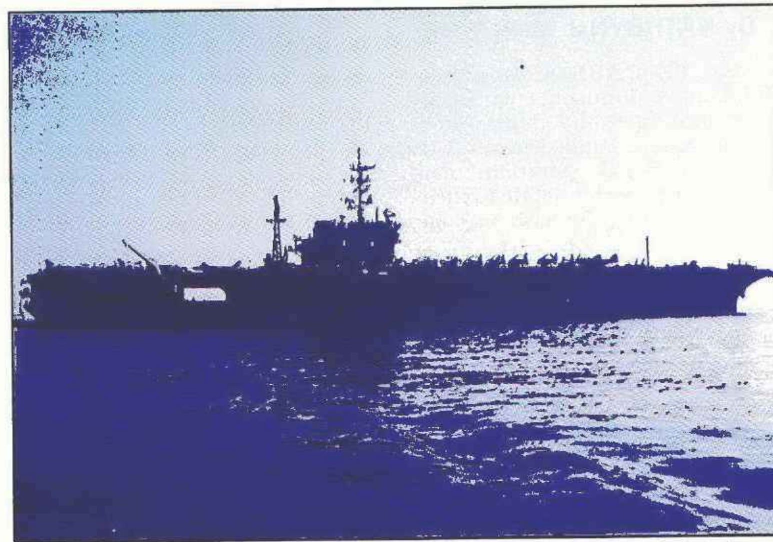
MassMutual

We help you keep your promises.

©1989 Massachusetts Mutual Life Insurance Co., Springfield, MA 01111.

Safety stressed aboard carrier

Procedures protect ultimate risk-takers


Stacy Spapiro
The America was anchored in full view of conference registrants.

By STACY SHAPIRO

MONTE CARLO, Monaco—The feeling of supreme power and ultimate risk-taking is immense aboard the aircraft carrier USS America.

Soaring above the Mediterranean Sea like a metal mountain, the carrier ploughs through the waves like a portable city, ready to defend U.S. interests anywhere in the world.

No matter what an observer's political leanings may be, she commands respect.

It's humbling to board through the only entrance: an open stairwell at the ship's stern where a lone sailor in khakis holding a rifle stands guard.

As one visitor put it, the aircraft carrier is like a floating municipality.

About a dozen people attending the AEAI/RIMS Risk Management Forum toured the carrier while the ship was anchored off Monte Carlo during the conference, held Oct. 15-18.

After five months in the Mediterranean, the ship's crewmen, who had been on red alert when the U.S. Embassy in Beirut was evacuated last summer, were on shore leave and looking forward to going home.

Lt. John Kuehn, an electronic warfare officer who served as tour guide for a *Business Insurance* reporter and six other conference attendees, said he was looking forward to seeing his daughter who had been born while he was at sea.

The special tour was organized by J. William Sherar, president of specialist energy broker Sherar, Cook & Gardner Inc. in Metairie, La.

Mr. Sherar was a pilot on the aircraft carriers Essex and Valley Forge from 1954-58 and an aide to Adm. Jimmy Thatch, who was the inventor of the Thatch Weave, a maneuver used by World War II pilots.

"This is real risk-taking," said Mr. Sherar. "The average age of the pilots (on America) is around 25. And any mistakes could be very, very costly."

The America's pilots approach 350 feet of moving runway at about 180 mph while the ship is traveling at 40 mph, Mr. Sherar pointed out. They take off on a 200-foot catapult.

The biggest risk, however, is the "night-trap," or the night landings where a pilot has to bring the plane to rest at a wire, pilots on the carrier say.

"You pray that the Great God of Aviation is watching," remarked Lt. Thomas Kane, a pilot aboard the America.

"You have to hit the wire or go around again. And that's no fun," Lt. Kuehn said.

Astronaut Wally Shirra reportedly told television anchorman Walter Cronkite that landing on the the moon's surface was the second-most exciting moment in his life, ranking below a night carrier landing, commented Mr. Sherar, who says that he later confirmed Mr. Shirra's remarks with Mr. Cronkite.

Crewmen are proud that, as yet, the ship has not lost any crew, said Lt. Keuhn.

The 24-year-old ship carries 5,300 men and 70 to 80 aircraft. By law women cannot be assigned to combatant ships.

About 1,047 feet long and 252 feet wide, the flight deck of the America spans some 4.5 acres. The carrier also can boast of two gymnasiums, a daily newspaper with a staff of 10, seven television stations, a bakery, six galleys, a chapel, a butcher shop, a weather bureau, a hospital, a movie theater and a fire station.

Each day, 18,000 meals are served and 280,000 gallons of water are distilled aboard the carrier.

The ship has a pair of 30-ton anchors, four 3,880-square foot plane elevators and four five-blade propellers.

There are eight levels between the flight hangar and the flight deck, but the Navy does not say how many levels are below the water line.

Weaponry is stored below during shore leave, and only the fleet commanding officer and a few other crew members know the total amount of weapons on board, says Lt. Kuehn.

He would not say whether nuclear weapons were on board the America.

The flight hangar is the largest area on the ship and carries F-14's, the fighters featured in the movie

Continued on next page

NO
SURPRISES

Continued from previous page
"Top Gun"; a Hawkeye with a radar dome; A-6's known as "The Intruder"; S-3's, whose primary mission is anti-submarine warfare; Hornets, which can be used as fighters or bombers; Prowlers for electronic surveillance; and helicopters, which are used to recover pilots after failed landing attempts.

In addition, the America carries boats to take crew ashore, including the admiral's tired-looking yacht.

Each pilot's name is spray-painted near the plane's cockpit. It's "part of the panache, to have a name on a bird," explained Lt. Kuehn.

Each pilot also has a nickname, which is usually something he hates being called, he said. For example, he said the ship's best pilot, Cmdr. Tom Enright, is nicknamed Rat Breath, but everyone calls him Snort.

During the tour, sailors began lining up in the flight hangar for lunch, which was to be served in the mess hall located on a lower deck.

"Everything in the Navy involves a wait. There is a saying in the Navy, 'hurry up and wait.' If you are impatient, then the Navy's not the place for you," Lt. Kuehn remarked.

'Everything in the Navy involves a wait. There is a saying in the Navy, "hurry up and wait." If you are impatient, then the Navy's not the place for you,' says Lt. John Kuehn, an electronic warfare officer aboard the USS America.

The America carries three different crews: the flag staff, which is in charge of the entire fleet and is led by Adm. Richard C. Macke; the ship's crew, led by Capt. J.J. Mazach; and the airwing in charge of the aircraft, led by Capt. Bob Whittenberg.

Each crew has its own bridge, which controls the various activities during maneuvers.

The navigation bridge, for example, commands the ship. During an alert, the captain puts in a 22-hour shift on that bridge while other officers look after the radar and chart the carrier's course on a surface plot.

When planes are taking off, "it's about an hour of continuous noise," said Officer Michael Pass on the navigation bridge.

"People say the (navigation) bridge is no place to be (during maneuvers). They're right," he commented.

Weaving through narrow passages, stepping over "knee knocker" entrances and climbing steep stairwells, Lt. Kuehn led the way to the flight deck, or "roof," where mechanics were working on the 50 or so aircraft normally kept there.

"When they're flying, the flight deck is a dangerous place to be," he said. Noise from the maintenance work alone was deafening. Visitors were not allowed to stay too long on the massive deck for fear that they would be hit by flying debris.

Among the ship's other safety precautions is a strict no-drinking rule.

Alcohol is allowed only for the sailors' "sunset parade" in which an official Navy band says thank you at the end of shore leave by marching through a town, said Lt. Kuehn.

The ship's 100-member safety department is responsible for all safety precautions on the America, including installing danger signs and color coding equipment to designate hazardous materials.

Fuel tanks are painted purple, the same color as uniforms of the sailors who handle the fuel. A diagram showing instructions for mouth-to-mouth resuscitation is on the navigation bridge, and signs throughout the ship warn of high voltage and noise.

In addition, diagrams of the ship are posted on all decks to prevent people from getting lost.

"No Smoking" signs are posted in designated areas of the ship, but during maneuvers the entire carrier is smoke-free or "Smoking Lamp Secured," Lt. Keuhn pointed out.

All members of the crew, except the flag staff, must complete a program by the safety department, Lt. Kuehn said. ■

NOTHING BUT PERFORMANCE.℠

Arkwright has one purpose. To help its customers throughout the world minimize their long-term cost of risk. To do this, we provide a wide range of risk management services, which we apply in a disciplined and straightforward way. First, working with our customers to identify, evaluate and reduce risk through engineering. Then, tailoring a program to protect exposures that cannot be eliminated. With all that's at stake, everyone at Arkwright must be accountable to the customer. Always. At Arkwright, we try to avoid surprises. In fact, we're dedicated to preventing them.

ARKWRIGHT
Arkwright Mutual Insurance Company
Hobbs Group, Inc.

AEAI/RIMS conference draws record attendance

A record 1,008 registrants from 33 countries and territories attended the fifth AEAI/RIMS Risk Management Forum Oct. 15-18 in Monte Carlo, Monaco.

The largest international meeting on risk management topics, the AEAI/RIMS conference included 29 sessions with 82 speakers and moderators particpating.

The registration for the 1987 AEAI/RIMS Risk Management Forum was just 617 (*BI*, Oct. 19, 1987).

In addition, 23 companies—including insurance companies, brokers, consultants and claims investigators—exhibited their products and services.

The conference, held biennially since 1981, is jointly sponsored by the New York-based Risk & Insurance Management Society Inc., the U.S. organization of corporate risk managers and insurance buyers, and the Brussels, Belgium-based Assn. Europeene des Assures de l'Industries, a federation of seven risk management associations in Europe.

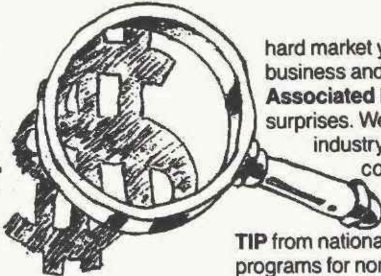
The seven European risk management associations hail from Belgium, France, The Netherlands, Italy, West Germany, Spain and the United Kingdom.

Simultaneous translation was offered in many of the sessions. For the first time, Spanish was added to French, German and English as an official language of the conference.

Co-chairmen for the meeting were Omer Leroy, risk and insurance manager for Unilever P.L.C. in Brussels, Belgium, and Hugh Loader, group insurance manager for Tetra Pak P.L.C. in Saffron Walden, England.

At the end of the conference, Francois Settembrino, president of AEAI, pointed out that the speakers had addressed both issues affecting the future of risk management and current world problems.

"This has been a most memorable conference for RIMS and for AEAI," added Ronald W. Stasch, president of RIMS in closing. "Join us in 1991 for the next Monte Carlo Forum. And don't forget to bring your colleagues."



A TIP:

In a Soft Market Take a Hard Look at the Bottom Line

hard market you won't be forced to move your business and lose commission income. With **Associated Programs, Inc.** there will be no surprises. We are committed to the nonprofit industry. We offer comprehensive coverage, competitive prices, quick reliable quotes and rapid issuance. So take advantage of a **TIP** from national experts in insurance programs for nonprofits. For more information **call 1-800-321-2122** or **212-688-9700.** Ask for a community service representative.

Even in today's soft market, you can **increase profitability, expand and stabilize your book of business** to include small and medium-sized nonprofits.

Offer your clients **TIP** The Insurance Program for **nonprofits,**SM a unique liability and property insurance program. Even in a

"This program is the one best suited for the liability & property insurance needs of nonprofits." Partnership Umbrella, Inc.

Associated Programs, Inc.
A KORNREICH AFFILIATE
919 Third Avenue • New York, New York 10022-3970

Esso emerges unscathed from refinery mishap

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Quick and responsible action following the accidental release of 85 tons of coke powder into the air in Rotterdam, The Netherlands, saved Esso's reputation in the community, according to its risk and insurance coordinator.

The company's response also held costs from the April 1988 accident to about $385,000.

W.F.M. Arnouts described the accident at Esso's Rotterdam refinery during a session on risk management in the oil and nuclear industries at the AEAI/RIMS Risk Management Forum held Oct. 15-18 in Monte Carlo, Monaco.

Due to an incorrect shutdown procedure involving a flexicoker, the coke powder was released early April 5 through a flare stack at the refinery and was deposited over an area 6.2 miles long and 0.2 miles wide.

No one at the plant noticed the release of the soot because it was dark outside and by dawn the soot had settled.

However, when area townspeople awoke to find that their white sheep had turned black overnight and their cars and homes had been covered with soot, Esso was notified.

The plant manager called the risk management and insurance department, and public affairs and cleanup began at 9 a.m. that day, Mr. Arnouts reported.

Cleanup, which included washing houses, windows and streets, was completed in 10 days.

The public affairs effort included sending flowers and personal letters explaining the accident to everyone in the area—1,181 houses in two villages.

Plant employees were briefed on the accident so they could explain it to their neighbors. Emergency numbers also were established.

Press inquiries were answered quickly and openly, Mr. Arnouts reported.

"There was virtually no negative publicity," he added.

To settle claims, Esso, a subsidiary of U.S.-based Exxon Corp., hired people to go "door-to-door with claim forms."

Residents of the area were offered immediate settlement of known material damage and were not required to waive their rights to claim future damages if they were discovered later, Mr. Arnouts said. Claims were paid in two to three days.

Cleanup costs totaled about $57,000—about $37,600 for window cleaning, $16,200 in street/pavement cleaning and $3,200 in free car washes.

Damage claims from area residents were settled for about $328,000. The largest, about $268,000, went to the owner of a conifer nursery that lost its crop after the trees were washed and a frost hit. It was impossible to market the crop because the frost left small brown spots on the trees, Mr. Arnouts said.

Damage to a cauliflower crop cost about $10,700, as did damage to cars.

Another 232 claims for other material damage were settled for about $38,600, Mr. Arnouts reported.

Asked by a member of the audience, "How would you have dealt with this if it happened in the United States," Mr. Arnouts quipped: "Find some more cash."

At the time of the accident, Esso was insured by The New Hampshire Insurance Co., a unit of American International Group Inc. The coverage carried a $100,000 deductible.

Esso now buys both its property and liability insurance from Assicurazioni Generali S.p.A., Mr. Arnouts said. ■

THE CIRCLE OF SERVICES •

CASUALTY
VALUE APPRAISAL • AUTO
PHYSICAL DAMAGE • MEDICAL
MANAGEMENT • MARINE & HEAVY
EQUIPMENT • PROFESSIONAL LIABILITY
VOCATIONAL REHABILITATION SERVICES
EXECUTIVE GENERAL ADJUSTERS PROGRAM
FLEXIBLE PROGRAMS • POLLUTION LIABILITY
EMPLOYEE BENEFITS ADMINISTRATION
INFORMATION MANAGEMENT SERVICES
CENTRALIZED ACCOUNT MANAGEMENT
EDUCATION SERVICES • EMERGENCY
CLAIM SERVICE • CATASTROPHE
WORKERS' COMPENSATION
PROPERTY

GAB Business Services, Inc.

PIA - Las Vegas, Nevada

Visit us at Booth 106/108

and

Pick up your messages at the Computerized PIA/GAB Message Center

(702) 739-4001

GAB We're always there when you need us.

A Member of SGS Group

Preventive medicine treats computer bugs

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Risk management applied to computer operations can eliminate or at least mitigate damages caused by computer viruses, says a computer manufacturer's risk manager.

Computer viruses—unwanted, extraneous instructions deliberately introduced into a software program with the malicious intent of damaging, delaying or even destroying a system's functions—are "invading computer systems globally," according to Sandra Koelzer, risk manager for Apple Computer Inc. in Cupertino, Calif.

Ms. Koelzer participated in a panel discussion on "Combatting Crime and Misuse of Data—Is Insurance a Solution?" during the AEAI/RIMS Risk Management Forum in Monte Carlo earlier this month.

Three types of computer viruses have been identified, Ms. Koelzer explained:

- The computer virus that replicates a form of itself by subverting other programs and spreading throughout a computer system or network, where it may destroy or modify other programs, files or data. This virus hides in other programs.
- The virus known as the computer worm, which does not use the resources of other programs in the system, but may destroy or modify files, data or programs already in the system. A worm is written as a separate, stand-alone program.
- The Trojan Horse, which seems benign but contains a small bit of destructive software that is dormant in the system until activated by an unsuspecting party. It will then create mischief, such as overloading a system or destroying information. It is not self-replicating.

Ms. Koelzer

These viruses are transmitted either electronically or manually. They may spread via telephone lines, when copying an infected program from a computer bulletin board or even from borrowed floppy disks.

Although all types of computers have been attacked by computer viruses, personal computers are the most susceptible because PC operators do not always pay close attention to security, they borrow software and they frequently access computer bulletin boards, said Ms. Koelzer.

To avoid or mitigate damages from computer viruses, she recommends:

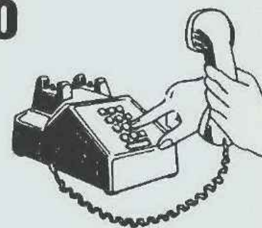
- Not encouraging downloading programs from online services.
- Installing access-control programs and suitable security on all computers.
- Frequently copying files onto backup disks.
- Prohibiting the introduction to the system of unlicensed, borrowed, public domain or other software obtained outside an organization's approved channels.
- Changing individual network access codes frequently.
- Allowing "read only" access for those employees who need only to retrieve information from the system.
- Providing a personal computer for testing and inspection of antiviral programs on new or unknown software before it is introduced to the user community.
- Using write protection on diskettes.
- Preserving original program disks in a safe place and maintaining duplicates of the originals prior to installing programs on a system.
- Keeping a record of all software loaded, when loaded and by whom.
- Not booting computers from borrowed floppy disks.
- Establishing a written contingency and emergency notification plan for viral attacks.
- Maintaining employee awareness of the need for these precautions.

Panelist Erik Norberg, who is responsible for electronic data processing security within Stockholm, Sweden-based Electrolux, advised attendees that "virus attacks" are minor problems in information se-

Continued on next page

ONE-CALL 215-254-9890

FOR LONG-TERM AUTO LEASING INSURANCE



- Lessors Excess Liability
- Primary Physical Damage
- Lessors Contingent Liability
- Primary Liability Coverages
- Residual Value Insurance
- Contingent Physical Damage
- Interim Car Coverages • **$5 MILLION CSL LIMIT AVAILABLE**

Be sure. Take advantage of our extensive experience with this difficult-to-place business. Designed specifically for the automobile leasing/rental industry, our program saves you time, cuts your costs, satisfies your customers. We do the work, you get the credit!

We invite your inquiry and your business. Write or call Ron Ruane.

PAIGE-RUANE, INC.
Suite 616-The Woods
P.O. Box 6745 • Wayne, PA 19087
(215) 254-9890 • FAX # (215) 254-9893

Reliance Specialty Programs, Inc.

1 9 8 9 / 1 9 9 0

Business Insurance DIRECTORY
of Corporate Buyers of Insurance, Benefit Plans & Risk Management Services

Updated and expanded, the *1989/90 Directory* includes information on more than 13,700 executives from over 2,100 companies of all sizes located throughout the U.S. Plus, vital statistics on all companies listed include:

- primary type of business
- sales or assets
- number of employees
- name and title of chief financial officer
- names and titles of executives directly responsible for: — employee benefits — pension/retirement plans — personnel — risk & insurance management — property/casualty insurance — international employee benefits and/or risk management

Order the *1989/90 Business Insurance Directory of Corporate Buyers* today — gain access to the executives who are directly responsible for the purchase of commercial insurance, risk management and employee benefits.

To order your copy complete the coupon or phone 313/446-1623. For tape sales or information call 313/446-1625.

Reserve________ copies
$85 each (15% discount when you order 5 or more).
All orders must be prepaid.
Make check payable to:
Business Insurance Directory
Total enclosed: $________
or charge my ☐Visa ☐Mastercard ☐American Express ☐Optima

Account #________
Exp. Date________
Signature________
print name
title
company
address
city state zip
phone

Mail to:
Business Insurance Directory
Single Copy Sales
965 East Jefferson Avenue
Detroit, MI 48207

Computer security

Continued from previous page

curity.

Instead, he stressed the risk of criminal activity through the use of computers, especially by inside personnel, who can alter data to obtain money or misuse authorized access to obtain trade secrets or operate their own programs.

While 50% to 60% of threats against information system security can be traced to human errors and omissions, another 10% can be traced to disgruntled employees and another 10% to dishonest employees. Fire is estimated at a 10% to 15% threat, water 10% and outsiders only 1%.

"Routines, documentation, education and training are essential" to avoiding human errors, Mr. Norberg advised.

Another important step is to ensure that "honest people" are employed in positions with access to computers, especially terminal users and electronic data processing staff. This requires improved methods for personnel screening, he said.

In addition, he advised employers to reduce the number of disgruntled employees through market-oriented salary structures and appropriate motivation.

Only one in 100 computer crimes is ever exposed, and of these only one out of eight is reported to the police, Mr. Norberg said. But, of those reported to the police, only one in 33 perpetrators is imprisoned, he said.

Panelist Nicholas P. Small, underwriting manager in the crime department of the financial lines division of American International Underwriters (UK) Ltd., a unit of American International Group Inc., also focused on the risk of computer fraud, especially by employees.

"As risk managers, it is essential that you ensure a secure environment is created and that employees believe that they will be caught by the controls that are maintained," he said.

"However, there are always an ingenious few who can circumvent the best laid plans, hence the need for insurance," Mr. Small said.

Specifically, fidelity coverage should contain several important features, he advised:

- Coverage should apply whether the employee is acting alone or in collusion with others.

> **'There are always an ingenious few who can circumvent the best laid plans,' AIU's Mr. Small warns.**

- Coverage should apply whether the financial gain is inured to the employee or to a third party.
- Coverage should apply even when it is impossible to specify the perpetrator.

In addition, Mr. Small advised that "third-party" coverage be added to fraud policies at the same limits and deductibles and with the same insurer.

The third parties who pose fraud risks include contractors working with the system and ex-employees, he said.

While electronic data processing policies, computer crime policies and fidelity policies are widely available, the question of insurance coverage for losses related to computer viruses is subject to case-by-case review by insurers, according to the panelists.

Apple Computer's Ms. Koelzer suggested that risk managers review their EDP policies, property policies, computer crime policies and fidelity policies.

Several coverage problems could arise, she noted. For example, while first-party EDP policies are intended to cover the actual cost of reproduction or replacing data damaged by certain physical perils or accidental data erasure, if the virus only causes the computer not to function but has not destroyed data, the EDP policy probably would not cover losses.

However, if the software or hardware will not function due to a virus, there might be extra expense or business income coverage.

Recovery under property policies may be limited to the cost of the media in its blank form, not the cost to replicate the lost data, Ms. Koelzer noted.

Computer crime policies, meanwhile, may exclude losses caused by employees, programming errors or by data entered by unauthorized personnel, while fidelity insurance policies generally do not cover vandalism or malicious mischief losses, she said.

However, "a carefully designed, comprehensive EDP insurance program should respond to a virus claim," Ms. Koelzer said.

Addressing coverage available in U.K. markets, AIU's Mr. Small noted that "a number of existing products do address the problem of the costs of reinstating data which is lost" due to viruses. In addition, the Assn. of British Insurers is expected to issue a statement on the scope of coverage offered under existing computer policies, he said.

"The problem is that viruses were not contemplated when these policies were drawn up," he explained.

In the meantime, several insurers do offer specific coverage for the risk posed by virus infection and other damage to software. Coverage, he said, is available for:

- Direct physical losses or damage caused by accidental, intentional or malicious distortion, corruption, manipulation, erasure or loss of data or software.
- The interruption of business caused by damage or destruction of the software or data.
- The extra expense incurred in conducting business during the restoration period after loss or damage, including repair or replacement cost of software and/or data.

Kevin Knight, manager of security and investigation service for the Queensland Administration of the Australian Postal Corp., moderated the panel. ■

CARONIA CORPORATION

Serving Hospitals and the Healthcare Industry Nationwide Since 1969

- *Claims Management*
- *Preinsurance Risk Assessments*
- *Risk Identification & Reporting*
- *Tracking & Trending*
- *Expense Control/Accountability*
- *Financial Reporting*
- *Auditing Services*
- *QA/RM Programs*
- *Consulting Networks*
- *Excess Monitoring*
- *Educational Programs*

Caronia Corporation provides professional, cost effective Claims Management through our network of branch offices. Our professional liability specialists offer on-site expertise in all types of insurance programs.

For more information, or our free brochure, call now: **1-800-CARONIA**

SATIS**FACTION GUARANTEED!**

From The Reprint Department Of:

Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission

If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:

REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies

If you missed an article in BI and would like a photocopy — send your request along with $3.50 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales

For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

The only way round is through.
—Robert Frost

DETERMINATION

Ocean Marine

Being the best at anything takes a lot of determined effort. That's been the driving force at Fireman's Fund Ocean Marine for well over a century.

That's why we don't use formulas. We formulate individual coverages depending on each client's need. And those coverages aren't restricted to the sea lanes. We'll insure cargo from its point of origin to its final destination, regardless of what form of transportation is used. Whether it's oranges from California or drill bits from Texas, Fireman's Fund will do whatever is necessary to insure that they arrive in pristine condition.

At Fireman's Fund, we've been masters of Ocean Marine coverages since the year we opened for business. Today, we're a leading insurer of cargo with 17 offices wholly dedicated to serving Ocean Marine customers throughout the U.S. and Canada.

So when the need arises for total transportation coverage, talk to Fireman's Fund. Our determination to be the best is your guarantee of quality service.

Fireman's Fund

126 years of tomorrows.

© 1989 Fireman's Fund Insurance Company

Tips to improve travel security offered

By STACY SHAPIRO

MONTE CARLO, Monaco—International business travelers can immediately improve security on trips abroad by following simple guidelines, risk management experts suggest.

- Avoid Colombia and Beirut, Lebanon.
- Don't take Salman Rushdie's controversial "Satanic Verses" into a Moslem country.
- Consider bribery in Nigeria.

These are a few suggestions culled from the "Employee Travel Risks" session of the AEAI/RIMS Risk Management Forum in Monte Carlo, Monaco, Oct. 15-18.

The session should have been called "Security Outside One's Home Country," said moderator Paul F. York, international risk manager of Union Carbide Corp. in Danbury, Conn.

"We are living in a more global situation, and as a result there is the increasing risk of people traveling to politically risky areas," he said.

Business travelers usually are not the targets of kidnappers, but "I would not recommend visiting Colombia or Beirut at the moment," said Peter Goss, director of risk management and training services for security consultant Control Risks Ltd. in London.

In 1989 alone, he said, Colombia has had 120 kidnappings, more than any other nation; Pakistan has had 56 and Brazil 15. "If kidnapping was the Olympics, Colombia would get a gold medal," Mr. Goss quipped.

When business travelers are kidnapped, employers will be responsible for ransom, family and recovery expenses, he said, noting victims are held "for a few days to three years."

In fact, in eight out of the last 10 kidnappings, victims have begun litigation against employers, Mr. Goss pointed out. "It can be very expensive," he said.

The risk of long-term detentions by foreign governments is also increasing, he said. Governments may try to hold travelers as political pawns on the pretext that the travelers violated customs or laws of the land. For example, travelers with prescription drugs may be detained on charges of drug possession.

Officials also have detained travelers on charges of:

- Currency violations.
- Passport/visa irregularities.
- Bribery, "or for lack of bribery as is the case in Nigeria," he said, alluding to the commonplace bribery in some African and Middle Eastern nations.
- Wearing improper clothing.
- Possessing indecent literature. "It is probably not a good idea to take 'Satanic Verses' to a Moslem country," Mr. Goss observed.

Even travelers involved in traffic accidents may be detained, Mr. Goss warned.

Travelers also should be careful where they point their cameras, because they can get arrested for photographing certain areas of a country, Mr. Goss said.

"You could be used as a pawn in a government dispute," he said.

Though hijackings have declined considerably in recent years, travelers are still at some risk, he said. There were nine hijackings in 1988, and eight so far this year, mostly on local flights in Latin America, he said.

Travelers also face the increasing risk of midair explosions, such as those on Pan American World Airways Flight 103 over Lockerbie, Scotland, last December (BI, Dec. 26, 1988) and the Union des Transports Aeriens DC-10 over the Sahara desert last month (BI, Sept. 25), he said.

"We said in 1986 that they would move out of Europe and America and into less secure environments," like Africa, he added.

Travelers also face the risk of getting sick or injured in a country with inadequate medical facilities—such as many African nations—or where medical services are too expensive, such as the United States, said Peter Schnur, international marketing manager of Europe Assistance in Paris.

Europe Assistance provides medical help to international travelers regardless of whether they have travel insurance. Europe Assistance has a 24-hour operation in Paris and 266 local agents, which cover all but four countries in the world, he said.

All the risks "sound like a deterrent for traveling, but there are areas where you can reduce the risk," Mr. Goss pointed out.

Seminar participants—all international travelers—said employers and employees can reduce risks for international travelers.

For example, travelers should have a physical before a trip abroad, review each country's medical risks and facilities with company doctors and carry a package of syringes to avoid contracting acquired immune deficiency syndrome.

Each company also should have someone in the risk management, security or personnel department to advise traveling employees, Mr. Goss said. That person should collate and distribute security information about foreign countries, he said.

And employers should make sensible travel plans to avoid dangerous countries, participants agreed.

"Sensible route-planning can avoid hot spots," Mr. Goss said. He recommends, for example, flying non-stop to Japan.

Travelers and employers also should decide whether a trip to a less secure country is vital or if it could be postponed, he said.

Less secure airports in the Far East, South America and Africa should be avoided, he said.

Airlines whose home countries retain terrorist prisoners make tempting targets and should, with a few exceptions, be avoided. One such exception is Israel's El-Al, which has "first-class security," he said.

When looking for secure accommodations, said Mr. Goss, "the rule of thumb generally is to go upmarket" because more expensive hotels will be in better neighborhoods. Company apartments and expatriate accommodations also provide better security than hotels, he added.

Employees also should have written itineraries and schedule a time to phone in, conference members said.

"Know where your executives are," Mr. Goss said. "One man was missing for two weeks before the company office knew he was gone."

"Get employees to leave a de-

Continued on next page

DIFFICULT
REINSURANCE
PROBLEM?

Continued from previous page
tailed itinerary, and to update it as they go along," said Mr. York of Union Carbide, who speaks from personal experience.

Last Dec. 21 he called his family from London saying he would take either Pan Am Flight 103 or a Trans World Airlines flight to New York that night. A broker from C.T. Bowring & Co. Ltd. was booked on the Pan Am flight and was trying to persuade Mr. York to fly Pan Am.

However, Mr. York persuaded the broker to switch to TWA. Neither of them knew during their flight that the Pan Am plane had exploded in midair, killing 270 people on board and on the ground.

His family "wasn't pleased" that they didn't know which flight he had taken.

Other suggestions for business travelers:

- Avoid renting cars in Moslem countries because one could inadvertently enter a restricted area and be detained.
- Do not drink and drive: It "can land you in jail in many countries," Mr. York pointed out.
- Obtain two passports, particularly if visiting both Israel and Arab countries or South Africa and other African countries, Mr. York said, because some governments may refuse entry to those with passports stamped by their enemies.
- Move to airport departure sections from the passenger sections as soon as possible. Many airport terrorist incidents occur before passengers are through passport control, Mr. Goss pointed out.
- Hire a consultant if the seasoned traveling executive will not heed security suggestions.

"Very often they listen to outsiders," Mr. Goss said. "Also, if there is an incident that gets people's attention, go in to see him then and talk to him and ask that the security (for traveling) be reviewed." ■

Insurers team up to net '94 World Cup coverage

By CAROLYN ALDRED

MONTE CARLO, Monaco—A record amount of insurance will be needed when the United States hosts the 1994 World Cup soccer championship for the first time, according to the two insurers that will lead the event's coverage.

Albingia Versicherungs A.G. of Hamburg, West Germany, and CIGNA Worldwide Insurance Co., a unit of Philadelphia-based CIGNA Corp., are teaming up to provide coverage for the 1994 World Cup, the companies announced at the AEAI/RIMS Risk Management Forum in Monte Carlo this month.

The insurers' goal is to put together more than $100 million of property/casualty coverage and more than $300 million of contingency insurance for the games, said Werner Schimming, a member of Albingia's managing board of directors.

However, the companies admit they may well exhaust the world's contingency insurance capacity in attempting to secure $300 million of coverage against cancellation or abandonment of play during the tournament.

The World Cup is a series of games featuring 12 national teams that have qualified from among the world's soccer playing nations. The event, which takes place every four years and lasts several weeks, is televised around the world, where in many countries it is the premier sporting event.

Although the stadium that will host the final games has not yet been selected, a total of 12 stadiums located throughout the United States likely will be used for the tournament, according to CIGNA.

Albingia has been the World Cup's lead insurer since the 1974 championships. The company also insures two-thirds of all teams in West Germany's professional soccer league and all the West German national sport teams, said Mr. Schimming.

Albingia "is without question the leading European insurer of world-class sporting events (and) is well-qualified to continue insuring future World Cup contests," said H. Edward Hanway, president of CIGNA Worldwide.

"But because of the unique circumstances surrounding the 1994 U.S. event, the intricacies of the U.S. insurance market and CIGNA's large-risk expertise on both sides of the Atlantic, Albingia has entered into this World Cup insurance partnership with the CIGNA companies," Mr. Hanway said.

The two companies will be the lead insurers on "a general liability (and property) policy that covers World Cup premises, products, operations and contractors, along with fire, legal liability, personal injury, contractual liability and medical payments," Mr. Hanway said.

Limits of more than $100 million will be secured for the property/casualty program—10 times greater than the $10 million of coverage arranged for the 1990 World Cup in Italy, Mr. Schimming noted.

CIGNA also will provide ancillary coverages such as worker's compensation and first-party property coverages for employees of the Federation of International Football Associations, the Zurich, Switzerland-based promoter and organizer of the World Cup.

Meanwhile, CIGNA and Albingia hope to "lead an insurance placement to provide a comprehensive contingency program featuring cancellation and abandonment coverages to the tune of up to $300 million in capacity," Mr. Hanway said.

Finding such a large amount of contingency cover will not be easy, noted Mr. Schimming.

For the World Cup in Italy next year, FIFA sought 400 million to 450 million deutsche marks ($216.4 million to $243.5 million) of contingency coverage, he said.

However, even after drawing on the resources of more than 200 insurance and reinsurance companies worldwide, only 300 million deutsche marks ($162.3 million) of capacity has been obtained for the 1990 World Cup, he said.

Of the 300 million deutsche marks in capacity, 15% is provided by Lloyd's of London and the London market; 70% from the Continental European market; 10% from the Far East; and 5% from the United States, Mr. Schimming noted.

Clearly, there must be untapped capacity in the U.S. market, both insurers agreed. ■

As seasoned Reinsurance Underwriting Managers, we thrive on challenges—specializing in Reinsurance of Medical Stop-Loss; Medical Portfolio; A & H Special Risk and Workers Compensation.

Lockwood, Dipple & Green Incorporated

Woburn, Mass., (617) 938-9010 • New York, N.Y., (212) 921-5689
Minneapolis, Minn., (612) 870-9284

Reducing product liability exposures

By STACY SHAPIRO

MONTE CARLO, Monaco—The best way for a risk manager to assess product liability risks is to build a rapport with personnel in the company's operations and research divisions, says a multinational risk manager.

Without a good relationship with operations and research personnel, the risk manager will be uninformed about the risks posed by products and the manufacturing process, warned Kenneth M. Krenicky, risk management director for Rorer Group Inc., a Fort Washington, Pa., pharmaceutical company.

Mr. Krenicky knows this from experience.

Mr. Krenicky assumed his responsibilities with Rorer one year ago and immediately met with Rorer chemists, he explained. "I couldn't even pronounce half the names of our pharmaceuticals."

Among Rorer's products is the "medicine probably most used by risk managers—Maalox," he quipped.

"The very first thing you have to understand as a risk manager is that no risk manager is smart enough to know even 10% of what goes on throughout his company from a risk perspective—which isn't really surprising since we all know that the average CEO knows only about 5% of what's going on within his company," said Mr. Krenicky in a speech punctuated with humor during the "Risk management vs. managing risk" session at the AEAI/RIMS Risk Management Forum in Monte Carlo, Monaco, Oct. 15-18.

Therefore, good relations with operations personnel, as well as with personnel in manufacturing, sales and marketing, is crucial to a risk manager, he said.

And in industries such as pharmaceuticals, a risk manager also must develop a close rapport with research personnel, Mr. Krenicky said.

Managing risk long has been the least developed aspect of a risk manager's role, according to Wolfgang F. Friedel, vp of international operations of Arkwright Mutual Insurance Co. in Waltham, Mass.

"For too long risk management has been paralleled with insurance management. We must dig deeper rather than skim the surface," he said.

No matter where a risk manager lives, "whatever the nationality of the risk manager, the function doesn't change. You must involve yourself in the entire organization, from the chief executive officer to the man on the factory line," Mr. Friedel said.

Committees consisting of personnel from various divisions in the company that focus on product liability risks are the best way to to build rapport with operations and research, Mr. Krenicky advised.

"Quite frankly, most of the people out there don't know exactly what you do—and don't care," he said, referring to company employees.

The committees should meet regularly and serve as messengers for information and ideas, Mr. Krenicky said.

Once operations managers recognize the need to control risks, they should be encouraged to practice good risk management through bonuses, he said.

With a chief financial officer, a risk manager should formulate a plan "wherein the bad actors out there, the people who will not operate their plant safely or who do not want to follow good quality assurance procedures are charged more for their insurance coverage, or are directly charged back quickly for their claims costs."

Thus, they have an incentive to change their habits, he said.

The operations manager with no claims should come in at or under budget and probably get a bonus, Mr. Krenicky said. But a manager running over budget because he has claims will sacrifice his bonus.

To implement this plan, a risk manager should get to know company accountants and understand the company's budget and allocation process so that risk management and insurance budgets can "turn theoretical risk management and risk control plans into practical reality."

"You have to convince the controller and his merry band of accountants that you understand their budget games. It is important that you learn the accounting game, which will become your tool to get to the more important games of risk management."

Risk managers should learn accountants' buzzwords because "if you can use their terms they will think you are one of them and that you have their same priorities in mind. And, then they will leave you alone so that you can start doing risk management," he said.

Once a risk manager understands the accountant's vocabulary and the company budget, he or she can make a pitch to the board "in such a way that at least you sound like you know what you are talking about, and you can then escape from the accountants and get down to your business—but with their support," Mr. Krenicky said.

Risk managers also need the cooperation of their companies' insurers. "I say to insurers, 'Put your money where your mouth is,' " Mr. Krenicky said.

Plant managers often ask whether new risk management practices will lead to premium reductions. Here, Mr. Krenicky said, he has to waffle. He knows that the insurers will not necessarily consider premium reductions if a single manager adopts procedures that will eventually reduce claims.

However, Mr. Krenicky negotiates with insurers to find other incentives that will please plant managers.

For example, one of Rorer's insurers effectively foots part of Rorer's costs to hire a consultant to help Rorer develop a crisis management plan for product tampering risks—a critical area for pharmaceutical firms—and to hire a public relations consultant.

Rorer has negotiated a 10% premium credit with the insurer. "Needless to say, this has been very well received in my company," Mr. Krenicky observed.

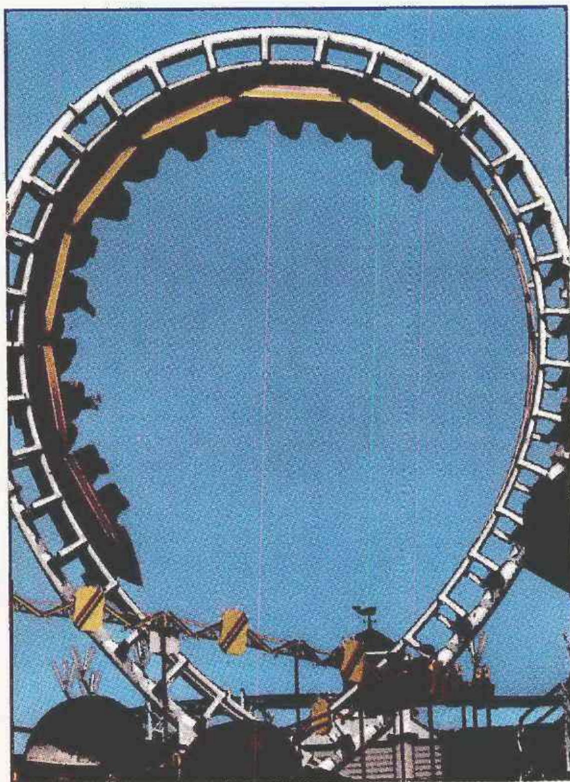
Mr. Krenicky also has set up insurer-sponsored seminars in which insurers encourage company personnel to think about risk management.

Because company personnel are familiar with the insurer, they are more receptive when the insurer comes to inspect the premises, Mr. Krenicky said.

Employees "have been the host of these fellas for three or four days, fed them a couple of lobster dinners, (and insurers have) presented a few good seminars," he said.

Alain M. Neveu, director of industrial risk for Paris-based Pechiney, moderated the panel. ■

WE HAVE OUR UPS AND DOWNS.



The insurance market may *dip* and *soar*. We're always *up*... on what would best meet your clients' needs. We're *on top* of the latest products from specialty insurers...and have *down* all the facts on how and what they'll underwrite. For your free copy of The Up and Down Book, call or write today.

BRYSON
ASSOCIATES
INCORPORATED

P.O. Box 545 · Beaver Hill South · Jenkintown, PA 19046 · 215-576-1500
111 John Street · New York, NY 10038 · 212-791-9745
12100 Wilshire Boulevard · Los Angeles, CA 90025 · 213-826-1982

Employer fights AIDS with education

By STACY SHAPIRO

MONTE CARLO, Monaco—Employers can help fight the spread of AIDS by educating employees and their families about the virus, according to the health and safety manager of IBM France.

IBM speaks openly and publicly about acquired immune deficiency syndrome to educate its employees and the public about preventing and coping with the illness, said Dr. Patrick Vienot, health and safety manager for the Courbevoie, France, unit of Armonk, N.Y.-based International Business Machines.

The virus "affects us all," Dr. Vienot said at the AEAI/RIMS Risk Management Forum in Monte Carlo, Monaco, Oct. 15-18. "There is a feeling that AIDS is a curse."

IBM and other companies are confronted by AIDS "as employers," he said.

The company's medical staff and its traveling employees as well as members of high risk groups can be struck by the disease, he said.

To reduce its exposure to the disease, IBM tries to protect its 400,000 employees worldwide by "educating every member of staff and (making sure) travelers are well briefed," Dr. Vienot said.

The company sends information about AIDS to employees' homes, where the leaflets are discussed by the families, Dr. Vienot said. Indeed, families have thanked the company because the information has allowed them to talk about a subject that had been difficult to approach, he said.

The company also prepares small kits for its traveling employees that include syringes and needles in case the employees require medical treatment in countries where there is a serious risk that contaminated medical equipment is reused.

IBM also clearly states publicly that it will not ostracize employees who are HIV positive or who have AIDS, Dr. Vienot stressed.

"A few people have been rejected by the group, and we have told management that they shouldn't reject AIDS patients," he said.

However, the computer giant guarantees professional secrecy and will not tell anyone that one of its employees has the disease, he said.

"And we guarantee the necessary benefits to all who are ill regardless of the disease," Dr. Vienot pointed out.

AIDS—known in Europe as Sindrome de Inmuno-Deficiencia Adquirida or SIDA—will affect all walks of life before a cure is found, said Dr. Nathan Clumeck, chief of the Clinic for Infectious Diseases at St. Pierre Hospital in Brussels, Belgium.

Because it hits mostly young men ages 30-39—the prime of their lives—the virus will exact huge social, political and economic tolls, he said.

The economic impact of AIDS in the United States alone is projected to be $48.8 billion by 1991, Dr. Clumeck pointed out. This estimate includes the cost of lost work time, building more medical facilities, medical care and medical disability benefits.

Dr. Clumeck, a leading AIDS researcher, showed conference participants a picture of an AIDS virus.

"It looks simpler than other viruses," he said. "But it acts as if it is the key to all locks."

The virus, contracted sexually, through blood transfusions or intravenous drug use, is constantly changing form and playing "hide and seek" with the body's natural defenses, Dr. Clumeck explained.

It can invade the body without any symptoms, and in some cases it can be carried for more than eight years before symptoms appear, he said.

And, after it attacks defense systems, it can become dormant again. "So there are stages of dormancy and stages of being awake and attacking," he said.

Doctors have found ways to detect the virus via blood tests and can treat for many years people who have tested positive for the human immunodeficiency virus but do not have full-blown AIDS.

But once the body has full-blown AIDS, "there are no defense mechanisms left, and the infected person dies," Dr. Clumeck said.

Reported cases are doubling worldwide every year and by 1991 experts predict there will be 270,000 people with AIDS in the United States, he said.

The virus, first discovered in the United States in 1981, has hit African nations hardest, with 5%-10% infection rates in some cities, Dr. Clumeck said.

Southeast Asia, the Soviet Union and China have not reported any cases, although they may have unreported cases, he said.

The disease also is now increasing among women and heterosexuals, he said. "Drug addicts and bisexuals are the bridges between the highly infected populations and those which are not."

Sexually active travelers returning from countries with high AIDS concentrations are another group of virus carriers, Dr. Clumeck said.

A form of sponge is being developed to help protect sexually active women from contracting AIDS, he said.

David F. Strauss, chief executive of Sedgwick Financial Services Group Ltd. in London, also participated in the panel discussion.

Francois Settembrino, president of the European Risk Management Assn., moderated the panel. ■

Rick

How long should a disability last?

As a line machine operator in a manufacturing plant, Rick stands at a work station eight hours a day, lifting and carrying heavy components as part of the normal routine. After gall bladder surgery, his doctor recommended a twelve-week disability period.

As short as possible...

Cost Care's disability case manager performed the WorkAlert™ assessment and found that Rick's proposed disability period was four weeks longer than medically necessary. After confirming an alternate temporary position with the employer, a Cost Care staff physician called Rick's doctor who agreed to a return to sedentary work only six weeks after the date of surgery. Within two weeks of returning to work, Rick was back at his original job, full-time.

Rick's employer regained six weeks of productive time. Rick was back on full salary after only six weeks, and still received adequate recovery time, along with the chance to gradually ease back into a strenuous job.

as long as necessary.

One of the most difficult problems facing an employer is the question of how long an injured or ill employee should be away from work. WorkAlert's case managers and proprietary software give you the initial information you need to determine adequate disability periods. WorkAlert's physician review, negotiation, and continuous evaluation can cut lengths of disability by up to 50% while giving someone like Rick plenty of time to get back on his feet.

Call us and find out more about CostCare's WorkAlert™, because it's much too expensive to wait.

Offices Nationwide
800-537-3970

Utilization Review: All Hospital Admissions, Second Surgical Opinions, Alternate Medical Care, Outpatient Services

Case Management: Medical—Psychiatric, Substance Abuse, High Risk Pregnancy, Long Term Disability, Disability Assessment

Workers' Compensation: Comprehensive Assessment, Inpatient—Outpatient UR, Case Management, Medical Bill Review

Managed Care Networks: Customized Networks, Negotiated Fees: MD/Hospital

COST CARE™
The harder you look, the better we look.

Disney risk management learns French

By STACY SHAPIRO

MONTE CARLO, Monaco—The risk management issues that Walt Disney Co. faces during its construction of the massive Euro Disneyland near Paris are typical of those U.S. firms expanding abroad can expect.

For example, Disney—which expects to open the first phase of the new 4,800-acre theme park in 1992—was required by French law to buy a 10-year owner/contractor insurance policy that covers property damage and third-party claims stemming from construction-related defects.

The entertainment company also had to cope with language barriers and an unfamiliar legal framework derived from the Napoleonic code.

At the same time, French workers had to learn to meet Disney's strict construction and risk management requirements.

A session at the AEAI/RIMS Risk Management Forum examined the risk management efforts required of a U.S. company doing business abroad.

To narrow language and legal gaps, Disney hired a French broker to place the construction-related coverages, said Stephen M. Wilder, risk management director for Burbank, Calif.-based Disney.

"It is the first time that a French broker has had to work with an American risk manager on a project based in France which has American specifications in a French legal environment," said Olivier Muraire, director of Disney's French broker, Societe Generale de Courtage d'Assurances S.A.

It took "about six months" for Disney and SGCA to understand each other, said Mr. Muraire of the Levallois-based broker.

Mr. Wilder

Mr. Wilder said he initially wrote to seven French brokers seeking responses to 14 questions. Then he, consultants from Tillinghast, a unit of Towers, Perrin, Forster & Crosby Inc., and the general counsel of the construction managers held two-hour meetings with each of the seven in France.

"We had three pages of criteria for rating the brokers," including knowledge of construction risks of this size; contacts; teamwork; creativity; and "the willingness to include Disney at every stage," Mr. Wilder explained.

Disney also hired a "construction insurance coordinator" based in France during construction.

And, upon completion of the theme park, Disney expects to hire a risk manager for Euro Disneyland.

The new theme park and resort complex is being constructed at Marne-la-Vallee, about 20 miles east of Paris, on one of the largest sites available for private building near a major Western European capital.

Under a 1987 agreement with French national, regional and local governments, Disney is promised: favorable loan terms; that the rapid transit railway system will be extended to the theme park from Paris; that two interchanges will be built to link Euro Disneyland with a main highway; and that a special station for high-speed trains will be constructed at the park.

In many ways, Euro Disneyland will mirror Walt Disney World in Orlando, Fla., according to Disney, whose gross revenues from its theme parks and resorts accounted for $2 billion of its $3.4 billion in total 1988 revenues.

There will be a Magic Kingdom theme park with similar attractions such as Main Street, U.S.A.; Frontierland; Adventureland; and Fantasyland. Hotels with 18,200 rooms; a second theme park; camping grounds; entertainment centers; golf courses; water recreation; and private homes will complete the development.

Construction of Euro Disneyland—where the main language will be French—will not be finished for a projected 30 years. But at a cost of 14.9 billion French francs ($2.4 billion), the first phase—including the Magic Kingdom, a 500-room Magic Kingdom hotel and a campground—is expected to be completed by April 1992. Construction manager for the first phase is Lehrer McGovern Bovis Inc., a U.S.-based company, according to Disney.

The second phase, which is expected to cost 6 billion French francs ($954 million) to construct, will include five hotels, a retail complex "and anything else we can think of," Mr. Wilder said.

"When we came to France, we brought our risk management (philosophy) from the United States," Mr. Wilder said.

"We believe in a centralized risk management office in Los Angeles. We do our own safety programs, because we believe that no one understands our operations as well as we do. We use the best brokers and not just one broker. We try to retain losses that are foreseeable. And we buy owner-controlled insurance programs."

The OCIP construction all-risks coverage was placed with a unit of the Factory Mutual System's Allendale Mutual Insurance Co. in France, according to Mark S. Driscoll, vp and director of the national OCIP department of Alexander & Alexander Inc. in Dallas, Disney's U.S. broker.

The program covers all the contractors on the project and includes workers compensation, public liability and builders' risks, he said.

It will cost $5 million-$15 million and should help contractors meet Disney's completion deadlines within budget, save premiums, reduce losses and minimize administrative burden on Disney, Mr. Driscoll said.

The program "assures the adequacy, continuity and quantity of coverages," he said.

While saying he agrees with the principles of OCIP programs, Mr. Wilder added that some executives are concerned that a company is assuming liabilities it does not want or creating a disincentive to avoid loss.

Mr. Driscoll said OCIP programs work best when the contractor is cooperative and a project is worth more than $100 million. Also, the premium can be charged on a retrospective basis, so that the premium is reduced if the claims are low, which could encourage contractors to keep claims down, he said.

Mr. Muraire of SGCA noted that Euro Disneyland also bought "PUC," or Police Unique de Chantier, which combines two mandatory French coverages:

- The "decennial" policy on construction risks the government requires the owner to buy to cover property damage for 10 years after beginning construction.

Continued on next page

It's Our V

Continued from previous page

• Another decennial policy to cover liability claims stemming from defects in construction for up to 10 years, which is bought by the contractor.

As the owner and contractor, Disney bought both the owners and contractors decennial coverage, which was written by Paris-based insurer Union des Assurances de Paris.

Sources at RIMS said U.S. underwriters were asked to quote on the coverage but did not.

"If we had a choice, we wouldn't have bought" the decennial coverage, Mr. Wilder said.

"I liken decennial coverage to an errors and omissions exposure."

Disney already buys completed operations insurance, which covers defects found up to three years after the project is finished. "We feel that three years is adequate," he said.

Euro Disneyland also bought undisclosed limits of general liability coverage, placed in the French market and led by UAP. ■

Nuclear insurance underwriting needs to be reformed: Risk exec

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—Nuclear power plant operators want higher capacity and more reasonable rates when buying insurance, says the insurance manager of nuclear plant operator EBES in Antwerp, Belgium.

But insurers refuse conventional coverage to nuclear plants, arguing "their limited number, lack of significant statistics and the considerable financial implications" of a loss makes them impossible to cover, says Marc Debaets.

"I do not agree at all," he said during an oil and energy industry seminar at the AEAI/RIMS Risk Management Forum held Oct. 15-18 in Monte Carlo, Monaco.

Insurers' unwillingness to cover nuclear power plants on a conventional basis led to the creation of "nuclear pools" in the United States and elsewhere, which are supported by participating commercial insurers. Otherwise, commercial insurance is not available.

Instead of commercial pools, Mr. Debaets favors a system in which power plant operators and their host country's governments would compensate victims of nuclear power plant accidents.

"The latter, we should not forget, also benefit from nuclear energy," he said.

"The contribution made by the operating company may come from insurance," he said, or a funding mechanism jointly created by operating companies.

Already in the United States, the federal Price-Anderson Act "alone guarantees the eventual payment of compensations to third parties," Mr. Debaets observed.

That act creates a two-tiered liability system in which each utility is liable for the amount of insurance available from the nuclear pools, which is now $200 million.

If liabilities for an accident exceed $200 million, nuclear power plant operators are each liable, on a retroactive basis, for up to $66.15 million per reactor per insurance claim, with a $10 million annual cap. Assuming 115 functioning reactors in the United States, he said, this retroactive assessment would generate $7.6 billion.

Mr. Debaets suggested that capping nuclear power plant operators' liability through a combination of retrospective assessments on nuclear plant operators, insurance coverage and contributions by governments would create a system acceptable to all parties.

The combination would satisfy a two-pronged test he said a liability system should meet:

• Liability regulations may not hinder the peaceful development of nuclear energy.

• Sufficient guarantees and facilities must be offered to victims of possible accidents in nuclear installations.

In most of Western Europe—Belgium, The Netherlands, France, Great Britain, Spain, Finland and Sweden—nuclear liability is limited to amounts ranging from $10 million to $200 million, with proposals to increase limits.

West Germany and Switzerland have unlimited liability, with the Swiss requiring a nuclear plant operator to buy all the insurance coverage available—about $250 million. In West Germany, insurance companies and nuclear plant operators generate capacity of about $242 million.

In Japan, nuclear power plant operators also are subject to unlimited strict liability, Mr. Debaets said.

They must provide financial security of about $70 million and subscribe to an insurance policy for the same amount.

Mr. Debaets questioned the rationale of unlimited liability for nuclear plant operators.

"To what extent are the victims well-served by the bankruptcy of an operating company or the incapacity of the authorities to pay?" he asked.

He also criticized limits of insurance available for physical damage to nuclear power plants.

The nuclear pool and a mutual combined provide about $1.015 billion in limits in Europe. In the United States, $1.725 billion is available from mutuals and nuclear pools.

Maximum pool capacity in Japan is almost $1 billion.

However, one study has estimated the cost of stabilization, cleanup and decommissioning after a serious accident at up to $4.2 billion, Mr. Debaets said.

To satisfy the nuclear power industry's insurance needs, he suggested nuclear power plant operators, for example, create mutuals or other structures to fund the first $100 million of losses.

"As far a excess capacity is concerned, the insurance market must turn into an open, free insurance market" with the dismantling of the pools, he suggested.

This would be preferable to the current system in which pools offer only net capacity without reinsurance support, he said.

Without pools, direct insurers would make their net capacity available to nuclear plant operators and some would offer larger capacity with the support of reinsurers, Mr. Debaets predicted.

He also acknowledged that convincing insurers to underwrite this coverage in the open market will be "no easy task since they will not readily accept to reduce such an exceptional profit-making activity." ■

Word.

We can say with pride, we live up to our name. Because our name represents our pledge that your investment in property insurance will bring tangible returns.

Your share in Protection Mutual's loss control strategy becomes an outstanding risk management value. Our team, together with your team, will work to minimize losses with engineering and insurance services that work in practice, not just on paper. You'll see ambitious customer service from knowledgable and experienced professionals. If you suffer a loss, we'll keep our end of the bargain. For the person entrusted with managing your company's risk, we offer unmatched services, unbeatable results.

It boils down to one word... protection. With physical *and* financial protection, we will secure the future of your business.

Dean E. Johnson
Chairman of the Board, President
and Chief Executive Officer

Protection... It's Our Word.

300 South Northwest Highway
Park Ridge, Illinois 60068

You Are Cordially Invited to the Debut of

Med*E*Val

The first Expert System that values and compares all your health plans (Indemnity, HMOs and PPOs) based on their plan provisions.

✔ Includes a revolutionary HMO cost analyzer

✔ All for just $595

RSVP For A Free Demo Disk:

WTR Data Services
630 Third Avenue
New York, NY 10017
(212) 949-8989

Risk managers urged to become 'risk leaders'

By STACY SHAPIRO

MONTE CARLO, Monaco—Risk managers can adapt to a changing world by having a dream and becoming "risk leaders," according to a former risk manager.

Changes bring "unprecedented economic progress and yet much social and political pain," observed P. Richard Hackenburg, executive vp of Boston-based Corroon & Black of Massachusetts and a former president of the Risk & Insurance Management Society Inc.

Risk managers, as well as brokers, underwriters, consultants and others involved in risk management are obligated "to understand fully these changes, both economic and cultural, that will allow us to succeed in the future," he said.

Mr. Hackenburg

In his keynote addresses to 1,000 attendees of the AEAI/RIMS Risk Management Forum held in Monte Carlo, Monaco, Oct. 15-18, Mr. Hackenburg ticked off several changes the 21st century holds for risk managers, including:

- Manned exploration of the solar system and the resulting gain in scientific knowledge.
- Greatly expanded artificial intelligence and the full utilization of humanoid robots.
- The full use of alternative energy resources, including those yet undiscovered.
- An environment cleansed remarkably through concentrated efforts by man.
- Cures for many diseases.

To cope with the future, risk managers "must be educated not in insurance, or the traditional concepts of static risk financing, but in general business principles and practices focusing on the cultural differences in global communities," he said.

Risk managers should focus on managing assets rather than risks, and they must demand that brokers, underwriters and consultants provide risk financing alternatives to insurance, he said.

These insurance industry segments "must learn our business and be willing first and last to serve that business," Mr. Hackenburg said.

Meanwhile, he said, risk managers also should become "risk leaders instead of risk managers: a leader who teaches others how prudent risk can be accepted; a leader who can show the way to unleash the power and imagination of the human mind; a leader who will, through the fine arts of communication and persuasion, blaze a trail for others to follow, vs. following the path of those who went before."

Mr. Hackenburg suggested risk managers achieve these goals by following some simple guidelines:

- "Have a dream, a goal for success, or an ambition. Call it whatever you want, but don't allow anyone to talk you out of that dream. The power of a dream is incredible," he said, referring to the dream of civil rights leader Martin Luther King.
- "Be firm in your stance and your beliefs, but not so firm that you end up discounting advice and opinions of others which may, at the end of the day, be the wise choice."
- Persistently pursue educational excellence, both for yourselves and your children. "Question everything your hear. Do not be satisfied with old answers."
- Resist the urge to conform to standards. "Many of the great achievements of mankind were accomplished by single individuals who chose to be different, or were perceived by their peers to be out of step with the mainstream."
- Guard and protect your ego. "Your successes and accomplishments nurture your self-esteem and make you realize that as a person you are important and your contributions are worthwhile."
- Do not avoid accountability. "We will make mistakes and must accept the responsibility of those mistakes. If we do not want accountability, we are abdicating our leadership position."
- Do not let others make choices that risk managers should make. "Freedom and independence of thought are the gristmill of success."

Risk managers, though, will have to deal with—but will not be able to overcome—"man's petty jealousies or prejudices, natural disasters or war." ■

Hilb, Rogal And Hamilton Company. The Best Insurance Agency In The City, No Matter What City We're In.

With offices all across America, Hilb, Rogal and Hamilton has become one of the largest insurance agencies in the country.

Each agency offers a wide range of insurance services and products, including property, casualty, marine, aviation and employee benefits insurance, with many different carriers and underwriters. HRH also has the resources to provide professional risk management advice, loss control consultation, and claims administration. For any kind of Commercial or Personal Coverage, look for the Hilb, Rogal and Hamilton name. And you'll know you're getting the best in coverage and service. No matter what city you're in.

Hilb, Rogal And Hamilton Company

Corporate Headquarters: Richmond, Virginia (804) 289-5300; Alabama—Birmingham, Mobile; California—San Diego; Connecticut—Hartford; Florida—Daytona Beach, Ft. Myers, Gainesville, Orlando, Tampa, Clearwater; Georgia—Atlanta, Gainesville, Savannah; Louisiana—New Orleans; Maryland—Baltimore; Michigan—Jackson, Grand Rapids; Ohio—Dayton; Pennsylvania—Pittsburgh; Texas—Dallas, Victoria, Houston, Port Lavaca, Cuero; Virginia—Fredericksburg, Charlottesville, Chesapeake, Richmond.

Few have managed long-term disability as well.

Think of a leader who has shown great strength and adaptability in dealing with long-term disability, and who do you think of?

The CIGNA companies should come to mind.

After all, we've been in the LTD business ever since there was an LTD business. And our clients have always had the benefit of working with disability specialists.

Our sales representatives are LTD professionals with field underwriting authority.

And they're backed by a network of specialty underwriters and field claims offices.

What's more, we can integrate some of the best cost-containment services with a wide range of managed healthcare programs.

It's no surprise we've become an LTD leader and earned one of the industry's highest customer retention rates.

To learn more, write CIGNA Companies, Department R9, 1600 Arch Street, Philadelphia, PA 19103.

And find out why no one can match our accomplishments with LTD. With the possible exception of FDR.

We get paid for results.℠

When law and order was finally restored in Dodge C

The "Cowboy Capital" was restless. The rustlers brought the crime. Wyatt Earp brought back the law.

The day people could once again walk the streets of Dodge without fear, Allendale had been doing its insureds justice for 41 years.

In a changing world where events shape history, this is our way of reminding you of one progressive, stable company that's been around since 1835.

Today at Allendale, we continue to shape the history of loss control with engineering, training, research and

y, Allendale had been shooting straight for 41 years.

testing, responsiveness and fairness in the way we do business.

Throughout the years we've been more than an ordinary insurance company. Commitment to our insureds goes well beyond the property coverages we provide.

After a century and a half, that part of our philosophy is not about to change.

Allendale Insurance/Factory Mutual System

Over 150 years of progress and stability.

The Sony Video Walkman™. Show and tell becomes show and sell.

You've called. Written. Cajoled. Finally you're making that all-important presentation. The only chance you have to knock their socks off.

And that's precisely where the Sony Video Walkman™ VCR/TV comes in.

Not just a presentation. A demonstration.

Until now, there's been nothing that lets you present your message both effectively and easily. Your options have been limited to boring flip charts. Static slides. Clumsy film projection units. Or bulky, heavy TV's and VCR's.

Now Sony changes all that with the Video Walkman. A remarkable VCR and TV that weighs just 2 lbs. 14 ounces. So it goes into an attache case easier than a paperback novel. Yet it gives you up to 4 hours of playback on a big, brilliant 4″ LCD color screen with superb hi-fi sound.

Your salesmanship has come in.

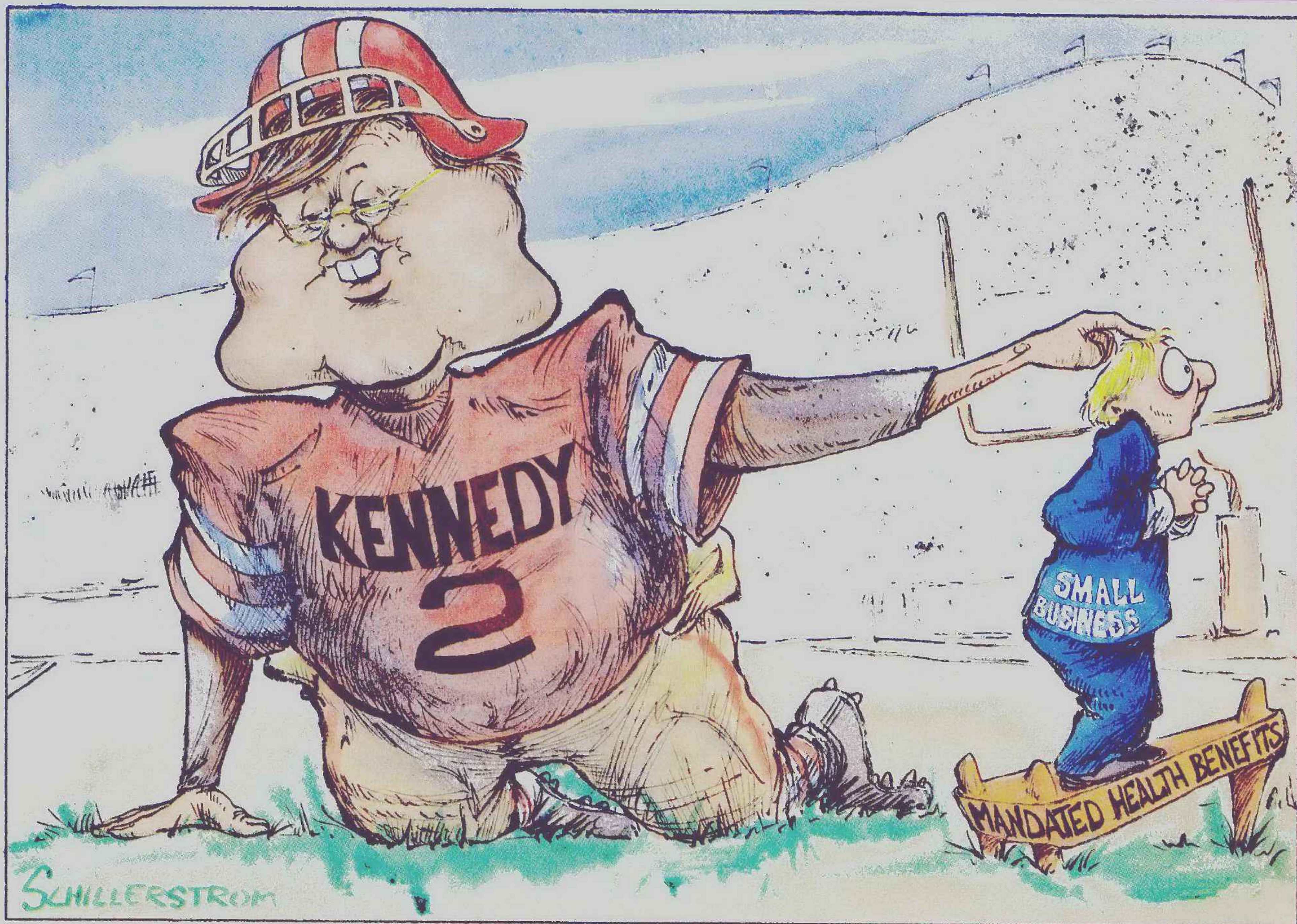
The Video Walkman can take whatever you're selling and turn it into a dramatic, persuasive sales video. Fall fashions become more fashionable. Dry insurance claims become mouth-watering. After all, which would you rather be watching—a flip chart, or a video?

With the Video Walkman, you can make your sales calls almost anywhere—in the office, a restaurant, even a taxi. In an era when you don't have much time to capture someone's attention, the Sony Video Walkman will certainly capture theirs...and yours.

For more information on how the Video Walkman can help you show and sell, see your local Sony dealer or call: 201-930-7669 or 714-821-7669.

SONY

© Copyright 1989 Sony Corporation of America. All rights reserved. Sony and Video Walkman are trademarks of Sony.



Attack on universal health coverage

Mandate would threaten small firms in Kennedy's America

By Howard J. Bolnick

Speaking out

SMALL BUSINESSES are under siege for not making health insurance universally available to their employees. The most visible federal attack comes from Sen. Edward M. Kennedy, D-Mass., who introduced the "Basic Health Benefits for All Workers Act"—S. 768—in the 101st Congress (*BI*, July 17). This proposal would require employers to buy health insurance for all employees working at least 17½ hours per week and their families. It also sets up new federal-state programs to cover the poor, near poor and other non-working uninsureds by 1999.

As worthy as the goal of the Kennedy bill is—to increase access to health care for all Americans—this proposed solution threatens the future viability of many small businesses throughout the country.

Mandated coverages have become an attractive solution for social problems in a Congress strapped for cash due to budget deficits. Mandated coverages, though, are a hidden tax on employment. Just like explicit increases in payroll taxes, mandated coverages cause a loss of jobs and a decrease in employee wages over time. These consequences fall hardest on the most vulnerable small businesses and low-wage employees, who truly cannot afford the additional cost.

There is another consequence of the Kennedy bill, though less widely discussed, that would be extremely disruptive to small businesses with 25 or fewer employees. The bill would establish a system of regional insurers offering heavily regulated health insurance, which would become the sole insurance products for small businesses.

Health insurance for small businesses is widely available today from specialty insurers that have concentrated their resources in the small group market. Small businesses with one to 25 employees generally do not buy health insurance from big name commercial life insurers and Blue Cross/Blue Shield plans, almost all of which have been unsuccessful in the small group health insurance market.

However, under the Kennedy bill, specialty insurers, because of their smaller size, will probably be unable to qualify as regional insurers. As a result, inadequately prepared, big name insurers will fill the gap. Shifting services from efficient specialty insurers to a limited number of inexperienced regional insurers will decrease the quality of service and increase administrative costs.

Under the Kennedy bill, regional insurers would issue health insurance under strict regulations. Notably, all small businesses applying for insurance must be accepted—thereby eliminating health underwriting—and all insured individuals must be charged the same community rate—variation in premium by age, sex, geography, age of business or claims experience within each of the widespread classes would be eliminated. These requirements will actually make health insurance less affordable to small businesses.

Opening up small business insurance pools to all employees and dependents, regardless of their health, will increase premiums by at least 15% to 20%, according to most actuarial estimates. Premiums must increase in order to absorb the high cost of covering uninsurables, who typically utilize enormous amounts of medical care.

Intuitively, this makes sense. Increased availability of health insurance must make it less affordable. Undeniably, health underwriting does limit access to health insurance. The question then is: To what extent does health underwriting prevent small businesses from obtaining insurance coverage?

The number of true uninsurables associated with small businesses comprise a very small portion of the nation's total uninsured population. In other words, the vast majority of employees and dependents are able to pass insurers' health underwriting screens. In effect, health underwriting makes lower cost health insurance more widely—though not universally—available.

The community rating requirement contained in the Kennedy bill would also have adverse effects. Community rates allocate the total cost of health care on a per capita basis. Resultant premiums are unrelated either to real differences in costs by age, sex or area, thereby penalizing younger workers, for example, who will have to pay more for insurance. In addition,

Continued on next page

Kennedy health bill

Continued from previous page

community rating does not relate premiums to one's ability to pay, which would be progressive by income.

Public opinion on community rating practices for automobile insurance was expressed in California through Proposition 103. It revealed the public's desire to replace subsidization practices with a rating system that offered lower rates to good drivers. Clearly, this sentiment raises questions about the acceptability of community-rated health insurance. Community rates can be viewed as an unpopular, inefficient and regressive hidden tax for mandated health insurance. Community rating is simply bad tax policy in disguise.

Proponents of the Kennedy bill have accused small group health insurers of charging their policyholders exorbitant premiums—as much as 40% higher than those assigned to large businesses—in order to cover their administrative costs. According to a 1987 survey by the Health Insurance Assn. of America, small businesses pay premiums that are about 10% higher than those for large business.

Administering small groups does cost more than large groups, though not as much as Sen. Kennedy has stated. There are three main reasons for this:

- Small businesses often do not have their own benefits specialists to administer their own health plan and, therefore, they rely more heavily on their insurance company to provide these services.
- Small group insurers must provide additional administrative services, such as billing and collection, that are not present in the large group market.
- Small businesses experience high employee turnover, fail more frequently than large companies and change health plans more often, placing an additional administrative burden on small group health insurance companies.

As a result, small businesses pay higher administrative costs for their health insurance.

As long as health insurance is offered to individuals through their employers, higher administrative costs for small businesses cannot be eliminated, regardless of whether the distributor is a private insurer or a Department of Health and Human Services-appointed regional insurer, as proposed by Sen. Kennedy.

The Kennedy bill would force on small businesses a limited choice of insurers, lower service levels and higher, unfairly allocated premiums. . .and would unduly burden those least able to afford it—low-paid workers and vulnerable small businesses.

In summary, the Kennedy bill would force on small businesses a limited choice of insurers, lower service levels and higher, unfairly allocated premiums. These conditions place an undue burden for solving the problem of uninsureds squarely on those least able to afford it—low-paid workers and vulnerable small businesses.

A number of alternatives to the Kennedy Act are being developed at the state level and by organizations like the HIAA. They all share a common approach: Uninsurables are directed to new insurance pools that charge affordable premiums and spread their inevitably high health care costs using either public or private subsidies. These creative alternatives supplement the existing health insurance market and provide the means to assure universal access to fairly priced health insurance for all working Americans and their families. Unlike the Kennedy proposal, these programs accomplish their goals without placing an unreasonable burden on small businesses.

Howard J. Bolnick is president of Celtic Life Insurance Co. in Chicago.

Coverage you didn't know you had

"Underground Tank Leak Insurance. . .Maximizing Your Coverage"
By Richard Levy and Leslie Foster
Published by the Petroleum Marketers Assn. of America, 1120 Vermont Ave. N.W., Suite 1130, Washington, D.C. 20005
$49.95 (includes postage and handling)

Attorneys offer practical guide to tank policies

Books & ideas

By Paul D. Winston

Worried about whether your insurance coverage is adequate to cover a pollution leak?

"Underground Tank Leak Insurance. . .Maximizing Your Coverage" tells risk managers how to get the most out of their insurance policies and how to avoid standard exclusions in general liability policies for pollution coverage.

Attorneys Richard D. Levy and Leslie Foster cut through the morass of complexity surrounding pollution coverage and provide a thorough and straightforward account of what your insurance policies mean and how to get more pollution coverage from them.

Indeed, Mr. Levy says he hopes the book has a wider appeal than to just policyholders seeking to expand pollution coverage.

The lesson of reading an insurance policy to obtain more coverage than you thought you had or an agent told you was there is applicable to many other types of insurance, he notes.

"Underground Tank Leak Insurance" is published by and is available from the Petroleum Marketers Assn. of America, a Washington, D.C.-based trade group representing nearly 11,000 petroleum marketers.

"Obtaining reasonably priced underground storage tank leak insurance is one of the most serious problems facing petroleum marketers today," says PMMA Executive Vp Phillip R. Chisholm.

"The manual offers tank owners practical advice on how to get the most for their underground tank leak insurance dollars," according to Mr. Chisholm.

The first half of the book walks readers through three insurance policies—the pollution liability, comprehensive general liability and the commercial general liability—and features a detailed review of relevant clauses and subclauses as well as exclusions.

The book looks at each clause from three points of view: What it means in plain English, what the courts have said it means and how the policyholder can get the most out of it.

Of all 19 chapters, Chapter 5 will likely be among the most useful to owners and operators of underground storage tanks and pipes.

This chapter examines how coverage for leaks may be found in the two CGL policies.

In fact, according to the authors, the comprehensive general liability policy may afford better coverage for leaks than a pollution liability policy for several reasons, including:

The book looks at each clause from three points of view: What it means in plain English, what the courts have said it means and how the policyholder can get the most out of it.

- The comprehensive general liability policy is written as an occurrence policy, while the pollution liability policy is written on a claims-made form.
- Coverage under the CGL policy is not limited to identified sites but covers damage for which a firm may be legally liable.
- The CGL may offer better coverage for clean ups not mandated by the government because there is no condition that the leak "present imminent and substantial" danger of bodily injury, property damage or environmental damage, as exists in the pollution policy.

The authors also point out a couple disadvantages of the CGL form.

For example, since the latter part of 1985, the CGL policy has excluded coverage for government-mandated cleanups, they note.

And, although policies issued prior to 1985 contained no such exclusion, courts are split over whether coverage exists under these policies for mandated cleanups.

Chapter 5 also examines several other pollution coverage issues, including the extent to which the pollution exclusion bars coverage for leaks; how to avoid the exclusion for property that you own, rent or occupy; avoiding specific sections of the standard new pollution exclusion; and what to do if your CGL policy contains a pollution exclusion that is more strict than the standard new pollution exclusion.

Other chapters in the first half of "Underground Tank Leak Insurance" discuss uncovering or expanding insurance coverage for cleanup costs, bodily injury, property damage, punitive damages and civil penalties relating to a leak.

The second half focuses on coverage exclusions and how to avoid them, as well as what to do if your insurance company delays or denies payment of a claim.

The book details legal remedies generally available to policyholders when a claim is denied as well as a comprehensive look at remedies in 14 states. These remedies fall into two categories, the authors note: informal and legal.

Informal remedies are bargaining points based on business considerations, the authors say. These include, for example, your long tenure as a policyholder of a specific insurer, your claims record and the size of your total premiums.

The authors also detail legal remedies available should informal ones fail, the claims that can be made and what sort of compensation can be expected if you win.

Although the book cites numerous legal precedents and explains legal interpretations of policies in plain English, the authors stress that this book is not intended to be a substitute for a lawyer and urge readers to seek professional advice before following any of their suggestions.

The authors hope, though, that this book will help policyholders *avoid* coverage litigation.

Mr. Levy writes in the preface: "Our aim. . .has been preventive law: to inform you of your rights under the policies, to suggest to you how to protect and enhance these rights, and to strengthen your position as far as possible before litigation so that, in the best cases, litigation can be avoided or quickly terminated in your favor."

MOST SMALL BUSINESSES USE A PC, FAX, COPIER, AND A TONGUE FOR STAMPS.

It's hard for a piece of office equipment to admit it's washed up. But your tongue just doesn't possess the same speed and dexterity as the other machines in your office.

What's forcing it into retirement?

The Pitney Bowes 6200 Mailing System. It's as simple to use as your tongue, but incredibly more efficient.

It doesn't need stamps. Instead, it meters your mail. Automatically. And it never spends more than it should. It keeps track of all your postal expenses. It's almost like having a Post Office in your office.

Your letters will look more professional, and they'll move through the postal system faster.

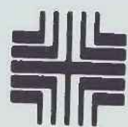
What's more, with Postage-by-Phone(TM) service, you'll refill the meter faster. Actually, in a swift 90 seconds.

So why not bring the mail up to speed with the rest of the office? That's what we've been doing for over 65 years. For over 1 million customers.

As for your tongue, well, we think it deserves a break.

For a free consultation, or more information about sales service, or leasing, call **1-800-MR. BOWES, EXT. 1037.**

WE WANT TO KNOW YOU BETTER.



Pitney Bowes

Alternative risk financing boom forecast

By KATHRYN J. McINTYRE

MONTE CARLO, Monaco—The use of alternative risk financing mechanisms is expected to grow worldwide, according to a panel of risk management and insurance experts.

The success of excess liability insurance facilities A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd. are "a monument to what can be done in a short period of time," said Anthony Lancaster, senior vp of CIGNA Insurance Co. of Europe in London, referring to the 4-year-old Bermuda-based companies that each boast more than $1 billion in assets.

The companies were both formed by capacity-hungry U.S.-based corporations but now make their products available around the world.

Mr. Lancaster participated in a panel discussion on alternative risk financing markets during the AEAI/RIMS Risk Management Forum held in Monte Carlo, Monaco, Oct. 15-18.

Attempts to develop European-owned facilities similar to A.C.E. and X.L. were unsuccessful, Mr. Lancaster noted. The facilities were undersubscribed because European companies found adequate capacity in the conventional insurance market, he said.

However, captive insurance companies owned by European companies are now being expanded to fund liability risks, Mr. Lancaster said. Previously, European companies used their captives to fund only their property and business interruption risks, he said.

The favored domiciles for captives of British companies have been Guernsey and the Isle of Man, while the Swedish and French have preferred Luxembourg.

Now, Mr. Lancaster said, Ireland could "transform the way captives are used in Europe," because regulators in Dublin will permit captives to write insurance on a direct basis while other European domiciles have restricted captives' activities to reinsurance underwriting. That will free captive owners from having to use the services of a policy-issuing fronting insurer.

Dublin also is an attractive domicile because it is part of the European Community, while Guernsey and the Isle of Man are not, he noted.

Captives can be used to fund risks that commercial insurers won't underwrite, Mr. Lancaster said, naming such possible risks as environmental impairment liability insurance, product recall insurance and product tampering insurance.

Panelist Peter Flensburg, director of corporate risk management and security for the Swedish telecommunications and electronics firm Ericsson Telefon AB LM in Stockholm, noted that his firm has formed a captive in Ireland in addition to its Luxembourg-based captive.

Ireland was attractive as a domicile not only because it is a member of the EC but also because Ericsson has a manufacturing plant in Ireland, he noted. And, Ireland has been granted permission by the EC to extend favorable tax treatment until year-end 2000 to financial service companies, including insurers.

Even when commercial insurance is plentiful and tax treatment is adverse in the United States, alternative risk financing mechanisms continue to grow, commented panel moderator Edith Lichota, formerly senior vp in the risk management division of Irving Trust Co. in New York.

The alternative facilities have provided coverage when commercial coverage available was inadequate or "was so limited in terms and conditions it did not meet the needs of the buyer," she said.

Vermont, Ms. Lichota noted, is the favored U.S. domicile for captives and risk retention groups, which are special purpose liability insurance captives permitted by federal law.

"Once risk management professionals have decided that they need these alternative markets, they are likely to stay with the alternative markets because those markets fill a need," said Ms. Lichota.

In addition, "the brokerage community has come to recognize that these are an essential part of risk management programs," Ms. Lichota said. Brokers are willing to service alternative risk financing facilities in an overall program, she explained.

And, major insurance companies are servicing the needs of alternative vehicles, she noted.

Furthermore, offshore alternative facilities have proved that they are not second rate or unreliable, Ms. Lichota said.

Mr. Flensburg

"Those alternative vehicles created for the purpose of supporting and stabilizing a commercial market—and making the commercial market more comfortable with the exposures of its insureds—will grow and become an important and integral part of the overall insurance environment," Ms. Lichota predicted.

"The commercial carriers will find them an invaluable addition to their ranks and their users will find that they will serve significantly to reduce the violence of the traditional cyclical swings," Ms. Lichota said.

Panelist Philip F. Petronis, managing director responsible for the risk management services of Marsh & McLennan Worldwide Cos., noted that X.L. and A.C.E. would rank as the third- and fourth-largest surplus lines insurers if they were in the United States.

"That is a remarkable performance since both companies were formed just four years ago," he pointed out.

X.L. wrote $317.3 million in 1988 premiums and A.C.E. wrote $235.3 million (*BI*, April 10). In comparison, the largest U.S.-based surplus lines insurer, Lexington Insurance Co., wrote 1988 premiums totaling $955.1 million and the second-largest, Scottsdale Insurance Co., wrote $612.2 million (*BI*, Aug. 14).

Both A.C.E. and X.L. were organized with the support of Marsh & McLennan Cos. Inc.

M&M's "recipe for success" in helping to form alternative risk financing vehicles includes:

- Exhausting all efforts to solve the problem in the commercial market. Otherwise, the commercial market could aggressively compete for the business, limiting the new facility's chance for survival.
- Designing the facility for the long term. Most short-term problems don't need new facilities.
- Requiring proper capitalization, with cash paid up front by the policyholder/sponsor.
- Designing the facility for the widest possible acceptance. This includes involving agents and brokers in the production of business and paying adequate commissions. ■

Craftsmanship
IS NOT LIMITED TO THE MAKING OF A VIOLIN

Craftsmanship is a word denoting expertise, skill and dexterity. It is a word not often used in the insurance industry. But it could well be used to describe how we develop and administer our insurance programs for your clients.

Why? Because craftsmanship means that nothing is spared to make something the very best in its field. And consequently, products of true craftsmanship stand the test of time.

At Schinnerer, we craft our insurance products and services to be the very best. They, also, have stood the test of time. And although we pursue every avenue to find creative solutions to your insurance problems, our standards for quality and dependability are unyielding.

Craftsmanship makes a violin a Stradivarius.

And it's what makes Schinnerer insurance programs the standard of quality and dependability in our field, too. Let us help you with your insurance needs.

Victor O
Schinnerer
& Company, Inc
The Company of Experts
Two Wisconsin Circle, Chevy Chase, MD 20815-7003
(301) 961-9800
WASHINGTON, DC • CHICAGO • NEW YORK • SAN FRANCISCO • LONDON

LIABILITY INSURANCE PROGRAMS FOR: ARCHITECTS • ENGINEERS • REAL ESTATE AGENTS • SCHOOLS, COLLEGES & UNIVERSITIES • DIRECTORS & OFFICERS • ALCOHOL BEVERAGE RETAILERS • HOSPITALS **AND:** RISK RETENTION GROUP & INSURANCE COMPANY MANAGEMENT SERVICES

Berkshire Hathaway is Ready and Willing to Write $250 Million of Property Catastrophe Reinsurance

We understand that recent events may have eroded or exhausted the property catastrophe coverage protecting a number of insurers and reinsurers. For those insurers and reinsurers currently bare for any "third event" under their property catastrophe cover, the Berkshire Hathaway Group welcomes the opportunity to provide this protection.

The Berkshire Hathaway Group now has available surplus of approximately $5.5 billion and over the next few days will attempt to write property catastrophe covers that collectively have an aggregate limit of $250 million. For any one program, we can provide aggregate limits of $100 million.

Simply send us your current submission, including the coverage terms you desire and the premiums you have been paying for your catastrophe protection. We can make decisions very quickly and, assuming we can agree on price and terms, we will bind coverage the same day we receive your submission.

For more information, contact – or have your broker contact – Dave Eklund in Berkshire Hathaway's Reinsurance Division at 84 William St., New York, NY 10038. Or call 212-797-6208. Fax: 212-635-5093.

BERKSHIRE HATHAWAY GROUP

NATIONAL INDEMNITY COMPANY • COLUMBIA INSURANCE COMPANY
CONTINENTAL DIVIDE INSURANCE COMPANY • CORNHUSKER CASUALTY COMPANY
CYPRESS INSURANCE COMPANY • HOME AND AUTOMOBILE INSURANCE COMPANY
KANSAS FIRE AND CASUALTY COMPANY • NATIONAL FIRE AND MARINE INSURANCE COMPANY
NATIONAL INDEMNITY COMPANY OF FLORIDA • NATIONAL INDEMNITY COMPANY OF MINNESOTA
REDWOOD FIRE AND CASUALTY COMPANY

1992 to alter insurance patterns: Panel

By STACY SHAPIRO

MONTE CARLO, Monaco—The opening of European trade barriers in 1992 will affect every segment of the insurance industry—from insurers, to risk managers to brokers, according to industry executives.

For example, insurance premiums will probably fall as more insurance companies compete for cross-border business, said Michael J. Barrett, chief executive officer of London-based broker Alexander Stenhouse Europe Ltd.

He also predicted that there will be "more complex mergers."

"How many risk managers will be working for the same company (in 1992) as they are today?" he asked rhetorically at a standing-room only session during the AEAI/RIMS Risk Management Forum in Monte Carlo, Monaco, Oct. 15-18.

And because corporations will be bigger, they will need bigger brokers, according to Mr. Barrett. So large brokers—particularly Marsh & McLennan Cos. Inc., his own Alexander & Alexander Services Inc., Sedgwick Group P.L.C. and the UNISON network—will play a major role in placing business across borders after 1992, he said.

In addition, many small brokers "will become specialists," he said.

But "on the other side of the Atlantic we have just discovered 1992," said Steve Schleisman, president of UNAT in Paris, a unit of American International Group Inc.

Since that discovery, though, "I think the biggest growth industry must be in the businesses which run seminars on 1992," he quipped.

The term "1992" describes the European Community's attempt to implement all the directives intended to break down trade barriers throughout the EC by the end of 1992. The freedom of insurance services directive, which allows free cross-border insurance trading, goes into effect for eight EC states next July and the rest of the countries by the turn of the century.

Eddie Hester, assistant manager of Zurich Insurance Co. in London, spelled out 10 points for EC insurers to consider when planning to take advantage of the elimination of trade barriers in Europe. Mr. Hester, who is considered an expert on 1992, said insurers must:

- Be financially strong to avoid takeovers or being swallowed up in strategic alliances.
- Offer good service. "Local services will continue to be important in the market when the barriers fall down," Mr. Hester said.
- Be organized by lines of insurance rather than by country, so there are divisions for commercial lines, multinational lines and personal lines.
- Be based in a country convenient to the policyholders rather than to the parent insurance company. "If business is in Brussels, should (the risk manager) have to go to Paris because that's where his insurer is?" Mr. Hester asked.
- Have the capability to cover global risks, "because risks won't end at the EC borders."
- Offer products the client wants, such as a "Euro policy" to cover all risks in the European Community, Mr. Hester said. "I think there will be a demand."
- Be prepared to support captives and self-insurers.
- Offer more capacity as risks in the European Community grow.
- Use information technology that can "reduce expenses and provide better risk management information."
- Be aware of the distribution of insurance products, particularly through brokers.

"For insurers that haven't completed their networks in Europe and their planning, it is probably too late," Mr. Hester said. "It will be better for them to stick to their own markets and specialize."

"It is a sad observation that the insurance industry has been slow to realize the significant impact of 1992," UNAT's Mr. Schleisman interjected.

He foresees several major elements resulting from 1992, all of which begin with the letter "C":

- Change.

As the changes in trade practices occur, "the level of discomfort will continue" in the insurance industry, he said.

And, the risk management industry will be changed because it will have a more "value-added" role than in the past, Mr. Schleisman said.

- Competition.

There will be increased competition between insurers and banks, which are becoming increasingly involved in insurance in the European Community, Mr. Schleisman said.

"In France, over 70% of the new life policies are being sold by banks or financial institutions."

- Choice and comparison.

Risk managers will be able to look beyond country borders to make a choice about their insurance, and they will be able to compare the coverages with alternatives such as captives and self-insurance, Mr. Schleisman said.

Conference members agree that the growth of captives and self-insurance in Europe is just beginning.

- Complexity.

"All this translates into nothing but confusion," he said. "But the world is changing and we should rise to the occasion."

During a question-and-answer period that followed the panel discussion, participants flooded the floor with questions and a few comments of their own on 1992.

One British risk manager asked how the size of European insurers has been influenced by the increasing number of captives on the continent.

"I don't know, but in the U.S. over 30% of the premium income is in self-funding," Mr. Schleisman responded.

A U.S. risk manager commented that the freedom of insurance services directive "is not at all satisfactory" because it excludes certain risks and sizes of risk from free insurance trade and gives a longer deadline for four EC countries.

Another U.S. risk manager queried whether corporations in non-EC-member countries would be permitted to trade freely throughout the European Community.

In response, Mr. Hester pointed out that the Swiss authorities and the European Commission have drafted an agreement to allow Swiss companies to trade freely in Europe and will discuss it in December.

In response to a question on what risk managers should do to maximize their opportunities, Mr. Schleisman replied: "Time is more important than ever for risk managers in Europe. Captives and self-funding are more important than ever today. Take advantage of 1992 to show your importance to the board."

Continued on next page

American Re's services ar

Continued from previous page
"The greatest change will be in self-funding mechanisms," added Michael Painter, chief executive of Bowring London Ltd., who was sitting in the audience. "I would be concerned about the market's volatility."

However, a risk manager of a major British utility pointed out that the issues were much broader than where to place insurance.

The single European market "will change the face of business so much that it will change risk identification and how to manage and protect risk," he said. "A risk manager cannot do his job without looking at the relationship of his company's European risk and the ties to risks worldwide."

"I agree wholeheartedly that European business is going to change," a British insurer said. "But the insurance industry must change to cope."

The session was moderated by David I. Ovenden, group insurance manager for The Wellcome Foundation in London. ■

Gearing up for global market

Risk management, insurance ventures heralded

By CAROLYN ALDRED and STACY SHAPIRO

MONTE CARLO, Monaco—The AEAI/RIMS Risk Management Forum presented a prime opportunity for companies to promote new risk management and insurance ventures around the world.

From the exhibition booths in the hallways of the Monte Carlo Convention Centre to evening receptions, discussions focused on new insurance networks formed and products offered to take advantage of Europe in 1992, new captive domiciles, a partnership between a Western insurance company and a Soviet insurer and a new risk management consultant in Japan.

These and other developments were heralded during the AEAI/RIMS Risk Management Forum in Monte Carlo Oct. 15-18.

Among the new risk financing operations is one by U.S. risk management consultant Commonwealth Risk Services Inc. of Philadelphia encouraging European companies to tap into a Bermuda-based rent-a-captive.

Commonwealth Risk Services (Europe) Ltd. in London plans to export the rent-a-captive philosophy to European companies. which are becoming increasingly interested in adopting alternative risk financing methods and raising retention levels, said Managing Director Charles S. Cooper.

CRS Europe is promoting participation in The Insurance Profit Center, a rent-a-captive facility formed in 1980 by Mutual Indemnity Ltd. of Bermuda and an affiliate, Mutual Indemnity (Barbados) Ltd. The program provides corporations, associations and insurance agencies with an alternative to setting up a captive insurer.

About 170 companies participated in the program in 1988, up from 159 the previous year (*BI*, April 10).

Commonwealth Risk Services also is considering a new operation in Dublin, Ireland, to take advantage of growing interest in the captive domicile, said Mr. Cooper.

In fact, Ireland's Industrial Development Authority exhibited at the Risk Management Forum to promote the Emerald Isle's status as a financial center and captive domicile.

Ireland is continuing to make its mark as Europe's new insurance and reinsurance domicile, said Pat Tolan, manager of the IDA's Financial Services Program.

Insurance companies and captives in Dublin's newly developed Financial Services Center pay a maximum tax rate of 10% until Dec. 31, 2000, under a special arrangement with the European Commission. In addition, Ireland has taxation agreements with 21 countries.

Mr. Tolan reports continuing interest in Dublin among U.S. and European insurers and reinsurers as well as U.S. and European companies considering setting up captives.

"At least 10 West German companies currently are examining Dublin as a viable place to locate a possible captive," he said.

Also, several U.S. firms are considering a captive in Ireland to insure risks of their European subsidiaries, Mr. Tolan said.

Among the insurance, reinsurance and captive management operations already in Dublin are:

- Captive managers established by Sinser, a unit of Skandia Insurance Co. Ltd.; Sedgwick Dineen International Ltd., a unit of Sedgwick Group P.L.C.; Alexander Stenhouse Ltd., a unit of Alexander & Alexander Services Inc.; and American International Managers Ltd., a unit of American International Group Inc.
- Captive insurers Electra Insurance, owned by Ericsson Telefon AB LM of Sweden; and BMW A.G., owned by Bavarian Motor Works A.G. of Munich, West Germany.
- International Health Benefits (Irl) Ltd., a health, medical and travel insurance and reinsurance company.
- Reinsurer Hibernian Insurance Co. Ltd.
- Reinsurance broker Coyle Hamilton Group Ltd.
- Claims handling offices set up by New York Life Insurance Co., employing 70 people; Metropolitan Life Insurance Co., employing 200 people; and CIGNA Corp., employing 250 people.

In another leading European captive domicile—the channel island of Guernsey—a new captive management company is forming.

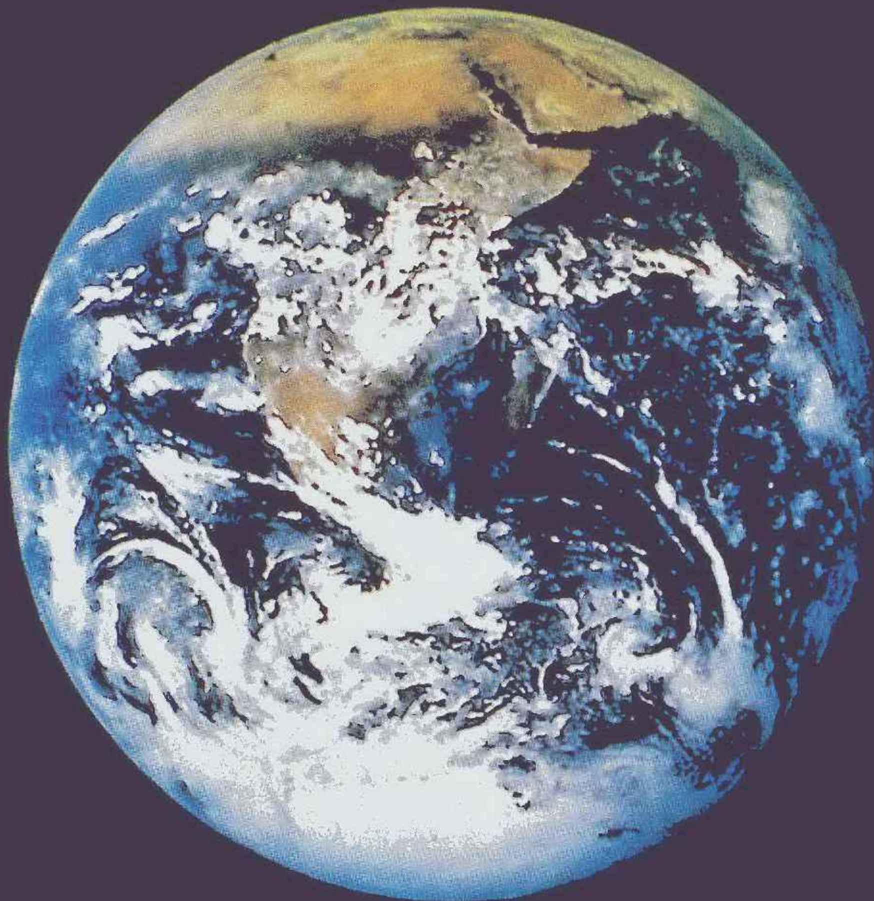
Roger Taylor is resigning later this year as managing director of Prescot Management Ltd., London-based broker Minet Holdings P.L.C.'s captive management operation on Guernsey, to form Sartor Resources Ltd., an independent captive management firm.

Mr. Taylor said he believes "there is an increasing demand among European companies for independent captive managers" not linked to brokerage firms.

Guernsey likely will remain Europe's foremost captive domicile because of its mature infrastructure, professional workforce and location between the United Kingdom and France, he said.

Sartor Resources will work closely with Optimum Risk Research (International) Ltd., a

Continued on next page



only available at the above location.

Today you need a reinsurer with financial stability, innovative products and services, and a strong international presence in order to respond to your clients' global needs. American Re has been in business for over 70 years, and we have offices in 23 locations worldwide staffed by local experts.

We have the capability to create customized programs that keep you current in a changing world. Update your global strategy. Talk to American Re.

American Re-Insurance Company

American Re Plaza, 555 College Road East, Princeton, NJ 08543-5241 609-275-2000

Atlanta • Bogota • Boston • Cairo • Chicago • Columbus • Dallas • Hartford • Kansas City • London • Los Angeles • Melbourne • Minneapolis • Montreal • New York • Philadelphia • Princeton • San Francisco • Santiago • Singapore • Sydney • Tokyo • Toronto

Specialists in Alternative Risk Financing Programs

for

Individual Accounts • Association/Groups • Agencies/MGA's

- Program Evaluation and Design
- Policy-Issuing Carriers
- Reinsurance Placement
- Insurance Profit Center Programs (IPC)
- Funding Programs
- Captive Formation and Management

Commonwealth Risk Services, Inc.

Philadelphia, PA (215) 981-1404/05 • San Francisco, CA (415) 243-8210 • Orange, CA (714) 978-0577

New ventures

Continued from previous page

Guernsey consulting firm run by Jean-Francois Gelot and Francoise Gelot, according to Mr. Taylor.

Meanwhile, several American insurance companies were on hand to promote recent expansions and reorganizations in Europe designed to take advantage of 1992.

Among the leaders was New York-based American International Group Inc., which has set up two new operations under its flag in the past few months.

Paris-based subsidiary UNAT S.A. is creating a specific Europeanwide network to deal exclusively with its multinational clients in Europe (*BI*, Oct. 9).

UNATGlobal will be responsible for the underwriting requirements of European multinational companies and other multinationals' operations in Europe.

The creation of UNATGlobal, which will be managed by Patrick Choffel, follows the creation of AIGlobal Inc. in New York earlier this year.

Beginning Oct. 1 some UNAT personnel were designated to exclusively handle work related to multinationals and report to UNATGlobal, which in turn reports to AIGlobal in New York, explained Joseph Smetana, president of AIG Risk Management in New York.

UNAT currently insures 100 European multinationals, estimated Bengt Westergren, executive vp.

UNAT also launched a new London office, to be called UNAT Re, that will begin writing facultative reinsurance in the 1990 year-end renewal season, UNAT executives confirmed. UNAT Re will be headed by managing director Nick Walsh. American International Underwriters Ltd., another AIG subsidiary in London, will continue to write U.K. business.

CIGNA Corp., whose reported international premiums of $1.9 billion edge out AIG's of $1.8 billion (*BI*, Oct. 9), promoted its European presence at a booth that featured fun and technology.

A magician craftily worked the CIGNA name into card tricks and other sleight of hand. In the background, an electronic map of Europe showed country boundaries disappearing, indicative of 1992.

And, CIGNA demonstrated its CRIS risk management information system, which it is offering to help multinational clients in Europe manage their U.S. exposures.

Terminals hooked up with CIGNA's data center in New Jersey were constantly active as CIGNA representatives walked risk managers through the use of CRIS. Cadbury-Schweppes Inc. of the United Kingdom had given CIGNA permission to use its data to explain CRIS.

CIGNA hopes soon to have a pilot project in the United Kingdom that adds U.K. claims information to the U.S. claims information, said Lawrence G. Reilley, assistant vp.

In the United States, 2,500 policyholders are using one of the three levels of CRIS: dedicated line, dial-up and reports only. The first is not yet available in Europe.

CIGNA includes the cost of CRIS in the insurance premium, with no profit margin included, Mr. Reilley noted.

Another U.S.-based insurance company—New York-based Continental Corp.—promoted expansion of its European services.

London-based subsidiary Continental Insurance Europe Ltd. opened an underwriting office in Paris this summer, which will begin to write coverage at year-end, confirmed Ralph Morrison, president of Continental Insurance Europe. The Paris office will write property/casualty coverages for European multinationals and local French businesses, he said.

Until now Continental has been represented in Paris by general agent Groupe Bartheleim, he said.

Another American insurer, Warren, N.J.-based Chubb Corp., is reorganizing its European operations so that by June 1990, all the branches will have the same name, said Stephen D. Campbell, assistant vp, and Chubb's London-based commercial lines manager for Europe.

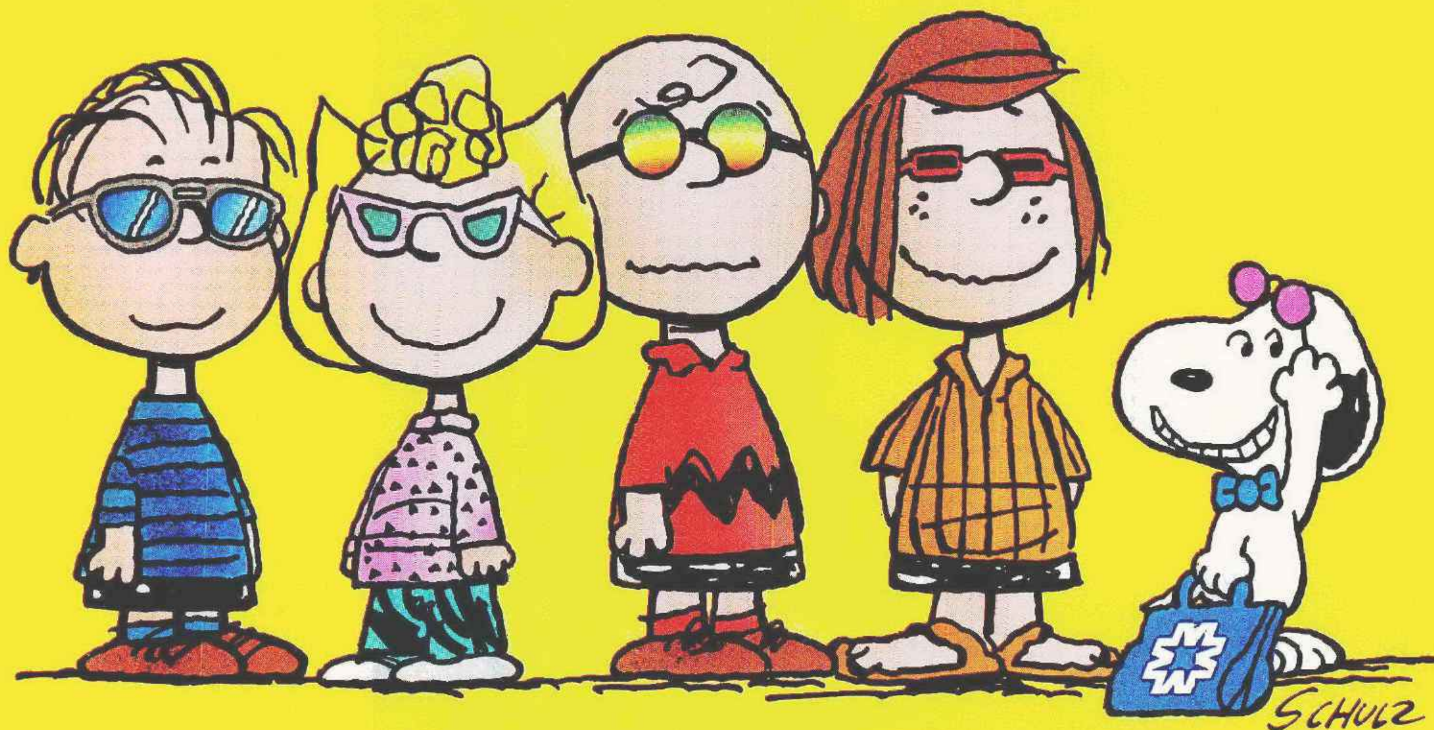
Chubb has been incorporated in Belgium since 1967 and has offices throughout Europe, but they have had different names, Mr. Campbell explained. For example, Federal Insurance Co. is the name used in London, Denmark, The Netherlands and West Germany, he said. The French operation goes by Chubb Co. d'Assurance, he added.

All Chubb's European subsidiaries will be called Chubb Insurance Co. of Europe.

Meanwhile, The Pohjola Group

Continued on page 48

THINGS LOOK BRIGHTER KNOWING MET LIFE HAS GROUP COVERAGE TO FIT EVERY CLIENT'S NEEDS.



Feast your eyes on the Group Life and Health plans of Met Life.

Our broad spectrum includes practically everything under the sun. From Group Universal Life to Flexible Benefits Programs to Multi-Option Health Plans.

Met Life's flexibility can even customize products to fit each client's own framework. And Met Life Reps see to it that each client basks in the light of great service.

For more information, call your broker/consultant, your Met Life Group Rep., or write to us at Metropolitan Life Insurance Company, Group Marketing Division, One Madison Avenue, Area 24VW, New York, New York 10010.

With Met Life, you've got it made in the shade.

GET MET. IT PAYS.

© 1988 Metropolitan Life Insurance Company, NY, NY

PEANUTS Characters: © 1950, 1952, 1958, 1960, 1966 United Feature Syndicate, Inc.

A+ XV

Only eleven insurance groups in the United States enjoy Best's superior rating (A+) accompanied by the top financial size (XV).

We are proud to be one of them.

GENERALI
U.S. BRANCH

GENERALI (The General Insurance Company of Trieste and Venice).
One Liberty Plaza, New York, N.Y. 10006
Tel. (212) 602-7600
Chief Executive Officer, Giorgio Balzer

In Business Since 1831 • In U.S. Since 1952

GENERALI You cannot find better security. Anywhere.

New ventures

Continued from page 46

of Helsinki, Finland, reported that it has entered into a partnership with Soviet insurance and reinsurance group Ingosstrakh to insure and manage risks of Western companies trading in the Soviet Union.

Pohjola, an insurance and reinsurance group that has worked closely with Ingosstrakh for some 20 years, earlier this year signed a contract to work with the Soviet group in arranging insurance cover for up to 1,000 Western joint ventures in the Soviet Union, said K.V. Liukkonen of Pohjola.

Pohjola also is providing risk assessment engineers to train Ingosstrakh personnel and is working with Ingosstrakh to analyze policyholder risks, Mr. Liukkonen said.

Among other joint ventures promoted at the Risk Management Forum was UAP Kemper HPR Co., an HPR marketing and service company created by Group Union des Assurances de Paris and Kemper Corp. (*BI*, Sept. 11). In addition to promotional literature, select conference registrants were given a green overnight bag and on the final day, the lobby of Loew's Hotel was a sea of green bags.

Engineering Insurance Group, formed early this year by Hartford Steam Boiler Inspection & Insurance Co. and General Reinsurance Corp., also hosted a booth to introduce itself as an underwriting and engineering firm specializing in large industrial risks.

A pending name change was subtly implied by the sign reading "Sedgwick and James" above the Sedgwick Group P.L.C. booth. In 1990 the group's retail brokerage operations will be known as Sedgwick James, instead of Fred S. James & Co. in the United States and Sedgwick elsewhere.

An electronic map of Europe showed country boundaries disappearing, indicative of 1992.

Among other exhibitors, Woodville Polymer Engineering Ltd. demonstrated its "Suvivaid" fire smoke escape hood that is being marketed so far only in Europe. The plastic hood, with a special filter for breathing, is designed to improve the user's chances of escaping a smoke-filled area in an emergency.

At $50 each, the hood has been sold to numerous employers throughout Europe to protect employees at work and when traveling.

Also, a risk management consulting firm has been established in Japan by a former risk manager who found his company did not appreciate his services.

Yasuhiko Ushiba, president of risk management and security consultant Ushiba International Office in Yokohama, Japan, previously served as risk manager of Tokyo-based Mitsubishi Corp.

Mr. Ushiba, who joined Mitsubishi in 1960, became interested in risk management while managing an athletic center for the conglomerate. However, there were no risk managers or risk management in Japan to further his knowledge.

As a result, he studied risk management in Europe and the United States and, when he was appointed assistant manager of general office and personnel for Mitsubishi, he tried to advance the risk management philosophy within the corporation.

"But I have spent the last 10 years trying to give them risk management in vain," Mr. Ushiba said.

Top management, he explained, did not think risk management was important because one of Mitsubishi's subsidiaries is one of the world's largest insurance companies: Tokio Marine & Fire Insurance Co. Ltd.

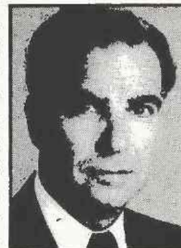
As a result, he retired from Mitsubishi and formed Ushiba International Office last year, which specializes in security consulting for kidnap and ransom, and product extortion risks. ■

Crane takes the helm at C&B Reinsurance

Comings & goings: industry

Stephen A. Crane is the new president and chief executive officer of Corroon & Black Corp.'s Reinsurance Brokerage Group and of the reinsurer's major operating unit, G.L. Hodson & Son Inc., effective Nov. 1. Mr. Crane had been Corroon & Black's senior vp and chief financial officer.

Ronald J. Taylor, former president of the Reinsurance Brokerage Group and G.L. Hodson, was appointed chairman of each entity effective immediately. Mr. Taylor's additional responsibilities include client management and business development nationwide.


Mr. Crane

Mr. Taylor replaces **Robert G. Hodson** as chairman. Mr. Hodson will be a consultant to Corroon & Black and G.L. Hodson.

In other reinsurance changes:

Steven K. Bolland named senior vp for property/casualty treaty reinsurance at Gill & Roeser Inc., a New York-based reinsurance intermediary. Mr. Bolland had been with Cole Booth Potter Inc., a reinsurance broker.

Agents/brokers

Jack Gagliardi appointed executive vp of American Business Insurance Agency Inc. and manager of its Overland Park, Kan., office.

Cathy J. Cegielski promoted to vp/regional manager from assistant vp at Hobbs Group Inc., a brokerage unit of Arkwright Mutual Insurance Co. She will be based in Cleveland.

Paul Falcone named an underwriting broker with the San Francisco office of Glanvill Special Risk Insurance Brokers. He will be responsible for the broker's pollution liability coverage facility for underground storage tanks and its extortion/kidnap and ransom facility.

Insurers

Betty J. Salmon promoted to the additional post of vp-planning and product development of Kalamazoo, Mich.-based IBA Health & Life Assurance Co. She will remain vp-sales and marketing.

Darryl D. Haggerty appointed manager of the Denver office of Kemper Group's national property and casualty companies. He had been commercial field marketing manager in Seattle. ■

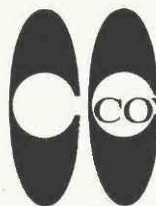
NEW NEW

POLICE PROFESSIONAL LIABILITY

- A Wide Range of Limits of Liability
- A Wide Range of Deductible Options
- A Highly Respected Insuror
- A Broad Definition of Insured
- Jail Facilities Coverage
- Full Civil Rights Coverage Optional
- First-Aid Coverage Included
- Insureds Right to Select Legal Counsel
- Insureds Right to Reject Settlement
- Realistic, Yet Competitive Pricing
- Prompt Quotations
- Retroactive Dates Available for Claims-Made Policies

Our long years of experience and research and development in this class of business assures you a quality product. Our professional underwriting and claims staff assures you of service both before and after the sale. Here's another opportunity to . . .

be the competition . . . come to Cover X



For further information or applications call or write . . .

COVERX CORPORATION
P.O. Box 5096, Southfield, Michigan 48086
Telephone: (313) 358-4010
Facsimile: (313) 358-2459

COVERAGE MAY NOT BE AVAILABLE IN ALL STATES

Advertiser Index

Issue of October 30

Advertiser	Page #
ABI Special Risk	52
Aetna Life and Casualty	55
Allendale Insurance	36-37
American International Group	15
American Re-Insurance	44-45
Arkwright Mutual	18-19
Assoc. Aviation Underwriters	14
Associated Programs Inc.	20
Assurex International	4
Avert	56
Berkshire Hathaway	43
Bryson Associates	30
Caronia Corporation	26
CIGNA	35
Commonwealth Risk Service	46
Cost Care	31
Cover X	48
CRC	54
Duncanson & Holt	68
Employers Reinsurance	6
Environmental Compliance	49
Erisco	54, 56, 58, 60
Fireman's Fund	27
GAB Business Services	20
GENERALI US Branch	47
Gow & Hanna	9
Hilb Rogal & Hamilton	34
Industrial Risk Insurers	61
Int'l Foundation of Empl. Ben.	59
INTRA Corp Management	12-13
Liberty Mutual	11
Lockwood Dipple & Green	28-29
Mass Mutual Insurance	16-17
Media/Professional Ins.	10, 52
Metropolitan Life Ins. Co.	46
NAC Reinsurance Company	53
Paige-Ruane, Inc.	25
Partner's Health Plan	57
Pharmaceutical Card System	7
Pitney Bowes	41
PMA Group Inc.	50-51
Protection Mutual Ins. Co.	32-33
Safeco	21-24
Victor O. Schinnerer & Co.	42
Smith Barney Harris Upham	54
Sony Corp.	38
Wausau Insurance Company	5
Williams Thacher & Rand	34

Business Insurance

This little stream could kill a business.

Much as companies care about the environment, accidents happen. Something spills or leaks into a small waterway. And suddenly the business faces liability big enough to shut it down.

It's a disaster. For the company, the country and the environment.

But rather than viewing the environment and industry as adversaries, we all have to dedicate ourselves to protecting both.

With ongoing research that helps us better understand how industrial activities can and do change the world around us. With pragmatic improvements to business procedures that reduce risks and increase productivity. With constant monitoring of regulatory standards . . . so businesses can cost-effectively respond to change. And with a total involvement in a business' needs, so that — should an accident occur — all the required resources are available to restore the environment.

Since 1979, ECS has committed itself exclusively to providing the insurance protection that is necessary for the well-being of its clients and the natural world. Creating a *business* environment that allows them to thrive, together.

Come talk with the people at ECS.

ECS

Environmental insurance protection for American Industry.

721 East Lancaster Avenue, Downingtown, PA 19335. Or call (800) ECS-1414 (in PA, (215) 269-6731). FAX (215) 873-1605.

Use quake to push reform: Experts

Better buildings codes suggested

By LINDA J. COLLINS

ANAHEIM, Calif.—The devastating earthquake in the San Francisco Bay Area underscores the importance of constructing buildings to withstand temblors, according to an engineer and a seismologist.

Indeed, there is no better time for the insurance industry to push politicians to enact and enforce building codes nationwide requiring that structures are built or modified to withstand earthquakes, insurers, agents and risk managers were told at the annual Society of Chartered Property Casualty Underwriters meeting held Oct. 15-18 in Anaheim, Calif.

The grim reality of the Oct. 17 San Francisco earthquake upstaged a scheduled panel discussion of a hypothetical earthquake disaster.

The panel discussion was quickly modified to include a discussion of the San Francisco Bay Area catastrophe and the problems insurers will face in responding to earthquake-related claims.

"In the aftermath of any disaster, we have an opportunity to make some changes in the system," asserted William J. Petak, an engineer and professor of systems management at the University of Southern California in Los Angeles.

"The opportunity is largely as a result of the fact that the politicians have been hit squarely between the eyes and now they are listening, but they won't listen for long. Some other crisis will come along and divert their attention," he said.

For example, San Francisco, which "has a lot of unreinforced brick masonry buildings, still does not have a rehabilitation ordinance for unreinforced brick masonry buildings," Mr. Petak pointed out.

And, even though the city has had an ordinance on its books since its 1906 earthquake requiring building owners to remove outside structural decorations that can break off during an earthquake and cause further damage to building or objects below or harm people, San Francisco politicians have never enforced it, Mr. Petak said.

Existing earthquake risk management plans are a community's "trump card," agreed Walter W. Hays, a doctor of seismology and deputy for research applications for the U.S. Geological Survey's office of earthquakes, volcanoes and engineering in Reston, Va.

Earthquakes "expose the flaws in the (community's) infrastructure," he said. "If the community does not play its ace, then Mother Nature wins."

Overall, though, "California stands far and above all other states and comparative jurisdictions in its earthquake preparedness," Mr. Hays asserted.

Building codes and earthquake disaster response plans throughout California designed to mitigate losses are much more developed than they are in other states that face the threat of a major earthquake, he said.

And, even though only about 20% of all commercial and residential property owners in the state have earthquake insurance, a larger percentage of Californians with earthquake exposures insure their risk compared with companies and residents in other states that have earthquake exposures, said panel moderator Franklin W. Nutter, president of the Alliance of American Insurers in Schaumburg, Ill.

However, earthquake insurance is only one of several coverages that may respond to the losses, panelists noted.

For example, while earthquake shake damage may represent only 25% of the total damages ensuing from a major earthquake, much damage may be covered under property/casualty insurance programs, the panelists pointed out.

For example, property insurance covers fire losses, motor vehicle losses and business interruption.

And, casualty insurance covers workers compensation claims and general liability claims.

An earthquake that results in a major loss of lives and disruption of the infrastructure of a given geographic area could force many insurers to liquidate their assets to respond to claims, which could create havoc in the bond market because insurers have a lot of their assets tied up in municipal bonds, panelists said.

Losses ensuing from an earthquake also could force some insurers into insolvency, with the corresponding guaranty fund assessments further burdening the insurers that remain solvent, they added.

Furthermore, surplus reductions stemming from earthquake losses could limit insurers' ability to write new business countrywide and restrict or eliminate insurance coverage for new construction, panelists observed.

"Catastrophic earthquakes are extremely rare and the extent of damage that they are capable of producing is very difficult to predict," Mr. Hanson said.

As a result, it is difficult for insurers to calculate adequate reserves to cover those losses, he explained.

In addition, "only those people who have, and even more importantly, appreciate their earthquake exposure, purchase earthquake insurance," which creates adverse selection and contributes to high premium costs, he added.

In addition, many insurers may face problems in responding to claims from a major earthquake, some of which may occur following the San Francisco earthquake, panelists predicted.

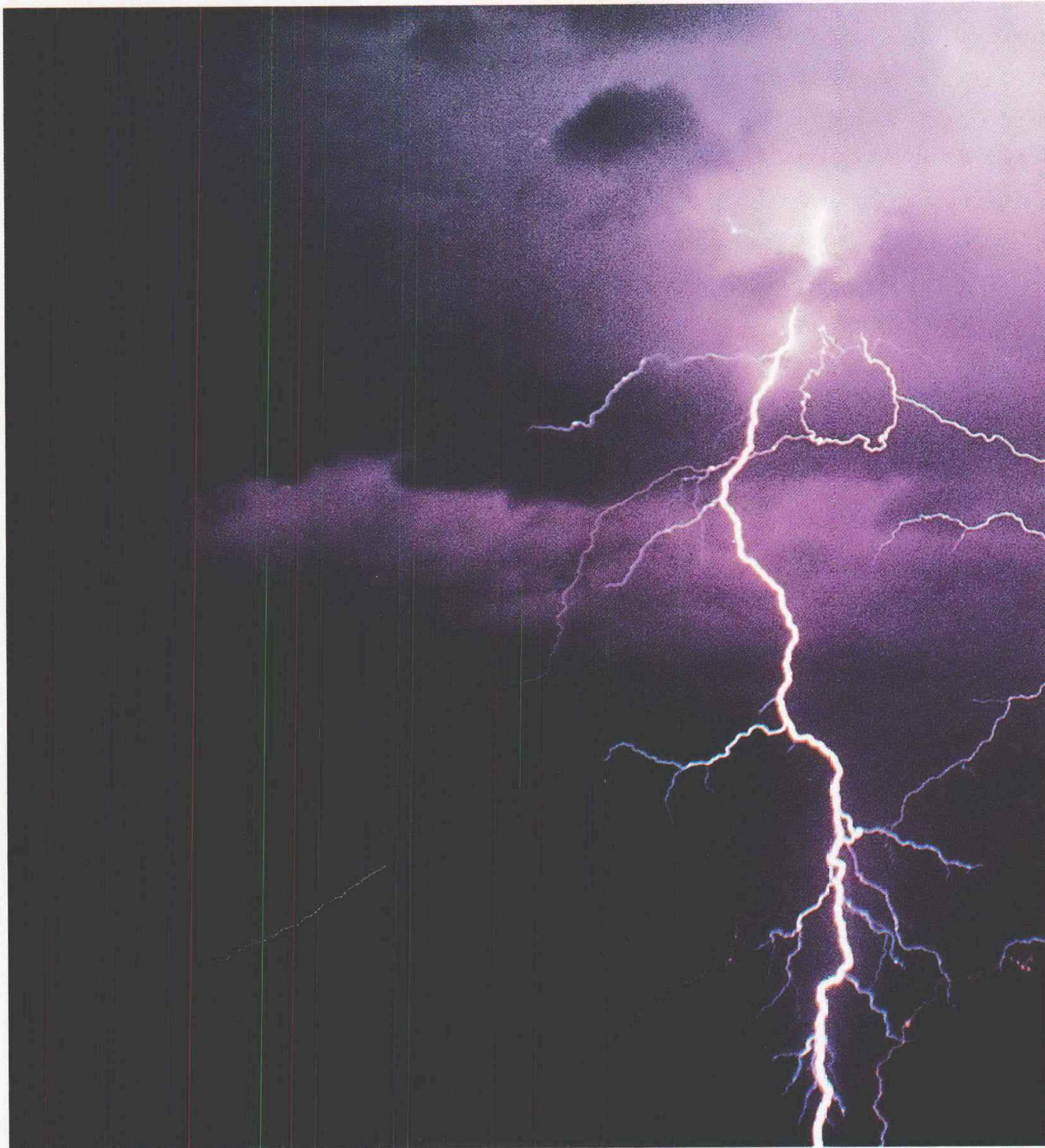
For example, during a catastrophic earthquake, local agents who handle their clients' claims may themselves be victims of the earthquake or have their businesses disrupted or destroyed, hindering their ability to respond to their clients.

Furthermore, phone service could be disrupted or destroyed, or destruction of homes or businesses could prohibit insurers from contacting their policyholders.

In addition, "a lot of companies are very strapped for adjusters," currently, pointed out Wallace R. Hanson, senior vp of the Property Loss Research Bureau in Schaum-

Continued on next page

The recent storm of controversy in the insurance



Loyalty and service are powerful forces. Together, they've made us one of America's fastest-

Continued from previous page
burg, Ill.

"They have everybody they can afford out in the Carolinas" adjusting losses resulting from Hurricane Hugo last month, he noted (*BI*, Sept. 25).

Another problem insurance companies face in adjusting claims involves debris removal, pointed out Mr. Hays of the U.S. Geological Survey.

Burning the debris raises a safety issue and requires compliance with U.S. Environmental Protection Agency regulations, especially because of concerns of creating toxic fumes, Mr. Hays said.

And, when debris is finally removed, many remaining structures must be inspected by city officials before repairs or reconstruction can begin.

Decisions by engineers inspecting damaged buildings to tear down the structures rather than repair them could "have a financial impact on insurance claims and also for those people who are uninsured or underinsured," Mr. Hanson noted.

"We suspect there might be a strong tendency on the part of some building inspectors to red flag or raze (many buildings) because it is quicker, or more efficient or less work," Mr. Hanson said.

Insurers and building owners may need to protect themselves "against the potential impact of hasty decisions in this area," he added.

But while Mr. Hanson noted that property owners have the right to appeal an engineer's decision to raze a building, they may not be able to dispute the inspector's decision if government officials restrict access to the area.

Insurers also may find it difficult to set priorities on paying claims filed by commercial and personal lines policyholders, pointed out USC's Mr. Petak.

While homeowners most certainly will be in a hurry to repair and reoccupy their homes, "small businesses, many of which are marginal, may be forced to go out of business unless they can be put back into operation as quickly as possible," Mr. Petak explained.

Thus insurance companies must assess which claims are the most critical to a community's recovery in setting their claims-paying procedures.

And, for those policyholders with earthquake coverage, the coverage may not be enough to upgrade buildings to meet any new construction codes enacted after an earthquake, Mr. Hanson pointed out.

One of the scheduled panelists, Jerry W. O'Kane, executive vp of the Independent Insurance Agents and Brokers of California in San Francisco, was unable to attend the program because of the earthquake and was replaced by Mr. Hanson. ■

Ignorance is root of anti-industry activity: Insurers

By LINDA J. COLLINS

ANAHEIM, Calif.—The flood of anti-insurance industry political activity stems from legislators' and consumers' general misunderstanding of the function of insurance, say insurance industry officials.

The industry therefore must better explain its role to legislators and consumers as it enters the 1990s, according to panelists at the Society of Chartered Property Casualty Underwriters' annual meeting in Anaheim, Calif., earlier this month.

Frustration among legislators and consumers has prompted a series of laws and proposals "that just don't make any sense—that are just absurd on their face—but they're being debated and in some cases they are even being enacted," said Nevada Insurance Commissioner David A. Gates.

If the industry fails to gain consumer confidence, consumer-backed initiatives similar to California's Proposition 103 will spring up elsewhere across the United States, predicted David L. Ream, president of the National Assn. of Professional Insurance Agents and a principal of North Coast Insurance Systems in Cleveland.

And as long as legislators continue to focus "on the providers of coverage rather than on the underlying costs," then "more (rate) rollbacks, a move to more regulation and prior approval of rates, and limitations on territory and rating classifications" will follow, predicted Nancy M. Haragan, vp-government and industry affairs for United States Fidelity & Guaranty Co. in Baltimore, Md.

Even at the risk of further tarnishing their image, insurers may have to stop writing business in politically hostile states, Ms. Haragan said.

Ms. Haragan also called on the industry to make legislators aware of the insurance mechanism's limits.

"The industry must seek every forum to talk about our risk-based society," Ms. Haragan said.

"As safe as we have made the world and insurance has made families secure, the truth of the matter is that there are some things that insurance simply cannot do," she added.

Insurance companies also must work with legislators to develop alternative risk financing mechanisms to conventional insurance for some risks insurers cannot write profitably.

For example, mandatory auto coverages cannot be underwritten profitably because so many poor risks are involved, she said.

Also, some types of environmental impairment liability exposures cannot be accurately calculated because of joint and several and retroactive liability statutes, she said.

"The major strategy for the industry in the 1990s will be to unmask risk or to take on the cost/benefit dilemma," she observed, explaining that insurers seek to offer coverage at a cost the public is willing to pay.

Insurers need to mass market themselves "as experts in the tough job of balancing cost with achievable benefits," she said.

In defense of legislators, Mr. Gates noted that they make political decisions "based on their knowledge of the issues," and that knowledge is based on information they are provided by consumers, consumer advocates, insurers and regulators.

But, many consumers do not understand their own coverages—or in the case of mandated coverages, do not even want them—and thus complain to legislators that they are not "receiving value for the dollars they put out," Mr. Gates explained.

"So you have an unhappy, frustrated consumer who is paying for

Continued on next page

industry simply illuminates our strengths.

growing business insurers.

The PMA Group

925 Chestnut Street
Phila., PA 19107, (215) 629-5000
Or contact your local PMA office.

DO YOUR UNDERWRITERS UNDERSTAND YOUR NOT FOR PROFIT CLIENTS?

OURS DO!!!

ABI SPECIAL RISK, INC. is pleased to announce a special program for the insurance needs of your not-for-profit clients. We offer property, liability, social workers professional liability, crime, umbrella and automobile coverages to religious, charitable, educational, cultural and social service organizations such as:

- Sheltered Workshops
- Boys & Girls Clubs
- Job Training Programs
- Senior Citizen Programs
- Children & Family Counseling
- Physical & Mental Rehabilitation Facilities
- Museums
- Schools
- Substance Abuse Facilities
- Senior Citizen Housing
- Fraternal Organizations
- And Many more not-for-profit organizations

We offer broad coverages and competitive prices. We provide favorable commissions and excellent service to our producers. Coverage is provided on an admitted basis with a national carrier rated A+ superior by A.M. Best & Co.

For further information, please contact:

ABI SPECIAL RISK, INC.
303 W. Madison St., Suite 1050, Chicago, Illinois 60606
Telephone 312-263-0150 FAX 312-263-4470
Attn: Rodney Harvey or Rose DeCaluwe

Producers in Arizona, Colorado and Utah should contact our branch office at:

ABI Special Risk, Inc.
16042 N. 32nd St., Suite D-3, Phoenix, Arizona 85032
Telephone 602-971-7252 Attn: Diane Dowden

This Program is not available in California, Washington, Oregon, Texas, Nevada, New Mexico and Georgia.

Anti-industry

Continued from previous page

something which he really doesn't think is of value.

"And, you have a legislator sitting there, getting a lot of complaints, trying to come up with an answer," Mr. Gates observed.

Industry representatives fluent in "technospeak" only compound the problem, according to Mr. Gates.

While these spokesman spout statistics and jargon, "the legislator, who is still trying to figure out what the product is, is getting no information," he said.

"We have to stop that type of non-productive dialogue," Mr. Gates asserted.

Insurance spokesmen "really need to understand what they are talking about," he said.

"You need to get someone who can communicate—take a fairly complex issue and distill it down to its component parts and use some very good analogy that the legislator can understand" quickly, Mr. Gates asserted.

The industry needs 'to get someone who can take a fairly complex issue and distill it down to its component parts and use some very good analogy that the legislator can understand,' advises Nevada Insurance Commissioner David Gates.

And, legislators must be told the absolute truth, he warned.

"If you've got a bad side to your argument, you'd better lay that out there right in front of them as much as you do the good side," Mr. Gates said.

"It's only by having that credibility that any of your message is listened to."

Industry representatives hoping to gain the respect of consumers and legislators must demonstrate that they "understand the products, can speak authoritatively about your company's operations and give good, rational explanations," he stressed.

Knowledgeable sales staffs, claims and service representatives and underwriters also should be enlisted to help educate consumers about insurance, advised John C. Spears, deputy regional vp for State Farm Insurance Cos. in Tempe, Ariz.

According to Mr. Ream, the insurance industry could "regain the confidence of the consumer and stop punitive political action" by:

- Moderating market cycles.

"We have a competitive marketplace and we always should have," Mr. Ream said. "We just can't let it get as wild as it has over the last several years," he said.

"It's going to take discipline on everyone's part," Mr. Ream pointed out.

For example, when looking for the best coverage, agents must examine a product's total value rather than merely its price.

- Responding more to consumer needs.

Product information must be clearer, and coverage must be more affordable, he said.

- Supporting stronger state regulation.

And, the industry must use its political power to pressure legislators into giving insurance regulators adequate funding to regulate insurers properly, according to Mr. Ream.

Higher insurer premium taxes would not necessarily be needed to better fund state insurance departments, he said.

Instead, Mr. Ream proposes that legislators allocate more of the revenue generated by existing premium taxes to state insurance regulators.

Mr. Gates agreed that state insurance departments need more money in order to function properly.

"We need to be able to identify (troubled insurers earlier), to create effective programs for rehabilitation or liquidation, whichever is better," Mr. Gates said.

State insurance departments also need sufficient funds to attract high-caliber employees, he said.

The panel was moderated by Robert E. Vagley, president of the American Insurance Assn., a Washington, D.C.-based trade association of property/casualty insurers. ■

Before you blow it give us a whistle.

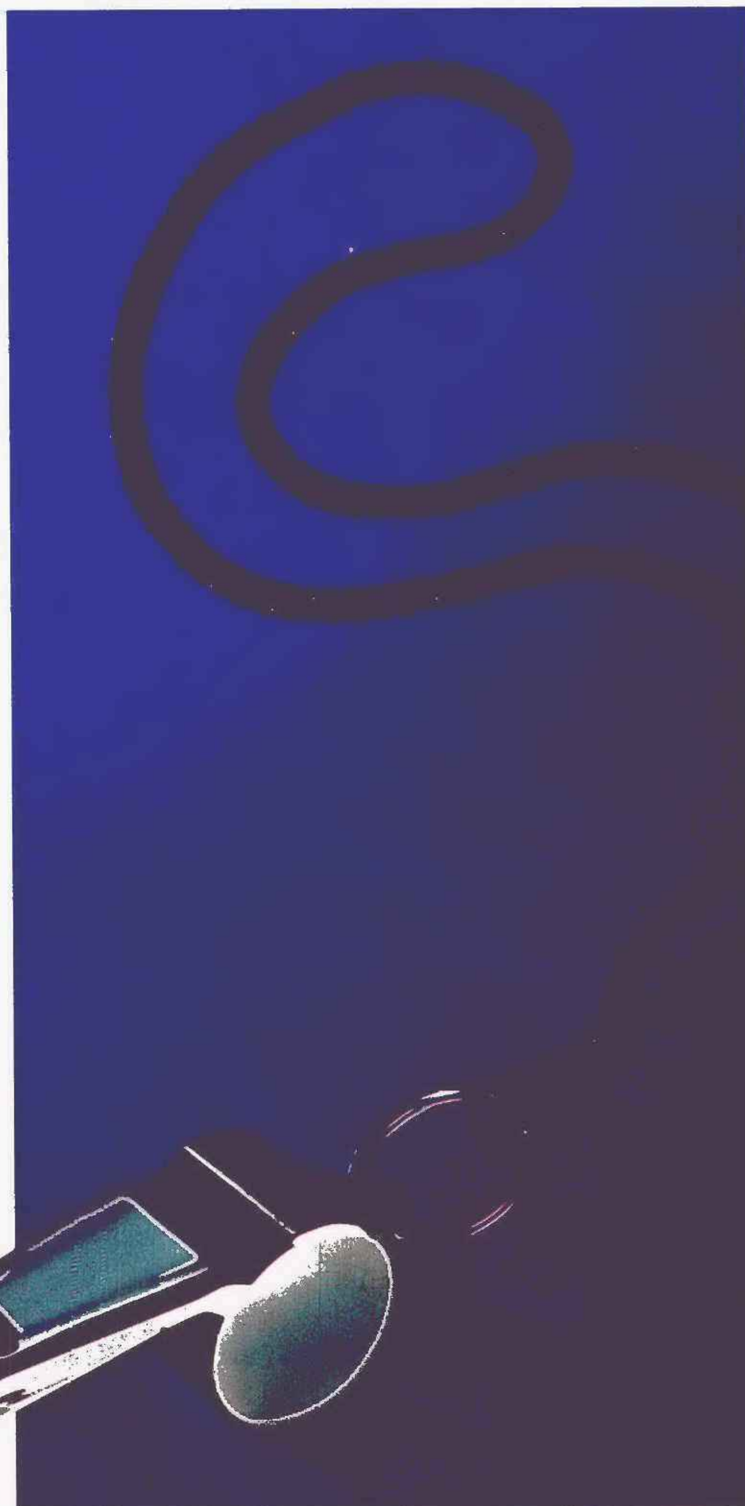
You can be sued whether or not you make an error. That's why E & O coverage is essential to today's insurance agent. Yet preventing claims and defending your agency are more important than ever.

We can help. We offer errors and omission insurance through SAFECO, a top "A" rated insurance company. And, we provide newsletters, videotapes, seminars and prevention counseling to help stop E & O claims before they start.

Remember: being sued can happen to anyone. Let us give you the tools to protect your agency.

Give us a whistle. For our latest newsletter plus an application to receive a quote, call us toll-free:

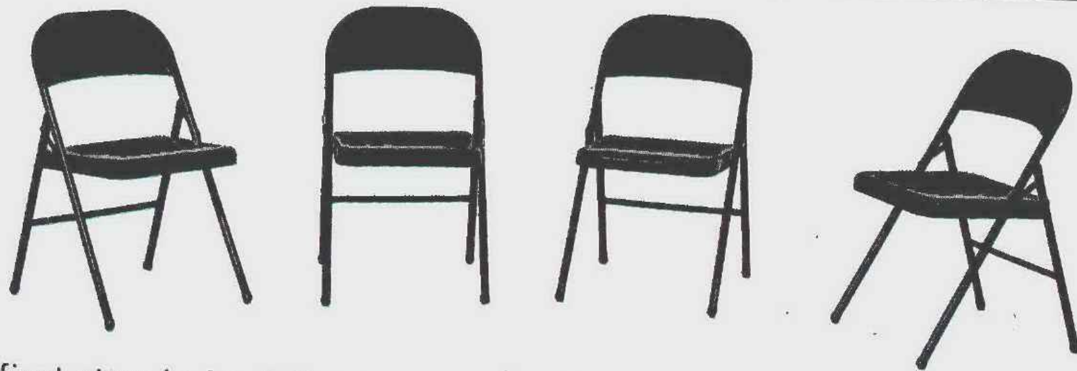
1-800-243-6836



E&O PROFESSIONALS
UNDERWRITING ADMINISTRATORS
A Division of Media/Professional Insurance, Inc.

Two Pershing Square, Suite 810 • 2300 Main
Kansas City, MO 64108 • 1-800-243-6836

REINSURANCE: CAPABILITIES IN CONCERT



The first step in building a sound relationship with a reinsurer is choosing one that is solidly structured. NAC Re has a pristine balance sheet, an uncompromised policyholders' surplus of over $170 million, and a Best's rating of "A."

We're a well-orchestrated company with substantial capacities. For treaty business, our limits capacity is $5 million each for property and casualty. For facultative, it's $5 million casualty and $15 million property. This capacity plays an instrumental part in our role as a lead reinsurer, but there's more to being a lead reinsurer than providing large limits.

It also takes the right players to strike the right chords. At NAC Re, our people know the value of timely response, both to your submissions and to your claims payment requests. We continually provide thoughtful opinions, advice and information, all seasoned with sound judgment. NAC Re, where solid structure, substantial capacities and responsive people make beautiful music together.

- Treaty Reinsurance Written Through Intermediaries
- Facultative Reinsurance Written Directly

We'll be there when you need us.

NAC Reinsurance Corporation
Greenwich • Hartford • Chicago • New York

More reinsurance rules likely: Reinsurer

By LINDA J. COLLINS

ANAHEIM, Calif.—Stepped-up regulation of the reinsurance industry is inevitable, predicts a reinsurance industry executive.

"The current attention being given to the role of reinsurance is no flash in the pan," asserts John N. Lombardo, president of Munich American Reinsurance Co. of New York.

"The sheer volume of dollars involved and (the reinsurance industry's) effects on primary company solvency and capacity guarantees that it will remain an active issue," he said during a panel discussion at the Society of Chartered Property & Casualty Underwriters' annual meeting in Anaheim, Calif., earlier this month.

And, "the concern over solvency and reinsurance collectibles is quite real," given the record number of insurer insolvencies that have taken place over the past five years, many involving professional reinsurers and primary insurers that had significant books of both assumed and ceded reinsurance, Mr. Lombardo said.

While reinsurance rates, forms, fair claims practices and non-renewals have, for the most part, historically been free from state regulation, states have indirectly regulated the reinsurance industry, he explained.

For example, "state laws limit the credit ceding companies may take for reinsurance recoverables to licensed or admitted reinsurers or, in the alternative, to the extent such balances owed are properly collateralized by non-admitted reinsurers," he said.

Furthermore, "domestic U.S. reinsurers are licensed insurers and are subject to the same capital and surplus requirements, solvency margins, investment restrictions, corporate governance provisions and general insurance law provisions as any other insurer," he added.

But, in the future, the federal government is likely to become more active in regulating the reinsurance industry, he predicted.

Mr. Lombardo said reinsurance has emerged as one of the principal concerns in congressional hearings on the insolvencies of Mission Insurance Co., Integrity Insurance Co. and Transit Casualty Co. conducted by the House Oversight and Investigations subcommittee (*BI*, April 10; Dec. 19, 1988; Sept. 19, 1988).

During those hearings, "it became apparent that reinsurance was a vehicle that could permit companies to leverage a mess very quickly into disaster," Mr. Lombardo said.

"This, coupled with the committee's awareness of the reinsurance collectible problem and the international aspect of the reinsurance industry, could lead Congress to perceive there might be a suitable federal role in regulating the solvency of any insurer writing reinsurance," he said.

The likelihood of this happening depends on whether Congress "believes the states can curb the abuses that led to these insolvencies," he predicted.

Two recent statutory accounting amendments made by the National Assn. of Insurance Commissioners to primary insurers' annual statements aim to prevent insurer and reinsurer insolvencies by restricting insurers' ability to take credit for reinsurance and requiring that insurers report separately their property and liability nonproportional reinsurance assumed, Mr. Lombardo noted.

First, Schedule F has been amended to disallow at least 20% of the credit for unpaid reinsurance balances owed more than 90 days after the contract due date by admitted reinsurers, Mr. Lombardo said (*BI*, Dec. 26, 1988).

This change "should cause management to exercise greater caution in evaluating their reinsurers," he predicted.

And, Schedules O and P have been amended to treat non-proportional reinsurance assumed as if it were a separate line of business, like auto or workers compensation. Previously insurers combined nonproportional reinsurance assumed with their direct business.

"The net result is that reinsurance assumed will no longer remain hidden and that the loss development of excess-of-loss reinsurance assumed will be separately shown," Mr. Lombardo said.

Both of these changes apply to insurers' 1989 operations reported in 1990.

Even without these regulatory changes, reinsurers, as they enter the 1990s, are beginning to invest more time, money and talent into carefully examining their ceding company clients, said William G. Clark, president and chief executive officer of Transamerica Reinsurance Co. of Stamford, Conn.

Reinsurers are starting to examine ceding companies' production, engineering, underwriting and claims performance on a prospective—rather than retrospective—basis, Mr. Clark stressed.

"Most of the dummies are out of the reinsurance business. They either went broke or quit," he added. "The market is vastly more professional."

However, reinsurers continue to find themselves faced with criticism from inside and outside the insurance industry, combined with an eroding premium base, a reinsurance broker panelist noted.

> **'Most of the dummies are out of the reinsurance business,' Mr. Clark says.**

To address those problems, reinsurers must offer better products and services to the intermediaries and ceding companies they do business with in the 1990s, said Robert F. O'Leary, president and chief operating officer of Willcox Inc. Reinsurance Intermediaries in New York.

"An environment of order, professionalism and continuity of relationships has to be re-established," Mr. O'Leary stressed, while "contract wordings have to be prepared and executed in a timely manner that clearly reflects the intent of the reinsurance partnership."

Furthermore, reinsurers must demonstrate to ceding companies, regulators and legislators their willingness to promptly and honestly settle claims. They should also limit "immediate denial of claims notices without even initial dialogue. . .to most extraordinary situations," he added.

According to Mr. O'Leary, Hurricane Hugo has brought with it an opportunity for the reinsurance market to enhance its image.

In the hurricane's aftermath, many primary insurers will probably reassess their decisions of the past few years to purchase less reinsurance coverage and assume higher retentions, he predicted. The session was held prior to the Oct. 17 California earthquake.

However, "any immediate attempt (by reinsurers) to recoup all losses overnight or introduce more restrictive occurrence definitions, instead of considering the required expansion of coverages, will be counterproductive and a fatal repeat of past mistakes," Mr. O'Leary cautioned.

And, while some reinsurers have responded very quickly to a "cash call" Willcox made for immediate funds following Hurricane Hugo, the intermediary also encountered some "disturbing reactions" from other reinsurers, he said.

For example, some reinsurers requested reinstatement premium payments from their ceding companies before remitting claims payments. Others have required detailed proof of loss statements, he said.

"What better initial proof would one require than front page coverage in the national press and daily prime time network television?" Mr. O'Leary asked.

"The topper of all, if you can believe it, was a request for a copy of all the loss payment checks that have been issued by our client," which is reaching in the neighborhood of 50,000, Mr. O'Leary added.

This "would suggest that the fortress and bunker mentality from the pollution and asbestosis claims battles have surfaced again in a straightforward, first-party, unfortunate event," he noted.

Turning to a discussion of the ability of insurers and reinsurers to respond quickly to catastrophic losses, panelist Westley M. Heyward, senior vp of Zenith In-

Continued on page 56

CRC EXCESS & SURPLUS
COONEY, RIKARD & CURTIN, INC.
P. O. Box 59689 Birmingham, AL 35259-9689 (205) 870-7790
1-800-982-6210 AL 1-800-824-1709 US TELEX: 782670 FAX: (205) 879-3739

Case Study

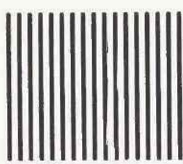
The Olin Corporation wanted a more efficient way to administer over 68 different medical plans for its 13,000 employees and 3,000 retirees. Their goals were to better service their employees and control costs by self-administering their health care benefits. Olin decided on ClaimFacts – the health claims management system from Erisco. Olin's philosophy of "Olin people looking after Olin people" was achieved by managing their claims administration in-house. Employees were happy since claim payment was cut from over 4 weeks to an average of 10 days. Olin gained control of costs by knowing exactly where their health care dollars were going. Plus, valuable insight for future plan design.

Judge us by the companies we keep. Besides ClaimFacts, Olin Corporation also benefits from using Erisco's ImpleFacts, the defined contribution record-keeping system.

For more information, call or write: Erisco, 1700 Broadway New York, NY 10019 212/765-8500

Cutting employee claim-payment turnaround time in half. And controlling health care costs, too.

That's Erisco.

Erisco

a company of The Dun & Bradstreet Corporation

October 13, 1989

$5,000,000 Revolving Credit Facility
$30,000,000 Term Loan Facility due 1994
$10,250,000 Subordinated Notes due 1999 with Warrants

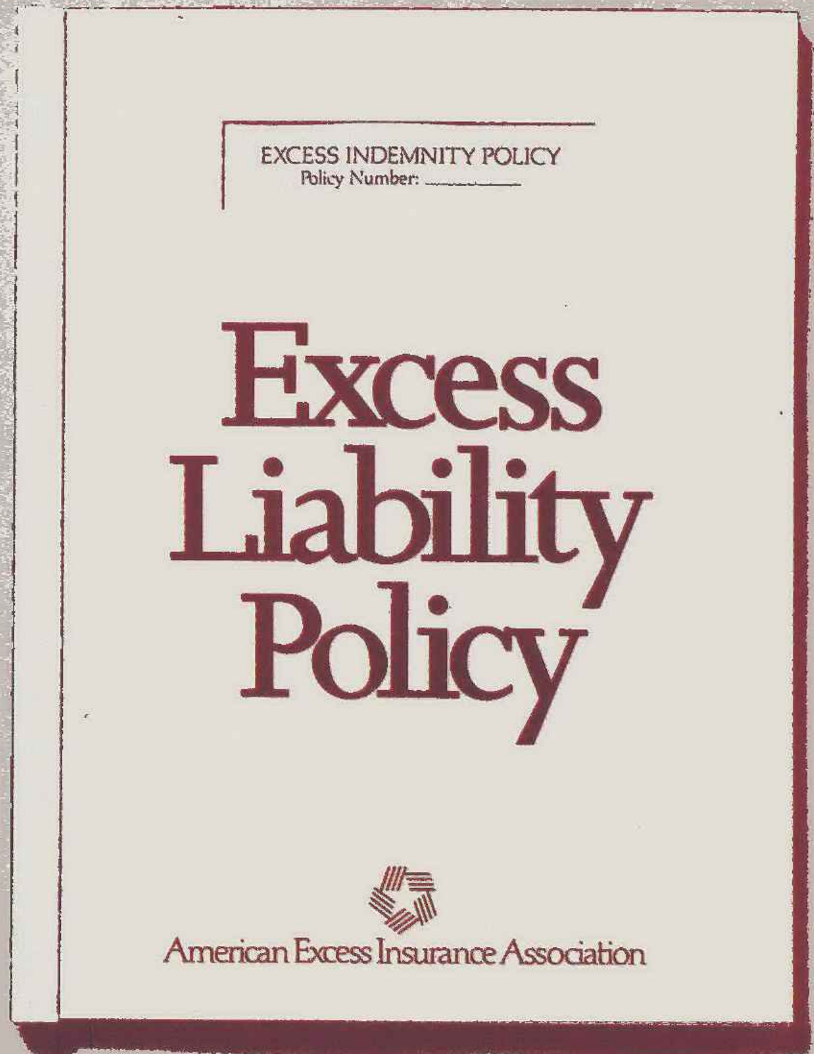
Riverside Group, Inc.

has acquired the capital stock of

National American Life Insurance Company of California

The undersigned assisted in the negotiations, structured the financing and acted as financial advisor to Riverside Group, Inc.

Smith Barney, Harris Upham & Co.
Incorporated



The Patchwork Quilt Vs. Our $75 Million Blanket.

A single policy of $75 million over $25 million in excess liability coverage is available today from the American Excess Insurance Association,* a facility comprised entirely of domestically admitted insurance companies. Within our policy you can avoid missing layers, inconsistent language, offshore captives or disputes among multiple carriers.

You enjoy the benefits of one claim manager, one underwriting facility, one policy of $75 million beginning at $25 million. You may choose $50 million or $25 million policies (also in excess of $25 million) if they represent your top layer of coverage.*

The members of the American Excess Insurance Association (you may have heard us called the "American Slip") are among the nation's largest and strongest insurance institutions, with the capacity to bring stability, consistency and permanence to excess liability coverage. The association is qualified to do business in almost every state of the union.

Your premiums are tax deductible, and there's no added investment or "reserve premium" to lock you in. Our underwriting standards are designed to satisfy a broad spectrum of North American business.

If you're interested in the advantages of stable and uniform excess liability coverage, ask your broker or company agent to call this number: (203) 528-2155.

*Note: A few classes are restricted to $50 million in excess of $50 million.
Each member is severally and not jointly liable for its share, as specified in the policy, of any assumed risk. Terms and conditions of coverage are as stated in the policy.

American Excess Insurance Association

Ætna Life & Casualty; American International Group; CNA Insurance Companies; Chubb Group of Insurance Companies; The Continental Corp.; Crum and Forster Insurance Organizations; General Accident Insurance; The Home Insurance Company; Insurance Company of North America, a CIGNA company; Maryland Casualty Company; NAC Reinsurance Corporation; Royal Insurance Company of America, a member company of Royal Insurance group; The Travelers; Zurich-American Insurance Group.
(Underwriting member companies: The Ætna Casualty and Surety Company; American Home Assurance Company; Continental Casualty Company; Federal Insurance Company; The Continental Insurance Company; United States Fire Insurance Company; General Accident Insurance Company of America; The Home Insurance Company; Insurance Company of North America; Maryland Casualty Company; NAC Reinsurance Corporation; Royal Insurance Company of America; The Travelers Indemnity Company; Zurich Insurance Company, U.S. Branch.)

Pollution risks insurable: Consultant

Risk assessments aid underwriting

By LINDA J. COLLINS

ANAHEIM, Calif.—Many pollution liability risks can be insured profitably if underwriters conduct a careful analysis of each risk, contends an environmental consultant.

"It's based on common sense. Environmental risk assessment is the common-sense approach to underwriting and evaluating environmental exposures," said Lynne M. Miller, president of Environmental Strategies Corp. of Vienna, Va.

Risk assessment "identifies the nature of the environmental exposure and allows the risk to be underwritten for pollution that is not expected or intended," Ms. Miller explained during a panel discussion on environmental pollution risks at the Society of Chartered Property & Casualty Underwriters' annual meeting earlier this month in Anaheim, Calif.

The market for environmental impairment liability insurance substantially dried up in the mid-1980s because most insurers offering EIL insurance did not underwrite the coverage carefully enough, Ms. Miller said.

For example:

- Some insurers were providing coverage for their clients' pollution exposures on a blanket basis with only limited use of site-specific risk assessments.
- Policies were sometimes endorsed to cover third-party liability for non-owned disposal sites.
- Some insurers wrote pollution risks on a class basis rather than a risk-by-risk basis.
- Insurers often underwrote coverages where there were known pollution exposures and pre-existing conditions.

"If you looked back at the short history of pollution insurance, you find that pollution can be underwritten, it just can't be underwritten the way it was (by many insurers) in the early 1980s," Ms. Miller said.

She cited New York-based American International Group Inc.'s continued success in writing pollution coverages during the 1980s as proof that these coverages can be underwritten profitably if caution is exercised. AIG employs well-trained environmental underwriters who use environmental assessments, she said.

But, environmental assessments must be done on a site-by-site basis, Ms. Miller cautioned.

"You can't just go in and make assumptions, because sites vary so much. It must be very site specific," she stressed.

Ms. Miller said that when assessing a site, underwriters should examine:

- The possible pathways a pollutant might take—water, air, soil, etc.
- The various populations, human or animal, that may be exposed to the pollutants.
- The pollution management practices of the current owners as well as previous owners.
- The pollutants' toxicity and how they might react in the environment.

And, environmental risk assessments must include recommendations for reducing or eliminating the exposure, she added.

"You'll find pollution insurers today require a risk assessment on every location that's being underwritten, with some very minor exceptions where the exposure is very minimal," Ms. Miller said.

Many environmental assessments today are conducted by companies involved in merger and acquisition negotiations, particularly by lending institutions or title insurers that do not want to inadvertently assume another firm's environmental liabilities, she observed.

And, lending institutions frequently require that commercial loan applicants carry environmental impairment liability coverage, Ms. Miller noted.

Any company purchasing property today would be "crazy" not to look at environmental liabilities because "certainly the cleanup costs could far exceed what the purchase price of the facility was," Ms. Miller stressed.

The average cost of an environmental risk assessment, per site, ranges from $5,500 to $7,000, she estimated. And, if a site will be subject to government regulation, a compliance review might boost those costs to $7,000 to $10,000. A very detailed environmental audit of a site, looking at all federal and state and local regulations, could exceed $22,000, she added.

Obtaining samples from a site and lab analysis can generate additional costs, Ms. Miller said.

Furthermore, a remedial investigation and feasibility study for cleanup of a Superfund site can cost as much as $1 million, plus about another $1.5 million to devise a cleanup plan, she noted.

"And, some of these cleanups can average $15 million and up," above the study costs, Ms. Miller said.

But, she noted, money spent analyzing property before a deal is signed is well worth the expense.

Even an underground tank leak can be very costly because removal of an underground storage tank alone could cost $1.50 per gallon, not including soil removal, Ms. Miller explained.

Thus, "taking a look at the property before anything is underwritten is very key," she stressed.

"No one is saying that the insurance industry should take on" and underwrite past environmental problems. "But if you look at today forward, and can assess properly the environmental risk, underwriters can know going in what the pollution exposures are and decide whether or not to take on that exposure," Ms. Miller said.

Environmental risk assessments, combined with careful underwriting, "allows the assumption of environmental liabilities by the insurance industry," she concluded.

Other panelists included attorney Richard D. Williams, a partner and founder of Charlston, Revich & Williams in Los Angeles; Robert J. Mason, vp of operations for Environmental Strategies; and attorney Kathryn P. Broderick, a partner in Thorgrimson, Ellis & Holman in Washington, D.C.

The panel was moderated by David J. Dybdahl, vp and director of Corroon & Black Environmental Insurance Services in Verona, Wis., a subsidiary of Corroon & Black Corp. ■

Katten named president of Society of CPCU

Richard L. Katten, executive vp of The Ferd. Marks Insurance Agency Ltd. in New Orleans, is the new president of the Society of Chartered Property & Casualty Underwriters.

Mr. Katten assumed his duties during the Society of CPCU's annual meeting at the Anaheim Hilton & Towers Hotel in Anaheim, Calif., Oct. 15-18.

Mr. Katten succeeds Gerald D. Stephens, president, founder and chief executive officer of RLI Insurance Co. of Peoria, Ill.

In addition, Stephen J. Paris, managing partner of law firm Morrison, Mahoney & Miller in Boston, became president-elect of the society, and Jerrol L. Harris, executive vp of California Casualty & Life Insurance Co. of San Mateo, Calif, was elected vp.

J. Wesley Ooms, assistant vp of State Farm Fire & Casualty Co. of Bloomington, Ill., continues his three-year term as secretary-treasurer.

The Society of CPCU meeting drew more than 4,500 participants. In addition, nearly 1,600 of the 2,054 students completing their CPCU designations in 1989 attended the accreditation ceremonies held in Anaheim.

The Society of CPCU's 1990 meeting will be held Oct. 7-10 at the Sheraton Washington Hotel in Washington, D.C.

For additional information, contact Debra Lee, Public Relations Coordinator, The Society of Chartered Property & Casualty Underwriters, 720 Providence Road, CB No. 9, Malvern, Pa. 19355-0709; 215-251-2765.

Reinsurance rules

Continued from page 54

surance Co. in Woodland Hills, Calif., said that one of the most onerous aspects of California's Proposition 103 is that it has mandated major rate rollbacks in catastrophe coverages such as earthquake, umbrella liability and excess liability.

Under proposals set forth by the California Department of Insurance, insurers would have to return the bulk of premiums collected under those coverages because of favorable recent loss experience, Mr. Heyward said.

This, however, would leave insufficient funds in their reserves to pay for losses generated by a major earthquake, he stressed.

Ironically, this discussion was held just hours before the San Francisco earthquake drove home some of Mr. Heyward's comments.

Under the department's proposals, "if we do have an earthquake in California, will we be able to charge 10 times the premium during the year that the earthquake occurs?," Mr. Heyward asked. "The answer to that is: fat chance."

He appealed to reinsurers to "stand shoulder to shoulder with (insurers) to defend actuarially to the consumer groups, regulators and politicians why we need these catastrophe charges built into our premiums."

Mr. Heyward also noted that insurers and their reinsurers need strong balance sheets to withstand claims arising from a major earthquake.

The panel's moderator, Bard E. Bunaes, chairman and chief executive officer of Constitution Reinsurance Corp. of New York, added that while most reinsurers today are able to pay for these losses, insurers should assess their reinsurers' "willingness to pay (claims) and pay fast."

Mr. Heyward also observed that tax laws should be changed so that insurers and reinsurers can reserve for catastrophic losses on a tax-free basis.

And, Mr. Bunaes further urged industry representatives to support establishment of a federal funding mechanism that could respond in the event an earthquake exceeded the insurance industry's capacity to respond. ■

Case Study

Crawford & Company Health Management Services was manually administering utilization review services for 105,000 employees. They wanted a better way to manage their business and a system to support future growth. They found it with CertiFacts – the utilization review system from Erisco. Thanks to CertiFacts, they enhanced their efficiency in providing services and initiated a review program with greater ease for two new clients representing 175,000 employees – a 170% increase in business. Crawford's nurses expedite certifications using the system's medical and surgical criteria to support decisions regarding proposed treatments. Crawford & Company couldn't be happier with their new system. And their new business.

Judge us by the companies we keep. Crawford & Company also benefits from using ClaimFacts, Erisco's health claims management system.

For more information, call or write: Erisco, 1700 Broadway New York, NY 10019 212/765-8500

Enabling our customers to initiate new business with ease. And enhancing their certification process.

That's Erisco.

Erisco

a company of The Dun & Bradstreet Corporation

KEEP COMP COST DOWN

Verify a job applicant's seven year history before you hire

AVERT covers 40 states, providing workers' compensation claims information to thousands of employers. Our 12 state computer data pool has seven years of employee claims histories instantly available by phone or through your computer/modem. We comply with the Fair Credit Reporting Act. Call us. It's legal, it's fair to both parties, and it works.

No sign-up fees, no dues, no membership costs, and no monthly minimums.

WORKERS' COMPENSATION REPORT

BIGTIME TRUCKING CO., INC.
ATTN: RAY CLARK
123 MAIN STREET, SUITE 409
ANYTOWN, CO 88788

SEARCH DATE: 11/27/88 11:22 A
APPLICANT: JONES, CHARLES J. DOB: 01/21/
SSN: 000-00-0000

11/23/85 COLORADO JONES, CHARLES J. 000-00-0000 A. FALL FROM SCA B. SHOULDER(S) D. "01/18/86" E. 10% DISABLED

01/15/86 OREGON JONES, CHARLES J. 000-00-0000 A. FALL ON STA B. SPRAIN, STR C. BACK E. DENIED, PE F. TANBELLINI

03/07/87 KANSAS JONES, CHARLES J. 000-00-0000 A. SLIP OR F B. MUSCLE ST C. BACK D. NO F. POJ CONS

If You're Spending Too Much Time With Your Current Health Plans, Give Us A Minute.

We know you don't have time to waste.
That's why we'd like to talk to you. Briefly. About a less time-consuming way to manage your health benefits program. It's called PARTNERS National Health Plans.®

Our National Accounts Program helps larger employers with multiple locations streamline the number of unrelated health plans they offer. With a national network of 31 HMOs. With one central contact to coordinate your overall program. With benefit options and local administrative support for each location. With consolidated billing to help you track costs.

You see, PARTNERS is the third largest managed care company in America. Backed by Aetna Life Insurance Company and Voluntary Hospitals of America, Inc.,® the largest network of not-for-profit hospitals across the country. This brings hospital providers, physicians and the insurer together as a team. A most efficient arrangement.

Now that didn't take long. And neither will any of our representatives. We hope you talk to one about our National Accounts Program. It will be well worth your time.

PARTNERS
National Health Plans℠

To spend a minute with one of our representatives, call (800) 776-7602. Available for groups of 500 or more employees, in two or more locations.

Pension loans

Continued from page 1

York, the department said employers could limit participation in their loan programs—which typically are offered as part of 401(k) salary reduction plans—to "parties in interest."

Parties in interest, as defined by the Employee Retirement Income Security Act of 1974, include current employees and a very limited number of former employees, such as 10% shareholders and retired or former corporate executives who stay with a company as directors.

That advisory opinion initially was welcomed as a major improvement over the Labor Department's earlier pension loan regulations.

Those earlier rules would have required employers with loan programs to extend the programs to any plan participant—including former employees—with an active account balance.

Employers typically have limited pension loan programs to current employees. Forcing employers to open up those programs to former employees and retirees would have created an enormous administrative burden, benefits experts said.

Payroll deduction—a relatively easy system that employers have relied upon to allow employees to repay their pension loans—would not have been possible with former employees.

As a result, employers would have faced the daunting monthly task of collecting and processing loan repayment checks from possibly hundreds of former employees.

In the face of heated protests from employers and benefit consultants, the Labor Department backed off and issued the advisory opinion that was sent to Buck.

Now, however, benefit experts say compliance with the advisory opinion could lead corporate pension plans to flunk non-discrimination rules enforced by the IRS.

The problem arises principally from Section 401(a)(4) of the Internal Revenue Code. Section 401(a)(4) establishes general rules barring pension plans from discriminating in favor of highly compensated employees. The IRS, as mandated by the Tax Reform Act of 1986, is expected to issue, probably early next year, detailed non-discrimination rules under Section 401(a)(4).

Benefit experts contend that if an employer limits its pension loan program to former employees who are parties in interest and who have an account balance, the IRS could consider the plan discriminatory under Section 401(a)(4).

That is because former employees who are parties in interest—corporate directors and 10% shareholders—would overwhelmingly be highly compensated.

"As such, making loans available to these individuals and not to other former employees could place the plan in a Catch-22 position. This situation could apply to employers of any size," said Frederick Rumack, Buck's director of tax and legal services.

"You are between a rock and a hard place," added Seth Tievsky, an attorney with The Wyatt Co.'s Research and Information Center in Washington, D.C.

> **'I suppose this is better than nothing,' Mr. Saveth says of the clarification of pension loan rules.**

Benefit experts also note that the Labor Department's advisory opinion appears to offer little room for employers to avert the potential conflict with Section 401(a)(4).

For example, an employer could prevent a loan program from being considered non-discriminatory by allowing a limited number of non-highly compensated former employees—who maintained account balances but were not parties in interest—into the loan program.

However, an ambiguous paragraph in the advisory opinion suggests that pension loan programs could not be limited to a select group of former employees who were not parties in interest, benefit consultants say.

If a loan program were extended to one former employee who was not a party in interest and maintained an account balance, it would have to be extended to all former employees, the advisory opinion letter suggests, according to benefit consultants.

Last week, though, a Labor Department official said that interpretation of its advisory opinion was incorrect.

The minimum requirement for a pension plan loan program is that it must be offered to all parties in interest, explained Ivan Strasfeld, director of the Labor Department's Office of Exemption Determinations. The department would not object if employers chose to extend their loan programs to a limited number of non-highly compensated former employees with account balances, he said.

Benefit experts commend the Labor Department for clearing up the ambiguity in the advisory opinion letter, but they say extending loan programs only to certain former employees may create a whole new set of problems.

"I suppose this is better than nothing. But it isn't clear how employers would decide—without causing employee relations problems—those former employees that could participate in a loan program and those that could not," said Foster Higgins' Mr. Saveth.

Employers would face the challenge of structuring the availability of their loan programs to mitigate any potential human relations problems, agreed Frank Roque, a consultant with Hewitt Associates in Lincolnshire, Ill.

Benefit experts admit the saga of the loan rules would resemble a soap opera if the issues involved weren't so important.

Loan programs have become an integral part of 401(k) salary reduction plans—the fastest growing defined contribution pension plan of the 1980s.

Hewitt Associates found last year that 62% of surveyed employers with 401(k) plans offered a loan provision, while another 9% were considering adding a loan provision (*BI* Oct. 3, 1988).

The Hewitt survey also found that the introduction of a loan program significantly increased participation in 401(k) plans by lower-paid employees.

Loan programs assure access to contributed funds, which is especially important to lower-paid employees.

And participation by lower-paid employees is essential in order for a 401(k) plan to meet the tough non-discrimination tests laid down by the 1986 tax law. ■

Letters

Continued from page 8

To the editor: Your Oct. 9 editorial, "A Lesson to be Learned," on the demise of Section 89 pointed out some real problems with the legislative process. It is probably unrealistic to expect senators and representatives to understand the details and potential impact of all legislation they are considering.

However, it is not unrealistic to expect congressional staff to make sincere efforts to learn how business operates and how proposed legislation would affect the real world.

No responsible person should quarrel with the principle of having non-discrimination rules apply to employee benefits that are subsidized by taxpayers through generous tax breaks. However, Section 89 is a classic example of good intentions run amok.

Congress and the business community now need to take a considered look at the situation and develop realistic rules. We have been living with workable non-discrimination rules for pension plans for many years, so we know it can be done.

Your editorial highlighted professional service organizations as the most likely source of medical plan discrimination. What about all the mainstream corporations that provide executives with supplemental medical reimbursement plans?

Employers should not be prevented from providing these extra benefits to executives. However, these benefits should not receive the same favorable tax treatment that is provided for benefits given to rank-and-file employees. No doubt a simple rule could be written that requires executives to be taxed on the value of benefits they receive that the rank-and-file do not.

Thomas D. Ucko
Vp
Director of Research
and Information Services
C&B Consulting Group
Stamford, Conn.

* * *

To the editor: Your Oct. 9 editorial on Section 89, "A Lesson to be Learned," is well-taken, but you were overly hard on business for not protesting earlier in the battle.

How can we know what to fight when our senators and representatives are voting for bills about which they are totally ignorant?

Thom Williams
Vp-Education and Communication
Greenheck Fan Corp.
Schofield, Wis.

Disabled affected by Medicare mess

In your Sept. 4 editorial, which commented on the expansion of the federal Medicare program to cover catastrophic health care costs, you referred to the "elderly" "senior citizens" and "retirees" again and again. You failed to use the term "disabled."

And in the article on pending benefit legislation, including Medicare changes, the words "elderly," "senior citizens" and "retirees" are repeated. No mention is made of "disabled."

Apparently, you are not aware that those receiving Social Security disability benefits also are subject to the $800 maximum surtax that was part of last year's Medicare expansion.

In a situation with which I am personally involved, a 52-year-old stroke victim (who is neither senior nor elderly) receives $343 per month in Social Security disability benefits. Because she and her husband file their federal income tax return jointly, she is liable for the $800 surcharge as she is eligible for Medicare Part B. Additionally, the premium to participate in Part B is $31.90 per month. Do a little arithmetic and see what happens to the $4,116 benefit.

She does not need, does not want and will not use Part A or Part B of Medicare because she is covered under another health care program. Yet, because of the last year's Medicare expansion, she cannot escape Part B eligibility and, thus, the surtax.

The Medicare catastrophic health care program is the catastrophe.

Lou French
Milwaukee

Case Study

UNUM needed an online administrative system to replace their in-house batch system. In searching for a solution, they researched the market and even began developing their own. UNUM found the best answer by far was GroupFacts – the online group life and health administration system from Erisco. UNUM wanted a system with features to meet today's needs and flexibility for the future. Despite extremely tight deadlines, Erisco's unbeatable support came through to assure the smooth installation of GroupFacts. Putting UNUM online, on time.

Judge us by the companies we keep. Besides GroupFacts, UNUM also benefits from using ClaimFacts, Erisco's health claims management system.

Delivering an online group insurance administrative system that pays off. Today and tomorrow.

That's Erisco.

For more information, call or write:
Erisco, 1700 Broadway
New York, NY 10019 212/765-8500

Erisco
a company of The Dun & Bradstreet Corporation

Set your dates with Business Insurance

NOVEMBER

ISSUE	AD CLOSE	FULL-RUN SECTION — EDITORIAL FEATURE	DEMOGRAPHIC SECTION
6	OCT 24*	REINSURANCE: TRENDS & ISSUES Directory: Intermediaries Distribution: NAII	
13	NOV 1		AGENT/BROKER TOPICS: PIA Conference Report
20	NOV 7*	SPECIALTY RISKS: Directory: Property Loss Control	INSURER TOPICS: Reinsurance Issues and Relations with Intermediaries
27	NOV 14*		
DECEMBER			
4	NOV 21*	Distribution: NAIC	AGENT/BROKER TOPICS: Life & Financial Services Sales

New York: 212 210-0228 Chicago: 312 649-5276 Los Angeles: 213 651-3710

Antitrust suit

Continued from page 2

trine, which was presented in response to the Texas attorney general's contention that the insurers' advocacy of tort reform laws and regulatory approval of new commercial general liability policy forms and rates was anti-competitive and violated state antitrust law.

The Noerr-Pennington doctrine permits advocacy of legislation or regulatory action, even when those actions would restrain competition.

In the federal case, Judge Schwarzer found that the states failed to show the companies boycotted lines of coverage, thus violating McCarran-Ferguson. He also granted defendants' motion to dismiss the case on the basis of the state action doctrine.

Unlike the Texas case, the federal court action did not focus on the Noerr-Pennington doctrine because the attorneys general filing the federal court litigation did not claim the defendants tried to influence legislative and regulatory action.

A second motion seeking summary judgment was filed separately by the Insurance Services Office Inc., which alone was charged by the Texas attorney general with violating provisions of the state Deceptive Trade Practices-Consumer Protection Act in connection with the development of its commercial general liability policy forms.

That statute is not applicable to insurance companies, said Bartlett H. McGuire of the Washington, D.C.-based law firm Davis Polk & Wardell, which represents ISO.

Also submitted to the court was an affidavit by ISO Senior Vp Carole Banfield that describes the history of ISO policy form filings in Texas and other states. Voluminous supporting documents were also submitted.

Defendants in the state litigation say they are confident Judge Schwarzer's standing as an antitrust expert will help bolster their own case. Judge Peter Lowry, admittedly, has little trial experience in the field (*BI*, Nov. 7, 1988).

"You have to consider anything Judge Schwarzer wrote on the antitrust law as very persuasive. He's a well-recognized authority," said H. Robert Powell of Austin-based Hughes & Luce, which represents the Reinsurance Assn. of America.

Because the same facts and same law are involved, the federal opinion "has to be very helpful to us," said John Harmon Jr. of Austin-based Graves, Dougherty, Hearon & Moody, which represents United States Fidelity & Guaranty Co. "It's certainly instructive."

"The facts are identical. It's only a question of casting the charges a little differently, and I don't think the result should be any different," said Molly Boast, an attorney with New York-based LeBoeuf, Lamb, Leiby & MacRae. Her firm represents Lloyd's of London underwriter Robin A.G. Jackson and Lloyd's non-marine syndicate 799, which was managed by Merrett Underwriting Agencies Management Ltd. and underwritten by Mr. Jackson.

The absurdity of the case 'is obvious and its legal shortcomings are irremediable,' says defendant ISO.

H. Lee Godfrey, of Houston-based Susman, Godfrey & McGowan, which represents Aetna Casualty & Surety Co., said he does not expect Judge Lowry to dismiss simply because the federal judge did.

But, he added, Judge Lowry will benefit from Judge Schwarzer's analysis and briefing. Judge Schwarzer's dismissal of the case, he said, should make Judge Lowry "more skeptical" of the Texas case and "adds credibility to our arguments," said Mr. Godfrey.

"We're certainly relying heavily on Judge Schwarzer's analysis in our memorandum and in the principles underlying that analysis, which are well-established," said Mr. McGuire.

He said he is confident those principles are applicable to the Texas case as well.

But the attorney general's spokesman is just as confident.

"The federal case has nothing to do with the Texas case. They're completely different," he said.

"Obviously the lawyers are trying everything in desperation," he said. "But they're dreaming if they think they're going to get a summary judgment throwing the case out."

"I don't think their motions are legitimate or realistic," the spokesman said. They are just "trying to get some press for themselves."

Insurer attorneys in the Texas case also believe that while the Noerr-Pennington doctrine, which is based on two Supreme Court cases, was not a focus of the federal case, they have a strong argument for dismissal on that basis.

"It seems to me a fairly straightforward application" of the doctrine, said Curtis L. Frisbie Jr., of Dallas-based Gardere & Wynne, which represents Liberty Mutual Insurance Co.

In charging insurers with violating state antitrust law, the state "ignores the extent to which Texas has replaced competition in the business of insurance with regulation," defendants said in a memorandum supporting the motion for summary judgment.

Under Texas law "defendants' activities involving coverage and rates—including their collective forms-development and ratemaking activities—were subject to regulatory review and oversight. That oversight included active supervision of the standardized policy forms and rates at issue," the memorandum said.

Referring to Judge Schwarzer's decision, the memorandum said the state's "central factual allegations here are in substance the same as the allegations made in the California cases, although certain conclusory assertions and characterizations of the facts are different."

According to the memorandum, the plaintiff states in the federal case had a lesser degree of regulation than did Texas.

"The case is ripe for summary judgment," the memorandum said. "Plaintiff has had two years of multistate prefiling investigation and the discovery of more than a million documents.

"Plaintiff has already repleaded extensively—doubling the size of its petition—in response to special exceptions presented informally by the defendants. After all this, plaintiff cannot in good faith claim that it needs further opportunity to replead in order to cure the defects in its case.

"Nor is there a plausible basis for plaintiff to assert that it needs additional discovery before it can replead or respond to this motion. Indeed, in an Oct. 12 press conference, Attorney General Mattox stated that "the facts in these cases are generally agreed to."

The ISO memorandum notes that the attorney general's complaint related to the state Deceptive Trade Practices Act "centers primarily around alleged misrepresentations and omissions regarding the ISO CGL claims-made policy, a policy that was never offered for sale in the State of Texas because it was never approved by the State Board of Insurance."

ISO is being charged, says the memorandum, with deceiving insurance companies by making "misrepresentations or omissions" about a policy form that was never actually used.

"The absurdity of this claim is obvious, and its legal shortcomings are irremediable," says the memorandum.

Other defendants in the suit are Fireman's Fund Insurance Co., Hartford Fire Insurance Co. and Insurance Co. of North America, a CIGNA Corp. unit. ■

From The Reprint Department Of:
Business Insurance
Reporting weekly for corporate risk, employee benefit and financial executives

Reprints/Permission
If you want copies of articles appearing in BI to distribute at corporate or industry meetings, or for promotional mailings — or permission to produce your own reprints — contact the BI Reprint Dept. We've expanded to provide you with fast, low-cost service. (Minimum print order is 100 copies.) Call or write:
REPRINT DEPARTMENT
Business Insurance
220 East 42nd Street
New York, NY 10017
(212)210-0229.

Article Photocopies
If you missed an article in BI and would like a photocopy — send your request along with $3.50 per copy / per article and a self-addressed envelope to the BI Reprint Dept. Please specify issue date and headline of article. Only pre-paid written requests will be fulfilled.

Issue Sales
For a copy(s) of any back issue of *Business Insurance*, contact Single Copy Sales. Call (313)446-1609.

Deals 'set back' PR efforts

AUSTIN, Texas—Antitrust settlements by Travelers Insurance Co. and St. Paul Fire & Marine Insurance Co. were a "terrible public relations blow" that set insurance industry efforts back a "very long way," according to the president of the Independent Insurance Agents of Texas.

In sharply worded letters to top executives of the two insurers, Marietta McCain said the agreements with Texas authorities—under which each company pays $500,000 in attorneys fees and other costs, but admits no wrongdoing—"undermined" the IIAT's work.

In prepared statements, insurers defended their actions as "realistic" and "prudent" and criticized the "political rhetoric" of Texas Attorney General Jim Mattox.

Saying they wanted to cap legal costs, the insurers earlier this month settled with the attorney general (*BI*, Oct. 16).

In identically worded letters to Edward H. Budd, chairman and chief executive officer of Travelers, and Robert Haugh, St. Paul's chairman and chief executive officer, Ms. McCain said the settlements "set back the public relations efforts of this association and many others in the industry a very long way."

"We have worked very hard over the past several years . . . to overcome the negative image of the industry with legislators and consumers. Settling the antitrust suit did more to erode the public confidence in our industry than you'll know," Ms. McCain said.

Conceding that settling "makes good financial sense from your stockholders' point of view," the letter said, "your company has dealt the industry in Texas a terrible public relations blow at a particularly bad time."

"You have undermined IIAT's efforts to protect the industry from legislative critics and played into the hands of those opposing workers comp reform," Ms. McCain wrote.

"While your balance sheet may show the millions you'll save on legal defense fees, how can you ignore the public relations costs to your own organization and the rest of the industry?" the letter asks.

Both insurers defended their actions by criticizing Mr. Mattox.

"St. Paul did not ignore the public relations aspect. We tried to be as realistic about that as we were about the financial aspects," said the St. Paul, Minn..-based insurer in a statement.

"Whether or not we had settled the suit, we could not have kept Attorney General Mattox from using it to his political advantage. He already has. What is outrageous is that we have become the target while Mattox gets away with grossly misstating the terms of the settlement."

Hartford, Conn.-based Travelers said "if there are public relations problems over this settlement, they have come about because the facts have been lost in political rhetoric."

His willingness to settle for $500,000, or 1% of the $50 million in damages initially requested, "indicates to us the attorney general's lack of confidence in his lawsuit," the statement said.

"We are confident that as the political rhetoric fades the facts will shine through and the public will understand that our decision was simply a prudent way of dealing with a lawsuit that had no merit," Travelers said in its statement.

The IIAT's Ms. McCain said a Travelers regional vp had subsequently explained to her how Mr. Mattox's comments on the settlement were misleading.

She said, however, she would preferred to have had the settlement agreements described to her association before Mr. Mattox's press conference announcing them.

"It certainly would have made it easier for us to explain it to our clients," Ms. McCain said, adding that the agents association has not retracted the letter. "We were left in the dark in regard to that. We only knew what we read in the newspapers. We were really caught off guard with that."

—*By Judy Greenwald*

3 FREE MONTHS

Yes, you can get something for nothing!

By becoming a new 1990 member of the International Foundation *now*, you will receive membership services for the balance of 1989 at *no charge*.

Membership includes quarterly journals, monthly periodicals, regular newsletters and updates, research reports, and discounts on educational programs, books and cassettes for *four* members of your staff. We also offer the most extensive collection of employee benefits information, with online capability through DIALOG.

Your 1990 membership fee will put our experienced staff of 117 to work for you *today*, at *no charge* for the balance of 1989.

If you're not a member, call and let me explain the advantages. My number is (414) 786-6700. I look forward to talking with you.

Marian L. Hansen
Membership Administrative Supervisor

International Foundation
OF EMPLOYEE BENEFIT PLANS
P.O. Box 69 • Brookfield, WI 53008-0069 • (414) 786-6700

The professional marketplace

RATES AND CLOSING TIME:

Rates: *Display classified is $108.50 per column inch, minimum of one inch. Straight classified is $9.00 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional $17.50 charge for all blind box ads. Only those reponses which fit into a business size envelope will be forwarded. Responses are forwarded daily.*

Closing: *Published every Monday. Copy must be in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone copy accepted. Prepayment required for straight advertisements. Mail ads to Margaret Hikido, Classified Advertising, 740 N. Rush St. Chicago, IL 60611. For more information call 312-649-5340. FAX 312-280-3189.*

WORKER'S COMPENSATION ADMINISTRATOR

The State of Vermont, General Services Department, is seeking an administrator responsible for all aspects of the self-insured Worker's Compensation program covering State of Vermont employees.

The successful applicant will have a Bachelor's degree and two years of experience in a Worker's Compensation program or in third party claims adjustment. Preference will be given to applicants with multi-line claims experience.

This is an opportunity to live and work in the Green Mountain State!

Qualified applicants please submit a resume by November 15, 1989 to:

Vermont Department of Personnel
110 State Street
Montpelier, Vermont 05602
Equal Opportunity Employer

TRUCK AGENTS

Stop Wasting Your Time
Improve Your Hit Ratio
Increase Your Market Share
We Sell Truckers X-Dates
"NATIONWIDE"
800-288-XDATES (9328)
Not Available In All States

ACCOUNTANT

The Vermont State Insurance Department seeks CPA auditor for the captive insurance company division. Minimum 2 years' auditing and supervisory experience required. Insurance or risk management experience preferred. Send resume to:

Edward E. Meehan
Department of Banking and Insurance
120 State Street
Montpelier, VT 05602

DIRECTOR OF CLAIMS

National Colonial Insurance Company, with home office located in NJ next to GW Bridge, is looking for a take charge experienced claims professional with expertise in automobile physical damage, and non-standard auto liability. Terrific opportunity, excellent working conditions, benefits package - salary commensurate with experience. Ground floor opportunity with a dynamic concern. Contact or send resume to:

Nick Poschl
Managing Director
National Colonial Insurance Co.
1008 Virgil Avenue
Ridgefield, NJ 07657
(201) 941-7200

CAROLYN DAVIS ASSOCIATES, INC.

STAFFING CONSULTANTS TO THE INSURANCE INDUSTRY

701 Westchester Avenue
Suite 317W
White Plains, NY 10604
914-682-7040

UNDERWRITER/BROKER WANTED

Wholesale Specialty Agcy. looking for Comml. Lines Undwr/Broker & Undwr/Broker Asst. Must have technical background, ability to sell & minimum 3 yrs. ins. experience. Minimal travel. Send resume, reference & salary history to:

Ms. Lois O'Donnell,(Pers. & Conf.)
Skanoo International
Box 4040, Scottsdale, AZ 85261

CONSOLIDATED FREIGHTWAYS, INC.

Consolidated Freightways, Inc., one of the nation's leading transportation companies, and a Fortune 500 company, has immediate career opportunities in our Workers' Compensation Dept. located in Portland, Oregon.

WORKERS' COMPENSATION CLAIMS EXAMINER

The ideal candidate should meet the following qualifications:

- Minimum 5 years claims handling experience
- Proven communication skills
- Sound decision making and analytical skills
- College degree preferred

This position is an excellent opportunity for a well qualified individual. Salary commensurate with experience, plus profit bonus and an unequaled fringe benefit program in the transportation industry. To apply, send resume to:

Consolidated Freightways, Inc.
Personnel Department
P.O. Box 3477
Portland, OR 97208

An equal opportunity employer.

MAXIMIZE YOUR CAPABILITIES, MINIMIZE YOUR RISKS.

Professionals Serving Professionals In Risk & Insurance Management Recruiting.

RICHARD MEYERS & ASSOCIATES, INC.

EXECUTIVE SEARCH CONSULTANTS

573 Springfield Avenue,
Summit, NJ 07901
201 — 522-9444
Fax 201 — 273-5630

For a Concise and Logical Approach to Risk Management Recruiting

LOGIC
Associates, Inc.

EXECUTIVE SEARCH CONSULTANTS

170 Broadway
New York, N.Y. 10038
(212) 227-8000

LEGAL NOTICE

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS COUNTY DEPARTMENT, CHANCERY DIVISION IN THE MATTER OF THE LIQUIDATION OF (AMALGAMATED LABOR LIFE INSURANCE COMPANY) NO. 89 CH.3565

NOTICE

PLEASE TAKE NOTICE, that on July 5, 1989 an Order of Liquidation with Finding of Insolvency was entered against Amalgamated Labor Life Insurance Company ("Amalgamated") by the Honorable Albert Green, Judge of the Circuit Court of Cook County, Illinois. Zack Stamp, Director of Insurance of the State of Illinois, is the Statutory and court affirmed Liquidator of Amalgamated.

TAKE FURTHER NOTICE that pursuant to the Order of said court, all rights and liabilities of Amalgamated and its creditors, policyholders and all other persons interested in its assets are fixed as of July 5, 1989, unless otherwise provided by such other Order of the Court.

TAKE FURTHER NOTICE that any and all persons, partnerships, corporations, associations, estates, trusts and governmental units having or claiming to have any accounts, debts, claims or demands against Amalgamated or claiming any right, title or interest in or to any funds or property of Amalgamated in the possession of the Liquidator are required to file a Proof of Claim with the Liquidator on or before 4:30 p.m. Chicago Time, July 5, 1990.

TAKE FURTHER NOTICE, that the form of and required content of all proofs of claim are described in the Illinois Revised Statutes, 1987, Chapter 73, Paragraph 821. Proofs of claim, together with supporting documents, if any are to be filed with and may be secured from the Special Deputy Liquidator, Amalgamated Labor Life Insurance Company, In Liquidation, 446 East Ontario Street, Suite 700, Chicago, Illinois 60611. Filing shall occur upon the receipt of Proof of Claim by the Liquidator. The Liquidator reserves the right to require such additional information with respect to any claims as he may deem necessary. The Liquidator further reserves all rights to any and all defenses of Amalgamated concerning such claim. All Proofs of Claim must be duly sworn to before an Officer authorized to take oaths.

THE LAST DATE FOR THE FILING OF PROOFS OF CLAIMS WITH THE LIQUIDATOR AT HIS ABOVE MENTIONED OFFICE IS JULY 5, 1990 AT 4:30 P.M., CHICAGO TIME. NO PERSON HAVING OR CLAIMING TO HAVE ANY CLAIMS AGAINST AMALGAMATED LABOR LIFE INSURANCE COMPANY, SHALL PARTICIPATE IN ANY DISTRIBUTION OF THE ASSETS OF THE COMPANY UNLESS SUCH CLAIMS ARE FILED WITH THE LIQUIDATOR ON OR BEFORE JULY 5, 1990 AT 4:30 P.M.

James W. Schacht, Special Deputy Liquidator, Office of the Special Deputy, 446 East Ontario, Suite 700, Chicago, Illinois 60611, (312) 915-4700.

HELP WANTED

EMPLOYEE BENEFITS CONSULTANTS
We are the experts for Employee Benefits Consultants, i.e., Actuaries, Health and Welfare, Managed Health Care, Defined Contributions. Whether a potential candidate or employer, contact Brad Steward for a confidential discussion. **HERITAGE SEARCH CONSULTANTS, INC., P.O. Box 98, Olney, MD 20832. 301/924-1192**

PROPOSALS

ACTUARIAL AUDITING SERVICE
self—insurance pool seeking proposals for an independent actuarial audit. Experience with self-insured government entities preferred but not required. Those interested may receive a Request for Proposal and informational packet by writing **Bergen County Municipal Joint Insurance Fund, One Depot Square, Park Ridge, NJ 07656** before November 10. Cost for informational packet: $50. Please make checks payable to **Joseph L. Vozza Administrative Services, Inc.**

BI CLASSIFIEDS WORK!

WORKERS COMPENSATION SPECIALIST

National property/casualty insurance trade association based in northwest suburb of Chicago seeks a qualified workers compensation specialist to manage regional government and industry affairs activities involving workers compensation issues.

Candidate must have legal, administrative or insurance background in workers compensation area; have a knowledge of technical aspects of the workers compensation system; familiarity with the administrative and legislative process of workers copensation issues is desirable. Send resume with salary history to:

Box 2562
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

HELP WANTED

DIRECTOR OF RISK MANAGEMENT
City of San Bernardino, CA
Salary - $3,846-$4,686 Per Month, + excellent fringe benefit package including fully paid PERS. Requires graduation from an accredited college or university with a Bachelor's degree in Business or Public Administration or closely related field and 3 years recent Risk Management administrative experience in a public agency, including Safety. Additional experience of the specified type may be substituted for education on a year for year basis up to a maximum of 2 years. Submit your resume including salary history and references by November 17, 1989 to: Personnel Department, City of San Bernardino, Reference: DIRECTOR OF RISK MANAGEMENT, San Bernardino, CA 92418, (714) 384-5361. Equal Opportunity/Affirmative Action Employer.

CLEVELAND METROPARKS SYSTEM RISK MANAGER
The Cleveland Metroparks System is actively seeking a Risk Manager to develop, implement and administer a comprehensive risk management program for the Park System, including employee and visitor claims and program management; litigation management and minimization; and comprehensive safety and training programs. QUALIFICATIONS: Education: BA Degree in business, risk management, or related field; law degree and/or legal background preferred. Experience: Three years experience in Risk Management involving a large number of employees and vehicles. Experience with government agencies, non-profit or park systems helpful. Individual should have experience with safety program design and implementation. DEPARTMENT: Personnel. SALARY: $28,158.00 - $37,170.00 FILING DEADLINE: Position open until filled. Send letter of intent, application/resume with salary requirements to: **James Crytzer, Director of Personnel, Cleveland Metroparks System, 4101 Fulton Parkway, Cleveland, Ohio 44144** Equal Opportunity Employer.

Business Insurance Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,659
Vice-Presidents, General Managers and Other Administrative Personnel ... 4,006

Financial:
Chief Financial Officers and Vice-presidents of Finance 2,795
Secretaries, Treasurers, controllers and other Financial Personnel 3,842

Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,719
Sub-total **24,021**

Associations 554
Government, Unions and Educational Institutions 1,417
Commercial Consumers Sub-total **25,992**

Insurance Agents and Brokers 10,515
Insurance Companies 7,673
Actuaries, Consultants, Attorneys, Adjusters, Appraisers and Third Party Administrators 3,800
Others Allied to the Field 2,771
TOTAL **50,751**

* Source Business/Occupational breakdown of qualified circulation, May 29, 1989 issue, as submitted to BPA for June 1989 BPA Publisher's Statement.

RETAIL PRODUCERS WANTED
SPECIALTY PROGRAMS ARE NOW AVAILABLE

Target States

AL. DE. GA. ID. IL. IN. KS. MI. MO. MS. NE. OH. OK. SD. TX. WA. WI. WV. WY.

Target classes for Liability Coverage

- Campgrounds
- Contractors' Bonds
- Day Care Centers
- Go Kart Tracks
- Insurance Agents
- Limousines
- Mini Golf Courses
- Real Estate Agents
- Refuse Haulers
- Restaurants & Bars (Liquors)
- Riding Academies & Stables
- Roofers
- Service Stations (Pollution)
- Rental Car Agencies
- Special Events
- Strategy Games
- Taxi Cabs
- Trade Contractors
- Water Parks & Water Slides

For more information regarding these Programs call:

Toll Free 1-800-272-7230
In Missouri 1-314-997-3666

Or Write To:
A. B. Carter Inc.
10420 Old Olive Rd., P.O. Box 66842
St Louis, MO 63166

VICE PRESIDENT UNDERWRITING

Houston based insurance company/agency group specializing in Medical Professional Liability programs seeks experienced underwriter for senior management position. Individual will be responsible for establishing underwriting policy and management of all underwriting functions including pricing, risk selection and placement of reinsurance. Opportunity to have significant impact on a profitable and growing company. Excellent benefit package and salary potential commensurate with experience. Send complete resume to:

President
Western Indemnity Insurance Company
P.O. Box 79519
Houston, Texas 77279-9519

Advertise in BI Classifieds

For more information, call or write:
Erisco, 1700 Broadway
New York, NY 10019 212/765-8500
Erisco
DB a company of The Dun & Bradstreet Corporation

All other foreign ☐ $102 Rates on request
☐ new subscription. ☐ renewal. ☐ payment enclosed.
☐ bill me. ☐ bill company.
☐ Please send information on your special 20%-off group rate for five or more subscriptions.
☐ business or ☐ home address
city state/country zip/postal code
☐ I prefer not to receive information or advertising by mail from companies not affiliated with Crain Communications.
Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207 4COU9

Union buys employees assault cover

By MICHAEL SCHACHNER

Benefit beat

Approximately 53,100 members of the New York State Public Employees Federation union of white-collar professionals are now insured for injuries resulting from assaults and kidnappings.

Under the union-paid assault trauma and attack coverage, written by underwriters at Lloyd's of London, all union members are eligible for assault and kidnap benefits ranging from $2,500 to one year's salary, the union announced earlier this month.

The benefits are provided in addition to members' workers compensation entitlement, disability payments or life insurance.

PEF members include such professionals as doctors, lawyers, nurses, parole officers, teachers and engineers.

The two-year policy was coordinated and brokered by Jardine Group Services Corp. in Schenectady, N.Y., a subsidiary of Jardine, Emmet & Chandler Inc. in San Francisco. Jardine also will administer the program.

Lloyd's non-marine syndicates 718 and 782, managed by Oxford Syndicate Management Ltd. and Oxford Underwriting Agencies Ltd., respectively, are the lead underwriters on the PEF program, writing about 16.3% of the coverage, said Nels Carlson, executive vp with Jardine in Schenectady. Mr. Carlson worked with the PEF's Membership Benefits Program to develop the coverage.

A total of "11 or 12" underwriters are writing the coverage, he said.

Mr. Carlson declined to comment on the premium.

Under the policy, PEF members who are assaulted on the job or on their way to or from work receive $2,500. Claimants must submit to the union a police report and a doctor's statement verifying the assault.

The policy adopts the New York State Penal Law definition of an "assault." The law states: "A criminal assault occurs when the actor causes physical injury to the victim. Physical injury means impairment of physical condition or substantial pain.

The policy also provides up to $10,000 in benefits for death or dismemberment or permanent total disability resulting from an assault.

If a union member is kidnapped while on the job, held hostage for more than 12 hours and is unharmed, the policy provides benefits equal to half a year's basic salary.

A hostage situation that lasts fewer than 12 hours is considered an assault under the policy.

If the union member is harmed or killed during the incident, the policy would provide a benefit equal to a full year's basic salary.

Eligible beneficiaries are a spouse, children, parents or siblings.

PEF members earn an average of $37,000 annually, according to a PEF spokesman in Albany, N.Y.

The policy is the first anywhere to combine coverage for injuries resulting from assault and kidnapping, according to Mr. Carlson.

Jardine earlier this year placed a one-year policy at Lloyd's for Council 82 in New York, which represents most of the state's prison guards and other correctional officers, that covers prison guards for injuries resulting from being taken hostage (*BI*, Jan. 23).

The PEF program also "addresses the trauma portion of an

Continued on next page

The professional marketplace

Advertise in
The Professional Marketplace
FAX your classifieds for the next issue:
FAX: 312/280-3189
PHONE: 312/649-5340
Contact: Margaret Hikido to reserve space.

NOTICE
Effective September 1, 1989, the Intrepid Insurance Company (domiciled in West Virginia), has severed all relations with the following individuals: Mr. Robert W. Urbine, Greensboro, N.C.; Mr. Kent Urbine, Greensboro, N.C.; and Mr. Kevin M Urbine, Harrisonburg, VA. These individuals have no authority to quote, bind, or issue policies of insurance or represent in any way the Intrepid Insurance Company.
The Board of Directors
The Intrepid Insurance Company.

GROUP INSURANCE
Account Executive wanted by Orange County, CA insurance broker. Accounts and leads furnished. Retired or semi-retired O.K.
Box 2559
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

ACTUARY
Newly purchased P&C writer of nn-standard Auto and Specialty lines requires an individual to set rates, assist in filings and evaluate pricing. Ideal candidate will have completed 4 or 5 exams and has 3 or so years experience. Ground floor opportunity. Salary commensurate with experience. Ideal location near GW bridge in N.J. Send Resume to:
Personnel
The DSN Companies Inc.
PO Box 3156
Ridgefield, NJ 07657

UNDERWRITING MANAGER
Career opportunity to work for a leading underwriter of student accident and sickness insurance. Responsibilities include administrative duties as well as filing of forms and rates. A comprehensive background in benefit products and knowledge of rate making necessary. Claims experience and Brokers/Agents A&H license preferred. An extensive benefits package including a 401K plan is offered. Come join our team! E.O.E.
Reply to:
Box 2563
Business Insurance
740 Rush St.
Chicago, IL 60611-2590

SPECIALTY RISKS

Photo: Mary Dunham

Publishing Date:
November 20, 1989

Ad Closing Date:
November 7, 1989

Toxic waste ... environmental pollution ... by-products of manufacturing ... or accidental spills ... it's affecting us all at an alarming rate.

As American businesses face the challenges of environmental risks they're also confronted by the question of who will foot the bill for clean-up.

Readers of Business Insurance, representing major corporations worldwide, and their insurers, reinsurers, agents and brokers, will turn to BI's feature issue — Specialty Risks — for news and information on how to finance environmental risks and how to control the damage.

In addition, editors will update their annual report on financial guarantee insurance products and examine the special risks facing the entertainment industry.

For the executives who need to respond to special risks, BI editors have updated the annual Property Loss Control Directory which lists consultants, engineers, insurance companies, brokers and others who provide inspections, building plan review, research and training services.

Advertise in the November 20 issue of Business Insurance and reach top management executives who have bottom line responsibility for identifying and overseeing their corporate specialty risks. Call today — ad closing is November 7.

Business Insurance
a publication of Crain Communications Inc

New York: 212/210-0228
Chicago: 312/649-5276
Los Angeles: 213/651-3710

Benefit beat

Continued from previous page
assault, which is very important," Mr. Carlson pointed out.

"Thousands of PEF members each day put their lives on the line when they report to work," said PEF President Rand Condell.

"This unique insurance program will help members who are assaulted on the job recuperate both physically and mentally from the trauma and stress of the attack."

The State Civil Service does not compile figures on the number of PEF members who are assaulted while on the job, the PEF spokesman said.

PEF is the largest union of white-collar professionals in the United States and the second-largest public employee union in New York, behind the Civil Service Employees Assn., which represents more than 200,000 state and local workers, according the PEF spokesman.

Legal services

Unionized workers at Caterpillar Inc. are now covered for basic legal services under a new plan paid for by the Peoria, Ill.-based company.

As part of its two-year labor agreement with the United Auto Workers, Caterpillar will provide about 32,000 UAW employees, retirees and dependents a wide range of legal services at no cost through Cleveland-based Hyatt Legal Services.

Under the plan, Caterpillar employees can obtain legal services including unlimited consultation related to wills, document preparation, personal bankruptcy, divorce, custody, uncontested adoptions, consumer matters, civil litigation and defense of misdemeanor charges and traffic violations.

The plan virtually mirrors a plan the UAW and Moline, Ill.-based Deere & Co. agreed to in August (*BI*, Aug. 21).

The largest concentration of Caterpillar employees who are UAW members are in Peoria, Decatur and Aurora, Ill., and York, Pa.

Participants in the UAW-Caterpillar legal plan may seek advise from Hyatt's 500 attorneys in any of the firm's 173 offices nationwide. Employees who live in areas where Hyatt does not have offices can access 650 selected lawyers who have subcontracted with Hyatt.

Health rankings

The life expectancy of residents of Utah—the state with healthiest population—is 2½ years longer than that of the citizens of Delaware, according to a report on the relative healthiness of each states' population by Northwestern National Life Insurance Co.

Compared with Delaware citizens, Utah residents on average have one-sixth as many contagious diseases, smoke half as many cigarettes and purchase half as much alcohol, reports the 95-page "NWNL State Health Rankings."

The next nine states with the healthiest populations are North Dakota, Idaho, Minnesota, Hawaii, Vermont, Nebraska, Colorado, Wyoming and Montana, according to the report.

The next nine states with the least healthy populations are Mississippi, Michigan, Nevada, South Carolina, Georgia, Florida, Maryland, Alabama and North Carolina, the report says.

NWNL created the rankings by combining 16 commonly accepted health measurement criteria available from government and public health organizations into six factors: life span, or the highest life expectancy at birth; rate of major illness; lifestyle and health habits; access to health care; lost work and school days; and mortality, or the lowest total death rates, infant deaths and the rate of premature death.

Utah ranked first for the lowest rate of major illness and the best lifestyle, third in life span, and 10th in lost work and school days. However, it ranked 38th in access to health care.

"You'll probably find a pretty good correlation between health and genetics, education, a clean environment and even the cultural background" to explain the difference in mortality in the various states, said Fredric Sattler, head of NWNL's managed health care division.

However, "there's less of a relation between health and income," he said. For example, he pointed out that "Montana, one of the Top 10 healthy states, has a median income much below the national average."

The "NWNL State Health Rankings" is free from Northwestern National Life Insurance Co., P.O. Box 20, Route 6525, Minneapolis, Minn. 55440; 612-342-7137. ■

At issue

Are you reassessing your earthquake coverage limits?

John R. Rath
director of insurance & risk management
Archdiocese of Los Angeles,
Los Angeles

The Los Angeles Archdiocese has earthquake coverage on its real and personal property. We previously had prepared an exposure site impact report for our numerous churches and schools. Based on this report, we can conclude our earthquake insurance limits are adequate for an earthquake similar in magnitude to the recent Northern California earthquake.

Chris Jordan
manager-risk & insurance
Collins Foods International Inc.,
Los Angeles

We were fortunate in the recent San Francisco earthquake: We sustained minor damage to one unit (in Northern California) and lost off-site power for three days in two other units. While we do periodically reassess our exposures and the capacity of the earthquake insurance markets, we plan no adjustment of our coverages in the aftermath of the earthquake.

Bruno Mazzotta
director-risk management
St. Louis University,
St. Louis

We've had earthquake insurance, with a $50 million limit, since 1982. However, in light of predictions that a major earthquake could hit this area in 10 or 20 years, we'll probably increase that coverage to the extent that it is available. I'd also like to look at our buildings' stability, but the expense of determining what action to take will be considerable.

Henry L. Burghard
assistant treasurer
General Dynamics Corp.,
St. Louis

General Dynamics maintains earthquake insurance on all its facilities, and despite the recent earthquake in California, we do not plan to increase our coverage limits. The limits currently maintained were based on anticipated exposure for damage at any given location. The Bay Area quake has not changed those exposures.

Compiled by Christine Woolsey

HMO
1990 DIRECTORY
PPO

The third annual Business Insurance HMO/PPO Directory will be published in December as an extra issue. This directory will provide more than 155,000* BI readers with a ready reference to over 1,000 HMOs and PPOs across the country.

In addition, BI editors will provide articles assessing HMOs and PPOs, trends in the marketplace, opinions from benefit managers on these alternative systems and will also rank the 10 largest general service HMOs and PPOs.

Only BI provides its readers with a unique editorial mix of news, trends and directories. As an advertiser you can benefit greatly from this all encompassing editorial menu.

Reserve space today in this extra issue and special directory — a unique and cost effective advertising vehicle that will be used throughout 1990.

* includes pass-along

Directory listings are geographically arranged and alphabetically indexed. Listings include:

- provider name
- address
- telephone
- date operational
- profit/non-profit status
- ownership/sponsorship
- regions served
- users
- actual enrollment figures as of 9/30/89
- estimated enrollment effective 1/1/90
- extensive staff listings
- facilities listings
- officers
- revenues
- plus, specialized information

Publishing: December 1989
Ad Closing: November 22

Business Insurance
a publication of Crain Communications Inc

New York: 212/210-0228 Chicago: 312/649-5276 Los Angeles: 213/651-3710

Quake losses

Continued from page 1

the department's preliminary estimate of insured losses following the 1987 quake in Whittier was $20 million and that insurers later reported losses of $73 million.

Meanwhile, the psychological impact of the earthquake and Hurricane Hugo, rather than the financial sting, could cause the market to harden.

Insurers have the financial wherewithal to handle Hugo and earthquake losses, it is agreed. But those two catastrophes, along with the "mini-crash" in the stock market earlier this month and the Philips plastics plant explosion last week, are making insurers jittery.

"The real question is: Can the market sustain those kinds of catastrophic losses? Certainly from the standpoint of its resources it can. But what it will do in light of the soft market we now have, that is an open question," said Charles L. Ruoff, senior vp at broker Fred S. James & Co. in New York.

"From a psychological point of view, it brings into focus the fact that the market is quite vulnerable in its earnings to these natural catastrophes," he said.

J. Bransford Wallace, chief executive officer of Corroon & Black Brokerage Services Inc. in Nashville, Tenn., agreed that two natural disasters so close together "tends, from a psychological standpoint, to make carriers a bit uneasy. Although they say they can handle it, the psychology may be reflected in the markets and the January renewals."

"Although dollar costs (from earthquake losses) may not substantially reduce capacity or surplus, the psychology is that there is the potential for catastrophes and a couple more catastrophes could easily reduce capacity substantially," said Alden "Trip" Ames, president of San-Francisco-based broker American Business Insurance Inc.

Insurers, perhaps skittish about discussing rate trends in light of the past charges of collusion by state attorneys general, are not being too specific about the effect the catastrophes will have on rates.

In fact, at a reinsurance conference sponsored by the Insurance Information Institute, the III's general counsel, Timothy J. Clark of Debevoise & Plimpton in New York, advised attendees not to predict what will happen to commercial property/casualty rates as a result of the recent catastrophes because of the perception it might create.

Brokers, however, had more to say about how the spate of recent catastrophes will affect the market.

Mr. Wallace said that although nervous insurers may push up property rates slightly at January renewals, he's not sure there will be any significant price increases.

Underwriters are indicating there will be "some definite reaction in London. On the property side, we will see some rate buildup, especially on (highly protected risks)," he said.

But while some rates may go up "moderately" in London and the United States, "I am skeptical as to what we will see across the broad market," Mr. Wallace remarked.

Dan Batonick, deputy manager of the property department at New York-based broker Johnson & Higgins, said: "It seems a lot of large commercial insurers haven't been hurt that bad. It seems the big skyscrapers fared very well. More personal lines insurers were hurt."

Earthquake insurance prices will rise as a result of the quake, he predicted, and insurers will be "looking at it a lot more closely."

James' Mr. Ruoff noted that "there could be a change in the market, especially on the property side, if not on the casualty side, as well.

"I think what will happen is the slide in rates will stop. Whether there will be an increase, we will probably see that on the property side because of the cost to reinstate catastrophe protection. I see reason for the market changing direction, at least not dropping further."

Insurers last week still were totaling claims from the Bay Area.

Bloomington, Ill.-based State Farm Mutual Automobile Insurance Co. and its affiliates are estimating they will pay at least $300 million in claims on top of an estimated $475 million in claims expected from Hurricane Hugo. State Farm also expects around $5.7 million in claims as a result of Hurricane Jerry.

State Farm late last week had received around 8,500 claims from the quake-damage Bay Area, with around 1,300 of those for "severe damage," the spokesman said.

Fireman's Fund Insurance Co. of Novato, Calif., is predicting claims may reach $200 million from the earthquake, translating to a $50 million hit to the insurer's profits after taxes and reinsurance.

A spokesman at Northbrook, Ill.-based Allstate Insurance Co. said it has "about 60,500 customers in the affected area that carried quake coverage." Allstate has handled about 5,000 claims as of last week.

Sears, Roebuck & Co., Allstate's parent, announced last week that Hurricane Hugo was the greatest single cause of losses in Allstate's history. The company said Hugo losses currently total $250 million before reinsurance and that its net loss from Hugo is about $80 million.

Sears said losses from the earthquake will not be as severe.

CIGNA Corp. in Philadelphia said earthquake claims volume last week remained low, but the amount of those claims was unavailable.

The California Insurance Department is considering the effect of earthquake claims on insurers' profitability as it prepares to implement new rate regulation.

A department spokeswoman said that hearings on the implementation of Proposition 103, which begin today, will consider the effect of the quake on insurers' profits as the department decides what is a fair rate of return for California insurers.

While the timing was tight for insurance companies that were forced to reinstate property catastrophe reinsurance limits after Hurricane Hugo, several companies reported their reinsurance programs will respond to the earthquake claims.

A CIGNA spokesman said, "All our reinstatements are in place."

The Fireman's Fund spokesman said, "We have 13 different reinsurance arrangements with various sources. These are long-standing, carefully maintained relationships."

State Farm, meanwhile, had no reinsurance to pay claims from Hugo or the earthquake because the insurer stopped purchasing reinsurance "a few years ago," said the State Farm spokesman. "Our exposure had grown to the point where we couldn't buy enough to cover it all."

State Farm had $15.9 billion in surplus at year-end 1988.

While Mr. Ruoff said "it's a possibility" some insurers failed to reinstate reinsurance coverage before the quake, he added that "reinstatements are not a significant problem to accommodate as long as you're willing to pay the price."

However, Peter Godfrey, executive vp of Frank B. Hall & Co. Inc., noted the "possibility that some companies had decided not to reinstate or hadn't been able to, and there are some big net lines out there."

Edmond F. Rondepierre, senior vp and general counsel for General Reinsurance Corp. in Stamford, Conn., said the extent of an insurer's catastrophic reinsurance protection after Hugo "depends on how the guy bought his reinsurance."

Most reinsurance forms provide for one automatic reinstatement of limits, but others leave the decision to reinstate up to the buyer, he noted.

Meanwhile, Berkshire Hathaway Group now is offering reinstatement coverage to reinsurers and insurers without catastrophe coverage.

It will write an aggregate limit of $250 million with a $100 million limit for any one program, said Ajit Jain, president of specialty risk operations in New York. In most cases, the coverage will remain in effect until next year's treaty takes effect, he said.

Mr. Jain said that premiums equaling 75% to 100% of the 12-month premium "probably is a good range" of what Berkshire Hathaway is charging, but pricing could vary.

Berkshire Hathaway wrote 12 contracts during the first four days it offered the coverage, he said.

While industry observers attempted to estimate insured quake losses, risk managers, brokers and insurers were attempting to ascertain what damage was insurable.

"There are drastically different contracts" that must be studied to determine coverage, pointed out Connie Lawrence, vp at Jardine Emmett & Chandler Inc. in Los Angeles.

As has been widely reported, only about 20% of homeowners and about the same percentage of businesses statewide nuy earthquake insurance, or coverage for damage caused by earth movement, though some noted a higher percentage of Bay Area policyholders buy quake coverage.

The standard commercial property insurance policy excludes damages caused by earth movement, but would cover a direct loss caused by fire, explosion, breakage of glass or glazing material and the sudden tearing apart of water pipes.

But, each case must be examined. Mr. Batonick, for example, noted there could be fire damage coverage problems with a "all-risk policy that excludes earthquake. Some policies say any losses caused by or as the result of an earthquake are not covered."

The State Farm spokesman said that its property policies cover damage from fire, explosions or glass breakage that result from an earthquake even if the policyholder did not buy an earthquake endorsement.

Business interruption policies probably will pay losses following the quake, though these policies may be harder to interpret.

For example, said Mr. Godfrey, "say you have a factory that is not damaged, but the access roads are and your employees can't get to work. That's probably not covered," unless the policyholder had purchased off-premises coverage.

Although some property owners' damage will be covered even though they did not purchase earthquake coverage, "most damage was earthquake damage," like collapsed buildings, said David Stolls, chief of the claims area at the California Department of Insurance. "But we're urging businesses to file claims" since policies vary, he said.

One business in the Bay Area has reported major damage: San Francisco-based Pacific Gas & Electric Co. suffered at least $100 million in damages, not including business interruption losses.

Damage to natural gas lines in the Marina District, which are being replaced, totaled $10 million, he noted.

PG&E has $175 million in all-risk property insurance, including earthquake coverage, with a $25 million deductible, a spokesman said. Citing numerous insurers, the spokesman said the coverage is primarily written in the London market.

Otherwise, commercial damage is believed to have been light.

Peter McDonough, risk manager for BankAmerica Corp. in San Francisco, said: "We came through with unbelievably light damage."

The bank does not expect to tap its earthquake coverage, which includes a $25 million deductible, he said. But, he added, it is too soon to estimate the amount of damage.

But he said "it is conceivable" that claims that can be filed under its all-risk property policy, which excludes earthquake shock damage, could exceed that coverage's $500,000 deductible.

BankAmerica's property and earthquake coverage is written by a consortium of insurers led by The Home Insurance Co., he said. ■

Leading writers of quake cover

Following are the leading writers of personal and commercial earthquake insurance in California, based on gross premium volume. The data is based on insurers' 1988 annual statements filed with the California Insurance Department:

- State Farm Fire & Casualty Co., $55,643,604.
- Allstate Insurance Co., $38,840,655.
- Fire Insurance Exchange, a unit of Farmers Group Inc., $30,115,734.
- Aetna Casualty & Surety Co., $24,890,521.
- Allianz Insurance Group, $15,539,639.
- United Services Auto Assn., $11,454,184.
- Twentieth Century Insurance Co., $9,283,882.
- California State Auto Assn., $8,859,260.
- SAFECO Insurance Co. of America, $8,705,866.
- Transamerica Corp., $7,962,996.

Bush approves relief for quake victims

By ADRIENNE C. LOCKE

WASHINGTON—A record amount of federal disaster relief funds is available to California earthquake victims.

President Bush Thursday signed a record $2.85 billion disaster relief bill, most of it earmarked for earthquake relief. The latest appropriation brings total federal aid for earthquake relief to $3.18 billion.

Under the new bill, funds are available for: overseeing the overall federal relief effort, setting up disaster relief centers and arranging military delivery of emergency supplies; highway reconstruction; and small business disaster assistance.

More than 600 additional field personnel hired for claims processing and verification and other duties brings the Federal Emergency Management Administration field personnel to more than 3,000, said a spokesman.

"The average disaster" may bring 2,000 to 3,000 applications for relief, but in South Carolina alone more than 50,000 people have applied for emergency relief, he said.

Another 200,000 people in Puerto Rico and 12,000 to 13,000 in the Virgin Islands have applied, he said.

South Carolina relief efforts will cost the federal government $250 million, he estimated.

San Francisco FEMA centers, which opened five days after the temblor hit the Bay area, received 6,700 applications their first day.

Meanwhile, federal disaster relief efforts are getting high marks from the victims of an earthquake that registered 5.9 on the Richter scale in Whittier, Calif., on Oct. 1, 1987.

"They are slower than you like, because when you have a disaster, everything that is needed is needed immediately. But for the most part, they were terrific," said Whittier City Manager Thomas Mauk.

Quake victims heading to court

By CHRISTINE WOOLSEY

SAN FRANCISCO—The aftershocks of the California earthquake are reaching the courts.

Ten wrongful death suits are being prepared by plaintiffs' attorney Melvin M. Belli Sr. against the state of California on behalf of survivors of people killed when a mile-long section of I-880, known as the Nimitz Freeway, collapsed in Oakland.

Mr. Belli's firm in San Francisco also is preparing three or four wrongful death suits for individuals against several San Francisco property owners alleging they had been notified prior to the earthquake that their buildings were unsafe.

Two personal injury claims against the state on behalf of two survivors who were on the top portion of the highway that collapsed are being filed by R. Lewis Van Blois of Van Blois & Knowles in Oakland. He is preparing three additional personal injury claims and says he expects to handle many more.

So far 63 deaths have been attributed to the Oct. 17 earthquake, which last week was upgraded to 7.1 from 6.9 on the Richter scale.

No other claims related to the earthquake had been filed with the state. Neither attorney would estimate the amount of damages being sought.

State law does not allow plaintiffs to recover non-economic damages from a government entity, though punitive damages for wrongful death can be awarded (*BI*, Oct. 23).

In addition, a spate of litigation is expected against builders, architects, contractors, designers, the state government and possibly even the federal government.

"Based on the damage done and the amount of people involved, we expect claims to be coming in at a fast and furious pace," said a spokeswoman for the State Board of Control in Sacramento, Calif., which handles all litigation involving state agencies.

But it will take at least six months of investigation to pinpoint specific principal defendants, said Larry Drivon of Drivon, Tabak, Winger & Ringhoff in Stockton, Calif., president-elect of the California Trial Lawyers Assn. For example, investigators will have to determine whether construction of the overpass met designers' specifications, whether engineers conducted the appropriate maintenance and what seismic safety reviews were conducted, he explained.

"There are as many potential scenarios as there are collapsed buildings," he said.

Mr. Drivon said his firm is not accepting any earthquake cases, pointing out that the California bar and trial lawyers associations have expressed concern about unscrupulous lawyers exploiting the disaster. In a press release after the quake, the bar association cited professional standards in advising potential plaintiffs to contact county bar referral services.

Phillips explosion

Continued from page 1

at as much as $1 billion.

A broker in the London market said the cost to rebuild the damaged facility could exceed $400 million.

Philip Hallett, director of Bowring Marine & Energy Ltd. in London, one of Phillips' brokers, said loss adjusters have not yet made any assessment of the likely loss, calling it too early to expect one.

Mr. Hallett also denied a report that a representative of Marsh & McLennan Cos. Inc. had informed a London underwriter on the wraparound program to expect the loss to be $550 million: $170 million in property damage and $380 million in business interruption.

It's certain, however, that the business interruption loss will be in the hundreds of millions of dollars. The plant produced 1.5 billion pounds per year of high-density polyethylene, a plastic resin used in the production of such items as milk jugs, film and pipe. Depending on the grade, HDPE sells at 35 cents to 45 cents a pound.

The Phillips loss could rival the 500 million deutsche marks ($272 million) insured business interruption loss at a BASF A.G. plant earlier this year (*BI*, April 10) and the estimated $200 million business interruption loss involving a Hoechst Celanese Corp. chemical plant in Pampa, Texas (see related story).

The Phillips' business interruption claim is expected to be extremely complex to adjust because it will involve not only the severely damaged HDPE plant but also two nearby Phillips plants in the complex that produce other products and three other plants elsewhere that supply materials or use its products.

The effect on businesses that rely on HDPE supplies is expected to be minimal, except for certain markets that include manufacturers of milk and water jugs and high-pressure pipe, where some short-term disruption may occur. Suppliers' HDPE inventories are high, and new production facilities are coming on line over the next 12 months. And, the ethylene that Philips will not require until production of HDPE is resumed is expected to be offered in the world market, which until late 1988 had been in short supply (see story, page 16).

Damage to the complex was heaviest in the HDPE plant, where the blast occurred. Much of that part of the complex, which sits on a 800-acre site between a state highway and the Houston Ship Channel, "will have to be razed and rebuilt," according to a Phillips spokesman. "We don't know how long it will take."

After the explosion, the channel was closed because of the heavy smoke that made traveling the waterway treacherous.

Between the HDPE unit, which is closest to the highway, and the ship channel lie two other manufacturing units. A plant producing polypropylene and another that makes a plastic called K-Resin were damaged but not as extensively.

The only damage reported to third parties involved broken windows at an area school.

Bermuda-based OIL Insurance Ltd. underwrites basic actual cash value insurance for the Pasadena plant to $300 million, in two $150 million layers, subject to a $10 million self-insured retention by Phillips, according to industry sources.

On the $150 million excess layer, OIL retains $50 million and the remainder is reinsured through Lloyd's syndicates managed by Janson Green Management Ltd. and Three Quays Underwriting Management.

A $1 billion wraparound program providing blanket business interruption cover, and depreciation coverage on property damage is written in four layers, with a $50 million deductible on business interruption and a $1 million deductible on depreciation, industry sources said.

Bartlesville, Okla.-based Phillips declined to discuss its insurance coverage, except to say it is adequate to cover the loss after it pays $70 million. Phillips would not comment on how it arrived at its $70 million cost or industry reports that its property and business interruption retentions total $61 million.

Forty percent of the wraparound program's $200 million primary layer is written by Hartford, Conn.-based Industrial Risk Insurers, a consortium of U.S. insurance companies, industry sources agree. IRI would not confirm its participation.

The other insurers that share the primary layer and their participation, according to industry sources, are:

- Starr Technical Risks Agency Inc., a unit of American International Group Inc. in New York, which wrote 15.5% of the coverage through AIG companies.
- The Home Insurance Co. of New York, 10%.
- Reliance National Risks Specialists in New York, a unit of Reliance Insurance Cos., 9.67%.
- Insurance Co. of North America in Philadelphia, a CIGNA Corp. unit, 5%.
- Commonwealth Insurance Co., a Vancouver, British Columbia-based unit of The Home Insurance Co., 4%.
- Lexington Insurance Co., a Boston-based unit of AIG, 2.5%
- Heddington Insurance Co., a subsidiary of Texaco Oil Co., 1.5%.
- SCOR Reinsurance Co. in New York, 1%.

Other participants on the layer include foreign insurers.

A $350 million layer excess of $200 million is written by underwriters at Lloyd's of London and Norwegian companies, sources say. Of that layer, $150 million is led at Lloyd's by marine underwriter Chris Rome.

Mr. Rome said he agreed to renewal terms with Phillips during the week before the explosion. Even though the policy wasn't signed at the time of the blast, he said terms and conditions of the coverage would remain as discussed.

"Phillips is a valued customer and we had already agreed to terms," said Mr. Rome. Any changes in terms or rates "will be next year's problem," he remarked.

Although the leaders have agreed to the terms of the renewal, the several placing brokers may have problems completing the slip as following underwriters will likely want to change the rates or terms.

A $250 million layer excess of $550 million in the wraparound coverage is shared by many U.S. and foreign insurers, including insurers that participate on the primary layer. The largest participations are: INA, with 19.4%; Lloyd's and British companies, 19.36%; Starr Technical, 17.6%; Commonwealth, 6.2%; SCOR Re, 5.65%; IRI, 5%; Storebrand International Insurance A/S, 4%; Reliance, 3.66%; and Lexington, 2.5%.

The $200 million layer excess of $800 million is written by IRI, industry sources say.

While M&M says there is no estimate of the loss, consultant Tom Beasley of Chemical Market Associates Inc. in Houston said: "I could guess that it's going to take $800 million to $1 billion" to rebuild the damaged plant.

Mr. Beasley, who surveyed the site from an airplane, said, "In my opinion, the polyethylene system is virtually destroyed."

The Phillips spokesman said the HDPE unit accounted for 70% of all the output at the Pasadena facility. Mr. Beasley estimated that the 1.5 billion pounds of HDPE produced there annually was 17% of the nation's supply.

Rebuilding the HDPE plant will "take a lot of money and could take as long as two years," Mr. Beasley speculated.

In addition, business interruption losses will be boosted because production at five other Phillips facilities that provided materials to the Pasadena plant or used its products will be affected.

Production at two of the facilities on the site, the polypropylene and K-Resin units, is likely to be interrupted for only a short period, Phillips says.

A subsidiary in Sweeney, Texas, the Sweeney Refinery and Petrochemical Complex, provides ethylene and propylene that was used at the Pasadena facility. Phillips can sell or store the excess materials.

In addition, two other Phillips businesses used the products manufactured at the Pasadena site: Phillips Driscopipe in Richardson, Texas, and Phillips Fibers Inc.

Driscopipe is Phillips' high-pressure pipe manufacturing business that relied heavily on supplies from the Pasadena plant: 200 million pounds of HDPE a year. The total market for that type of specialized pipe is only 400 million pounds, making Phillips the producer of half the market's supply.

Underwriters also say Phillips has at least $550 million of liability insurance to pay third-party losses, although the only damage known is to the school's windows.

Of the liability coverage, $200 million is written by A.C.E. Insurance Co. Ltd. in Bermuda, according to underwriters. A $150 million layer excess of $400 million is written in the London market, sources say.

•

Associate Editor Carolyn Aldred and International Editor Stacy Shapiro in London contributed to this report, as did reporters at Plastics News, another publication of Crain Communications Inc.

Celanese claim still not settled

HAMILTON, Bermuda—Hoechst Celanese Corp. and a Bermuda captive reinsurance pool still have not agreed on how much Hoechst Celanese will recover after a 1987 explosion at its Pampa, Texas, chemical plant.

Hoechst Celanese in August filed a $600 million proof of claim for property damage and business interruption losses sustained in the plant explosion.

The $600 million claim is far larger than the $360 million estimate reported earlier by Hopewell International Insurance Ltd., the giant Bermuda-based captive reinsurance pool that reinsured Elwood Insurance Co. Ltd., Hoechst Celanese's Bermuda captive (*BI*, March 30, 1987).

Despite the unexpected size of the claim, however, GAB Services —which is adjusting the loss for Elwood—has not changed its recommended reserve of $360 million for the loss, said Arthur H. Deters, chairman of International Risk Management Ltd., Hopewell's manager.

Mr. Deters said that most of the discrepancy between Hoechst Celanese's claim and the current loss reserve relates to the property damage portion of the claim.

Of the $360 million reserve, $160 million represents property damage and $200 million represents business interruption losses, he noted.

Hoechst Celanese has claimed significantly more than $160 million for the cost of rebuilding the damaged portions of the plant, Mr. Deters indicated, though he said he could not provide the exact amount of the claim.

Adjusters are now poring over a "monumental" amount of documentation supporting the property damage claim to determine which elements of the rebuilding cost are insured and which are not, Mr. Deters said.

Although property insurance on the plant was written on a replacement-cost basis, certain additions or changes to the plant during rebuilding may not be covered, Mr. Deters explained. These may include costs of upgrading sections of the facility that were not directly damaged in the explosion but that now must be tied into newly rebuilt sections, he noted.

Hoechst Celanese's business interruption claim is also somewhat higher than the $200 million reserved, though such discrepancies are not out of the ordinary for business interruption claims, Mr. Deters added.

Adjusters may take as long as six months to complete their review of the proof of loss, he said.

Elwood has not yet filed a claim against Hopewell.

Mr. Deters said he does not anticipate any problem paying the loss even if it turns out to be larger than originally estimated, though he added that Hopewell's reinsurers will want to know "who missed what" if the loss proves to have been seriously underestimated.

—*By Douglas McLeod*

Insurance services guide

DENTAL PLAN & DENTAL P.P.O.
Ideal For
SELF FUNDED GROUPS
FULL SERVICE HMOs
Dual Choice/Prepaid
GOLDEN WEST DENTAL PLAN
Call for quotes 800/223-8165
Since 1974

InPhoto Surveillance
USA

800-822-8220
FAX: 800-752-0720

IF YOU INSURE TRUCKING COMPANIES...
D & A Consultants.
Truck safety and truck accident consultants. Hdqrs. Phoenix, AZ

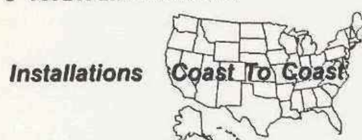
P.O. Box 32675
Phoenix, AZ 85064
(602) 257-8824

Advertise in
The Insurance Services Guide
FAX your advertisement for the next issue
FAX: 312/280-3189
PHONE: 312/649-5340
Contact Margaret Hikido to reserve space.

RISKMASTER™ Software
by
Tillinghast
a Towers Perrin company
ONSITE TRAINING
ONGOING SUPPORT
■ GENERAL CLAIMS
■ WORKERS' COMP
■ VEHICLE ACCIDENTS
■ CHECK WRITING
■ EXP. MODIFICATION FACTORS
■ ACTUARIAL REPORTING
FOR PC/MINI/MAINF
Installed in Over 38 States & Canada
For Marketing Questions or to Attend a Free Seminar, Call (313) 567-6616

CLAIMS MANAGEMENT SOFTWARE FOR CITIES, COUNTIES AND SELF INSURED ENTITIES
Call our Toll Free Number or Write for a Free Demo Disk
Self Insured Management Systems, Inc.
9320 S.W. Barbur Blvd. • P.O. Box 19730-171 • Portland, OR 97219-9898
Toll Free 1-800-345-0811 • (503) 245-9756

INSURANCE SOFTWARE PACKAGES, INC.
Value Leaders In Risk Management Software
Full Function Claims Management Systems
Ideal For Self Insureds, TPA's, Associations & Carriers
- WORKERS' COMPENSATION
- EMPLOYEE HEALTH BENEFITS
- MEDICAL FEE SCHEDULE & BILL REVIEW
- MULTI-LINE LIABILITY
- GENERAL LIABILITY
- COMMERCIAL AUTO
- REINSURANCE REPORTING
- LOSS FORECASTING
- COBRA

Installations


Call For A Free Demo Diskette
Micro & Network Versions Available
INSURANCE SOFTWARE PACKAGES, INC.
5118 N. 56th Street, Tampa, FL 33610
US (800) 237-8133 FL (813) 621-6069

For advertising information in the INSURANCE SERVICES GUIDE
Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611.
Telephone (312) 649-5340

Maxicare

Continued from page 1

Pat Richter, a consultant with Hewitt Associates in Lincolnshire, Ill.

They have "to persuade the marketplace that the reorganization will work. They must be able to get back their good name," said Laird Post, a senior consultant in the Seattle office of TPF&C, the benefit consulting division of Towers, Perrin, Forster & Crosby Inc.

While the bankruptcy filing gave Maxicare protection from creditors while it worked out a reorganization plan, the HMO has been unable to curb shrinking enrollment.

Since the filing, enrollment has slipped to about 400,000, down from about 650,000 in March and 1.6 million about a year ago.

Enrollment has slumped as operations were sold or discontinued and because employers did not renew contracts.

And, there are no signs yet that Maxicare can prevent further slipping, analysts say.

"Maxicare is continuing to lose members rapidly. The big question is whether they will be able to stanch the loss," said Margo Vignola, an analyst with Salomon Brothers in New York.

But, other experts say that while Maxicare's road to survival will be a difficult one, the HMO still retains some strengths.

Despite its financial difficulty, Maxicare's provider network remains essentially intact, especially in California where one-third of its total enrollees live.

"They still have largely the same network. There has not been that much disruption in the provider market," observed Dr. Thomas Mayer, a consultant in the Los Angeles office of William M. Mercer Meidinger Hansen Inc.

"Maxicare remains a major player in the California health care market," said Tom Billet, a managing consultant with A. Foster Higgins & Co. in New York.

And, it operates some good-sized, well-established plans in other markets, Salomon Brothers' Ms. Vignola said.

Maxicare also operates HMOs in Illinois, Indiana, Louisiana, North Carolina, South Carolina and Wisconsin.

By contrast, in 1987, Maxicare was the nation's third-largest HMO operator and offered HMOs in 26 markets.

Expensive acquisitions in 1986 helped make Maxicare one of the nation's largest HMOs, but if Maxicare does survive, it will be as a much smaller HMO, said Dr. Mayer.

Maxicare says its goal now is to hold on to its base of business.

"Our concern is not size. Our concern is restructuring and reorganizing so the company has a profitable and solid foundation," the Maxicare spokesman said.

And, when employers continued to offer Maxicare HMOs to employees, the company has retained 80% of enrollees, Maxicare says.

And, enrollee satisfaction with the HMO has remained high, according to Maxicare.

For example, 80% of 5,600 enrollees who responded to a company survey this summer reported that they were satisfied with the services they received, the spokesman said.

"Even at the darkest hours, we generated high levels of customer satisfaction. Perhaps our name was tarnished, but our ability to serve members has been unwavering and constant," he said.

Indeed, benefit managers concur that their employees have not experienced any recent problems with Maxicare.

"I have had no complaints in the last two months. Maxicare has not done anything that would cause us to terminate our arrangement," said Dennis Corry, manager-benefit plans for The Quaker Oats Co. in Chicago. About 100 Quaker Oats employees are enrolled in Maxicare HMOs.

"We have no major problems with Maxicare," concurred William Watson, director of benefits for Illinois Bell Telephone Co. in Chicago. About 235 Illinois Bell employees are enrolled in Maxicare HMOs.

Benefit consultants agree that Maxicare's services have generally improved in the last two to three months.

"My sense is that things have calmed down. I haven't heard of problems from clients in the last several months," said Glenn Meister, a managing consultant in Foster Higgins' Los Angeles office.

And, Maxicare has taken many steps in the last several months to improve provider and enrollee services.

For example, while it formerly took Maxicare several months to process and pay provider claims, payments now usually go out within two weeks, the spokesman said.

And, Maxicare now is able to provide enrollees identification cards in as little as two to three days, compared with four to six weeks in the past, a spokesman noted.

"The company has given the impression that internal management is improving," said Leigh Walzer, a senior research analyst with R.D. Smith & Co., a New York investment firm. ■

Details of Maxicare plan

LOS ANGELES—The reorganization plan of Maxicare Health Plans Inc., outlined last week in a filing with the Securities and Exchange Commission, calls for creditors and shareholders to receive at least $78.8 million in cash, $67 million in 10-year notes with a 13.5% interest rate, and common stock and warrants.

"Under the term sheet, all creditors will receive at least as much as they would have under liquidation, and the company believes that the plan enables them to receive substantially more," Maxicare said.

Details of the reorganization plan, which Maxicare intends to submit to a U.S. Bankruptcy Court next month, include:

- All valid enrollees' claims and other priority and administrative claims will be paid in full.

Maxicare estimates the size of these claims at about $16 million.

- General unsecured creditors of Maxicare's ongoing operations—generally physicians and hospitals—would receive $47 million in cash, $35 million in senior notes and 49% of the reorganized company's stock. The 10-year notes will pay an interest rate of 13.5%.

Maxicare estimates this group's claims prior to March 16, the date Maxicare filed for protection from creditors under Chapter 11, at about $200 million.

- General unsecured creditors of Maxicare's discontinued or divested operations, whose claims are estimated at $110 million, will initially receive $17.8 million in cash and $10 million in face amount of senior notes.

- General unsecured creditors of the parent holding company initially will receive $14 million in cash, $22 million in face amount of senior notes and 49% of the new company's stock.

This group includes banks and bondholders, whose respective claims are estimated at $150 million and $300 million.

- Maxicare's public shareholders will receive 2% of the new company's stock and warrants entitling them to acquire up to an additional 5% of the stock.

In addition, Maxicare says all assets not necessary for the reorganized company will be liquidated and distributed for the benefit of creditors.

—By Jerry Geisel

BI Insurance Index

630 620 610 600 590

9/7 9/14 9/21 9/28 10/5 10/12 10/19 10/26

Base = 100 on Dec. 29, 1978

Source: Nordby International Inc.

Insurance industry stocks continued to slide last week, as the *Business Insurance Index* fell 4.8 points to 612.7 on Oct. 26 from 617.5 on Oct. 19. Advancing issues were led by Harleysville Group, up 8.3%; Chubb Corp., up 7.6%; and Tokio Marine & Fire Insurance Co. Ltd., up 7.1%. Decliners followed RLI Corp., down 12.1%; Frank B. Hall & Co. Inc., down 11.5%; and HMO America Inc., down 10.9%. The most active issue during the period was Sears, Roebuck & Co. (Allstate), with 3.9 million shares traded. The *BI Index* declined 0.8% for the period; the Dow Jones 30 Industrials fell 2.8%; the New York Stock Exchange Composite lost 2.58%; and the Standard & Poor's 500 dropped 2.55%.

British Issues

Oct. 26 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence pence
Comml Union	449	22.5	29.3	6.5	449—444
Genl Accident	1035	12.6	68.0	6.6	1035—1023
Gdn Royal Exch	219	15.1	15.7	7.2	220—217
Royal	481	22.9	34.0	7.1	488—475
Sun Alliance	289	9.1	17.0	5.9	290—286
Brokers					
Bradstock	213	14.6	10.0	4.7	214—198
CE Heath	500	14.3	34.5	6.9	500—475
Hogg Robinson	154	10.8	9.7	6.2	155—154
Lloyd Thompson	261	17.4	9.3	3.6	261—256
PWS Holdings	52	13.0	2.7	6.4	53—51
Sedgwick Grp	268	18.9	16.7	6.2	272—268
Steel Brni Jones	259	16.2	15.3	5.9	259—238
Willis Faber	258	18.2	15.3	5.9	258—246

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

OCT. 26, 1989 **10/20/89 THROUGH 10/26/89**

BROKERS

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Alexander & Alexander	NYS	32.38	0.00	39.25	33.25	22.63	491	1.00	3.09	18	2.90	11.16
Corroon & Black	NYS	38.38	-0.32	20.87	39.75	29.13	531	1.24	3.23	17	7.62	5.04
Gallagher Arthur J. & Co.	NYS	24.00	-8.13	41.18	26.50	15.88	63	0.52	2.17	16	5.33	4.50
Frank B. Hall	NYS	2.88	-11.54	-4.17	4.63	2.50	95	0.00	0.00	-1	N/A	N/A
Hilb, Rogal & Hamilton	OTC	23.00	-5.15	65.92	24.75	12.38	95	0.20	0.87	20	4.60	5.00
Marsh & McLennan	NYS	83.13	4.23	49.77	82.50	55.00	1367	2.50	3.01	19	6.48	12.83
Poe & Associates	OTC	9.25	2.78	5.71	9.00	8.00	10	0.40	4.32	9	1.43	6.47
BROKERS	AVERAGE		-2.6	31.2					2.4	14		

CONGLOMERATES & HOLDING COMPANIES

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Berkley W.R. Corp.	OTC	43.50	-1.14	46.84	44.75	29.00	243	0.40	0.92	9	21.28	2.04
Berkshire Hathaway Inc.	NYS	8275.00										
			-1.78	77.96	8900.00	4600.00	1	0.00	0.00	11	2468.63	3.35
ITT (Hartford Group)	NYS	58.00	-2.52	15.71	64.50	47.75	1935	1.48	2.55	10	56.33	1.03
Sears (Allstate)	NYS	39.13	-3.40	-3.10	48.13	38.50	3935	2.00	5.11	13	36.09	1.08
CONGLOMERATES	AVERAGE		-2.2	34.4					2.1	11		

INSURERS/REINSURERS

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Aetna Life & Casualty	NYS	60.50	1.47	29.07	60.63	46.00	2691	2.76	4.56	9	58.11	1.04
Ambase Corp.	NYS	14.00	-6.67	25.84	16.38	10.50	293	0.20	1.43	5	18.66	0.75
American General	NYS	34.88	-0.36	16.25	38.50	29.50	1442	1.50	4.30	11	28.04	1.24
American Heritage	NYS	27.50	1.85	7.84	28.50	25.00	4	1.20	4.36	11	22.47	1.22
American Indemnity/Fin'l	OTC	8.50	-5.56	-19.05	13.00	8.50	7	0.56	6.59	-12	17.38	0.49
American International	NYS	107.00	0.35	60.60	109.00	61.75	1975	0.48	0.45	13	33.55	3.19
Aon Corp.	NYS	36.75	2.08	33.03	38.00	26.00	294	1.40	3.81	11	16.67	2.20
Argonaut Group	OTC	65.75	-0.75	51.15	69.50	42.25	23	1.00	1.52	8	36.83	1.79
AVEMCO Corp.	NYS	23.75	-3.55	-7.32	27.50	22.63	6	0.40	1.68	14	9.20	2.58
Baldwin & Lyons Inc.	OTC	20.00	1.91	37.93	21.13	14.38	47	0.20	1.00	7	17.57	1.14
Belvedere Corp.	ASE	4.50	0.00	0.00	6.50	4.25	2	0.04	0.89	7	8.43	0.53
Chandler Insurance	OTC	11.13	2.30	48.33	12.25	6.25	73	0.00	0.00	7	9.53	1.17
Chubb Corp.	NYS	88.50	7.60	53.25	82.50	53.75	1333	2.32	2.62	9	53.50	1.65
CIGNA Corp.	NYS	65.38	3.36	41.35	64.50	45.75	1176	2.96	4.53	11	53.08	1.23
CNA Financial Corp.	NYS	93.50	1.91	59.15	94.88	56.00	205	0.00	0.00	10	54.52	1.71
Continental Corp.	NYS	32.38	-5.13	1.17	41.13	31.50	975	2.60	8.03	-73	42.10	0.77
Durham Corp.	OTC	32.25	0.78	0.78	35.50	30.00	24	0.92	2.85	27	26.32	1.23
Fireman's Fund	NYS	36.50	-0.68	25.32	40.75	28.38	880	0.60	1.64	10	32.74	1.11
Fremont General Corp.	OTC	15.25	-1.61	22.00	18.25	10.63	143	0.80	5.25	53	17.61	0.87
Frontier Insurance Group	NYS	19.00	0.00	70.63	21.75	9.63	29	0.00	0.00	10	7.53	2.52
General RE Corp.	NYS	89.50	-0.14	62.73	91.38	53.13	1355	1.36	1.52	15	29.04	3.08
Hanover Insurance Co.	OTC	30.25	-3.97	14.15	33.00	25.50	154	0.44	1.45	7	31.47	0.96
Harleysville Group	OTC	24.50	8.29	38.03	24.13	15.50	51	0.60	2.45	8	18.94	1.29
Hartford Steam Boiler	OTC	56.00	3.70	51.35	59.25	30.63	228	1.60	2.86	15	13.04	4.29
Kansas City Life Ins.	OTC	34.50	0.00	0.73	39.50	29.25	1	1.04	3.01	8	39.22	0.88
Kemper Corp.	NYS	45.00	-6.25	91.49	51.88	22.75	347	0.84	1.87	11	28.91	1.56
Lawrence Insurance Group	ASE	7.00	-5.08	-12.50	10.75	6.63	6	0.28	4.00	16	3.19	2.19
Liberty Corp.	NYS	36.50	-2.01	0.34	40.50	32.50	5	0.80	2.19	16	21.17	1.72
Lincoln National	NYS	57.75	2.21	33.53	57.63	42.75	304	2.48	4.29	15	39.21	1.47
NAC Re Corp.	OTC	39.75	1.92	92.35	40.00	19.50	778	0.20	0.50	18	22.81	1.74
Navigators Group	OTC	26.00	0.97	26.83	27.75	19.25	54	0.00	0.00	10	15.22	1.71
Nobel Insurance LTD.	OTC	2.38	0.00	-48.65	6.50	1.50	4	-	-	-1	7.76	0.31
NWNL Companies	OTC	36.88	2.08	19.92	40.63	26.88	202	1.20	3.25	10	37.50	0.98
Ohio Casualty Corp.	OTC	50.75	-2.87	41.96	52.50	33.25	333	2.08	4.10	7	33.30	1.52
Old Republic Int'l	OTC	28.38	-2.99	24.80	0.00	0.00	368	0.74	2.61	14	26.60	1.07
Orion Capital Corp.	NYS	25.63	0.49	60.16	28.50	13.88	29	0.84	3.28	7	12.93	1.98
Phoenix RE Corp.	OTC	12.50	-3.85	28.21	13.25	8.75	197	0.00	0.00	6	12.99	0.96
Protective Life Corp.	OTC	15.00	2.56	13.21	16.25	12.88	129	0.70	4.67	37	14.54	1.03
Provident Life	OTC	26.88	-1.83	38.71	29.38	17.75	337	0.68	2.53	9	12.60	2.13
Re Capital Corp.	ASE	11.75	0.00	27.03	12.88	8.63	8	0.00	0.00	11	10.71	1.10
RLI Corp.	NYS	7.25	-12.12	-4.92	9.38	6.88	21	0.40	5.52	7	23.24	0.31
St. Paul Companies	OTC	61.00	1.67	41.86	61.75	40.50	1756	2.20	3.61	8	32.00	1.91
SAFECO Corp.	OTC	35.00	1.08	49.73	36.00	23.13	1735	1.20	3.43	8	24.88	1.41
SCOR U.S. Corp.	NYS	11.50	-8.91	33.33	13.00	6.88	206	0.20	1.74	9	10.35	1.11
Seibels Bruce Group	OTC	10.63	-4.49	-5.56	13.63	10.25	84	0.80	7.53	10	13.42	0.79
Selective Ins. Group	OTC	17.25	0.00	-25.00	19.50	14.50	103	0.96	5.57	6	22.33	0.77
Statesman Group Inc.	OTC	2.63	0.00	-8.70	4.00	2.00	48	0.05	1.90	15	3.48	0.75
Tokio Marine & Fire	OTC	79.00	7.12	-13.90	98.00	66.00	10	0.23	0.29	33	N/A	N/A
Torchmark Corp.	NYS	47.00	-0.79	54.10	50.75	29.38	369	1.40	2.98	14	12.24	3.84
Transamerica	NYS	45.13	2.85	35.21	48.00	30.38	1358	1.92	4.25	11	30.70	1.47
Trenwick Group Inc.	OTC	21.25	3.03	49.12	22.00	13.25	608	0.36	1.69	11	16.91	1.26
United Fire & Casualty	OTC	33.63	0.37	10.25	34.50	28.50	15	1.20	3.57	7	22.56	1.49
USF&G Corp.	NYS	31.13	1.22	7.33	34.00	28.25	959	2.80	9.00	15	22.57	1.38
UNUM Corp.	NYS	41.25	-0.90	54.21	42.00	24.88	291	0.60	1.45	12	30.64	1.35
USLIFE Corp.	NYS	43.13	-3.09	25.45	48.13	32.88	550	1.40	3.25	9	54.27	0.79
Washington National	NYS	27.50	0.00	3.29	29.13	24.00	50	1.08	3.93	-63	32.33	0.85
Zenith National Ins.	NYS	18.50	0.00	4.96	21.50	15.00	54	0.84	4.54	8	13.61	1.36
INSURERS/REINSURERS	AVERAGE		-0.4	25.8					2.9	8.9		

HEALTH MAINTENANCE ORGANIZATIONS

		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
FHP International	OTC	46.88	-4.34	298.94	51.13	10.88	340	0.00	0.00	23	3.54	13.24
HMO America Inc.	OTC	6.13	-10.91	552.99	10.63	0.81	214	0.00	0.00	-15	1.12	5.47
Pacificare Health Sys.	OTC	25.50	-3.77	104.00	30.38	5.63	41	0.00	0.00	31	6.35	4.02
Safeguard Health Enter.	OTC	10.63	-6.59	97.67	12.50	4.50	112	0.00	0.00	17	2.99	3.55
Sierra Health Services	ASE	6.88	-5.17	323.08	8.25	1.25	44	0.00	0.00	-6	1.59	4.32
United Healthcare Corp.	OTC	10.63	-3.41	150.00	12.63	3.88	700	0.00	0.00	-5	0.31	34.27
United Medical Corp.	ASE	6.50	-3.70	20.93	7.25	4.13	14	0.00	0.00	23	4.11	1.58
U.S. Healthcare	OTC	14.50	0.87	157.78	14.88	5.25	1342	0.23	1.59	47	2.87	5.05
HMOs	AVERAGE		-4.6	213.2					0.2	14		
ALL COMPANIES	AVERAGE		-0.6	24.4					2.5	8.5		

System design: Nordby International Inc.

Duncanson & Holt.

Weren't they the first two air mail pilots to cross the Channel?

Unless you're in insurance, you might not know we'are a very special kind of pioneer—America's first accident and health reinsurance pool.

Back in 1967, we created the American Accident Reinsurance Group (AARG) and made aviation accident coverage just one part of our innovative package. Today we manage four pools for 48 member companies with forward-looking products that keep us the largest accident and health reinsurer in the field. And we're celebrating our twenty-first successful year with a current earned premium in excess of $150 million and a per occurrence capacity of $70.0 million.

If you are looking for a facility that has a tradition of looking into the future, call our offices in Atlanta, Chicago, Dallas, New York, Philadelphia, Portland, Maine, San Francisco or Seattle. And we'll help you take wing. DUNCANSON & HOLT, INC.