

# Business Insurance

Reporting weekly for corporate risk, employee benefit and financial executives / \$1.75 a copy; \$68 a year

© Entire contents copyright 1987 by  
Crain Communications Inc. All rights reserved

## Two 'impaired' NYIE syndicates may have adequate surplus

NEW YORK—Not all of the five New York Insurance Exchange syndicates recently declared technically impaired by the exchange board may actually be impaired.

In a Sept. 18 memo to brokers, the exchange announced that the recent \$500,000 drawdown of each syndicate's security fund deposit left five syndicates below the exchange's minimum \$2.2 million surplus requirement for active underwriting members.

*Continued on next page*

# Purchasing group regulation

## Group's domicile has authority: Report

By JERRY GEISEL

WASHINGTON—Congress needs to amend the Risk Retention Act to make it clear that only one state has the authority to impose its insurance laws and requirements on insurers of nationwide risk purchasing groups, the Commerce Department says.

In a congressionally ordered report released last week, the Commerce Department is decisively rejecting many state regulators' interpretations of the act.

These regulators have argued that every state in which a purchasing group operates can determine whether the insurer is eligible to provide coverage to members in its states. In addition, some states contend every state has the authority to govern rates and forms provided to the groups.

But the Commerce Department says multiple-state regulation would make group purchase of insurance virtually impossible.

"The act should not be interpreted to require purchasing groups to comply with all the insurance requirements of multiple

states," the department says.

The report's recommendation is the opposite of the position of the Iowa Insurance Department, which says insurers providing coverage to purchasing group members in its state must be approved by the Iowa department (*BI*, Aug. 3.)

If all states adopted that approach, coverage for purchasing groups could dry up because speciality insurers of hard-to-place risks, such as those likely to be insured through purchasing groups, frequently are not eligible to write in all states.

The report also differs with the New York Insurance Department's position that the act does not pre-empt any state from imposing rate and form requirements on insurers of purchasing groups operating in that state.

The New York department's view was upheld last week by a federal court (see related story), but the case involved a New York domiciled purchasing group.

"It seems fairly apparent that requiring

*Continued on page 84*

## Groups subject to states' rules: Judge

By DOUGLAS McLEOD

NEW YORK—A subsidiary of American International Group Inc. is planning to appeal a federal judge's ruling that policies issued to purchasing groups under the Risk Retention Act are subject to state regulation.

Insurance Co. of the State of Pennsylvania, a New York-based AIG unit, sued the New York Insurance Department in U.S. District Court for the Southern District of New York, arguing that insurers issuing policies to purchasing groups under the federal act are exempt from state rate and form filing requirements (*BI*, Sept. 7).

However, in the first court ruling on the matter, U.S. District Judge John F. Keenan decided Sept. 23 that the act does not exempt the policies from state regulation.

"The state, unless clearly superseded, has a duty to regulate and oversee the insurance industry," Judge Keenan wrote.

While the act clearly exempts purchasing groups from certain state laws, the act's ex-

emptions "do not specifically indicate that Congress wished to supersede state regulation of rates and forms of purchasing group policies," the opinion says.

Judge Keenan's ruling conflicts with the interpretation of the law contained in a U.S. Department of Commerce report to Congress (see related story).

Insurance Co. of the State of Pennsylvania will appeal the ruling to the 2nd U.S. Circuit Court of Appeals, according to Patrick J. Foley, AIG vp and associate general counsel.

Meanwhile, the Risk & Insurance Management Society Inc. may file an amicus curiae brief supporting AIG's position on appeal, according to Jon Harkavy, director of governmental affairs and general counsel for RIMS in New York.

The intent of the purchasing group provision of the act was to entice insurers to issue group policies by allowing them to operate nationally after obtaining the approval of just one state, Mr. Harkavy said.

*Continued on page 82*

## L.A. earthquake could increase call for cover

By DONNA DiBLASE

LOS ANGELES—Insurers estimate that losses from last week's Southern California earthquake will be small, but they predict a short-term rash of demands for the coverage from area businesses not currently insured against earthquake losses.

Some brokers also predict a renewed interest in earthquake coverage following the quake, which measured 6.1 on the Richter Scale and shook the Los Angeles area early last Thursday morning. As many as 16 aftershocks, some measuring 4.0, also were recorded by the National Earthquake Information Center in Golden, Colo.

However, insurance industry experts expect that the quake probably will not cause the earthquake insurance market—which has been softening for the last six to eight months—to harden. But, they said that an increased demand for the coverage may cause the cost of earthquake insurance to increase slightly.

Total damage estimates were not available as of Friday. The State Office of Emergency Services began conducting an assessment of the damages late last week.

However, the New York-based Property Claim Services division of American Insurance Services Group Inc. assigned the quake Catastrophe No. 40, indicating that insured losses will be at least \$5 million for all insurers covering homes and businesses in the area.

Earthquake insurers, contacted soon after the quake, said they had not yet received any damage reports or claims and that they do not expect the damages to be much greater than \$5 million. Most of the

*Continued on page 89*



## On the Riviera

Cargo and hull insurance rates are falling, say underwriters attending the International Union of Marine Insurance conference in Nice. See page 6. (Photo: Stacy Shapiro)

## Quality liquidates; charges dropped

By DOUGLAS McLEOD

CHARLESTON, W.Va.—The West Virginia Insurance Department is dropping its allegations of illegal acts by the former management of Quality Insurance Co. under an agreement by which Quality will voluntarily undergo liquidation.

However, the parent of Fairmont-based Quality and several directors and officers of both the parent company and of Quality still face civil racketeering charges in a lawsuit filed by Lincoln National Reinsurance Co., one of Quality's reinsurers.

Under a stipulation agreed to last week, the Insurance Department will delete several charges from Quality's liquidation order in return for the insurer's consent to the liquidation.

A special commissioner appointed to review the liquidation petition—based in part on a June 30 financial statement showing Quality with a policyholder surplus deficit of \$15.1 million—recommended to Marion County Circuit Court Judge Fred Fox last week that the liquidation order be entered (*BI*, Sept. 28). A hearing on the matter before Judge Fox has been set for Oct. 13.

Quality entered voluntary rehabilitation in January.

In the liquidation petition, filed Sept. 17, the Insurance Department charged that Quality and its former management knowingly filed a false financial statement for 1985.

Among other things, the statement failed to report reinsurance assumed from several ceding insurers and drastically understated the amount of animal mortality business the insurer had written, according to the petition.

Animal mortality risks were ceded to and assumed from syndicates on the Insurance Exchange of the Americas in Miami, where two Quality officers had interests in a syndicate manager, sources report.

Quality also violated state law and an agreement with the West Virginia Insurance Department by failing to report reinsurance ceded to its parent company, Panama-based Saudi Egyptian American Reinsurance Co., the petition says.

*Continued on page 90*

**Directory of global property/casualty insurers . . . Page 70**  
**Directory of multinational benefit networks . . . Page 64**

## Syndicates may pass NYIE test

Continued from previous page

The five syndicates are Adena Syndicate Ltd., First State Syndicate Inc., Lancer Syndicate Inc., Sentry Syndicate Inc. and The 1792 Co.

The memo also warned brokers not to offset amounts owed by these syndicates against amounts payable to other exchange syndicates.

However, in arriving at the impairment findings, the exchange subtracted each syndicate's \$500,000 deposit from its reported capital and surplus as of June 30.

In the cases of two syndicates, earnings or other additions to surplus since June 30 may have kept them above the \$2.2 million minimum, exchange officials confirmed. However, the exchange would not name the syndicates.

Adena, First State, Sentry and 1792 have been inactive for varying periods of time.

Officials of First State and 1792 said the impairment finding will have no practical effect on the syndicates. Officials of Adena and Sentry could not be reached for comment.

A Lancer official said he was "disappointed and confused" at the exchange's handling of the impairment announcement. "We have not made any decision on what Lancer's future on the exchange will be," the official said.

## LTV to administer pensions

NEW YORK—A federal bankruptcy judge last week ordered LTV Corp. to resume temporary administrative responsibility for three massively underfunded pension plans the Pension Benefit Guaranty Corp. is attempting to return to the company.

LTV is attempting to return to the company's. LTV participants' benefits will not be interrupted while the PBGC and LTV battle in court over who is responsible for the plans' \$2 billion in unfunded liabilities.

Last month, the PBGC said it was returning the plans to Dallas-based LTV after the company recently established new pension plans that, among other things, restore certain non-PBGC guaranteed benefits that were lost to participants when the PBGC terminated the plans in January. The PBGC charged that the new plans are an illegal continuation of the old plans (BI, Sept. 28).

Meanwhile, in a related matter, a federal court in New York has delayed until Oct. 14 a hearing on the controversy.

At the same time, in the growing battle between LTV and the PBGC, LTV last week issued a lengthy statement to reporters saying that its actions violated no laws and did not abuse the pension system.

## IRS to review plan terminations

WASHINGTON—The Internal Revenue Service has lifted its hold on issuing determination letters to employers in eight states that wish to terminate their overfunded defined benefit plans.

The IRS, following two appellate court decisions in the 4th and the 11th circuits, temporarily had stopped issuing letters acknowledging that employers wishing to terminate overfunded plans have met certain IRS criteria (BI, Aug. 17).

An IRS spokesman said the agency's decision to temporarily stop issuing the letters was merely "a bunch of bureaucrats being careful" and that the agency is resuming its normal process of evaluating requests for determination letters.

In one case, the 11th Circuit Court of Appeals in Atlanta ruled a company must use excess assets of a terminated pension plan to pay employees the value of unaccrued benefits (BI, Aug. 10). In the other case, the 4th Circuit Court of Appeals in Richmond ruled a company must use the excess assets of a terminated pension plan to pay employees the value of early retirement supplements.

## Sandoz settles French claims

BASEL, Switzerland—Chemical manufacturer Sandoz A.G. has agreed to pay 46 million French francs (\$7.5 million) to settle all French claims arising from the massive pollution of the Rhine River that occurred last November when water used to douse a fire at a Sandoz warehouse swept a mixture of chemicals into the river.

Sandoz now estimates that liability for all claims from several countries will be 50 million Swiss francs (\$32.6 million), half the amount estimated last year (BI, Nov. 24, 1986).

"But we are still talking with German, Luxembourg, Swiss and Dutch claimants, and we shall not be able to give a final figure of how much has been paid out until the end of October at the earliest," said a Sandoz spokeswoman.

Sandoz settled first with French claimants because the company was able to negotiate all French claims through the French government. In other countries where claims have been filed, the company must negotiate with claimants individually.

The entire announced settlement is covered by Sandoz's estimated 500 million Swiss francs (\$325.8 million) in general and product liability insurance, the Sandoz spokeswoman confirmed.

The insurance included coverage for pollution incidents. Gerling Konzern Allgemeine Versicherungs A.G. of West Germany led the company's primary insurance layer of 1 million Swiss francs (\$651,500), and Winterthur Swiss Insurance Co. in Winterthur, Switzerland also participated on the primary layer.

Under the settlement, the French government and various governmental bodies will receive 7 million French francs (\$1.1 million) to cover expenses already incurred for cleaning up the Rhine and surrounding areas and 17 million French francs (\$2.8 million) to cover the cost of programs established to restore the river's ecosystems, which Sandoz and the French government say will take years to repair.

In addition, Alsarhin—an association formed after the disaster

Continued on page 89

# Raymark sues doctors, lawyers for false claims

By MEG FLETCHER

TRUMBULL, Conn.—Asbestos producer Raymark Industries Inc. is pressing litigation in 12 federal courts against attorneys and medical professionals who Raymark claims conspired to file \$15 million in false asbestos injury claims on behalf of thousands of tire workers.

Earlier this year, Raymark agreed to pay—as part of a larger settlement—\$15 million to more than 5,000 tire workers to settle a class-action lawsuit brought in U.S. District Court in Wichita, Kan. (BI, April 6).

Raymark now wants the courts to rescind that portion of the settlement and instruct the plaintiffs who have received their awards to return the money.

In addition, Raymark is seeking additional damages and costs, primarily from the lead plaintiffs' attorneys and the medical professionals.

"To our knowledge, there has never been a similar situation in which a defendant (asbestos) company sued plaintiffs' attorneys and plaintiffs," said a spokeswoman for the Asbestos Claims Facility in Princeton, N.J.

Raymark is not a member of the facility, which was established under the Wellington Agreement to help resolve the massive asbestos litigation problem.

Since 1975, 68,000 asbestos-related claims have been filed against Raymark, and the company expects about 30,000 more claims, said LeGrande L. Young, general counsel for Raymark Industries.

Raymark, a subsidiary of Trumbull, Conn.-based

Raytech Corp., names plaintiffs' attorneys Gordon A. Stemple of Century City, Calif., and Richard F. Gerry of San Diego, Calif., as defendants in each of the 12 lawsuits.

In the class-action lawsuit Raymark filed Sept. 19 in U.S. District Court in Cleveland, the asbestos producer says the attorneys organized and financed the National Tire Workers Litigation Project. The project consisted of a medical team that traveled in an "examobile" . . . throughout the United States to perform phony or inadequate medical examinations" on 100 to 150 tire workers per day, Raymark alleges.

Raymark says that 2,000 northeastern Ohio tire workers received \$5.64 million through the Kansas settlement.

Similar class-action lawsuits were also filed last month in California, Alabama, Connecticut, Georgia, Indiana, Iowa, Kansas, Oklahoma, Pennsylvania, Tennessee and Texas, according to Mr. Young.

Each of the lawsuits also names at least one of three California-based medical providers who Raymark alleges were paid \$50 by the plaintiffs' attorneys for each two-page diagnosis of a tire worker from information supplied by the examobile's medical team. The medical providers named are Dr. Clara V. Gelbard of Los Angeles, Krishan Bharadwaja of La Jolla and Bolar Rama Rao of Coronado.

The medical providers drafted the reports "based solely on information supplied by an examobile without personally examining or interviewing the tire

Continued on page 81

# Organizers of Centre Re lower capitalization goal

By DOUGLAS McLEOD

NEW YORK—Guy Carpenter & Co. Inc. and Morgan Guaranty Trust Co. are circulating a revised private placement memorandum for Centre Reinsurance Holdings Ltd. after an earlier stock offering failed to attract investors.

Carpenter and Morgan Guaranty originally had hoped to raise \$450 million to capitalize Centre Re, an offshore holding company for three reinsurance subsidiaries (BI, May 18).

However, the offering did not draw the required number of investors for the targeted July termination date, and a revised private placement memorandum seeking only \$250 million was sent to potential investors last week, according to Steven M. Gluckstern, Centre Re's president.

While the original offering consisted entirely of Centre Re common shares, the deal has been restructured to include a mix of common stock and 10-year subordinated notes.

The subordinated notes would provide investors with a current return on their investment, while a pure equity offering would have provided no cash return unless Centre Re declared dividends.

Kemper Reinsurance Co. has already subscribed for 9.9% of the revised \$250 million offering, and David B. Mathis, Kemper's chairman and chief executive, will serve as chairman of Centre Re's board, Mr. Gluckstern said.

Morgan Portfolio Corp., an affiliate of J.P. Morgan & Co., also has subscribed for 9.9%, he said.

Additional private placement memoranda have been sent to a variety of potential investors, including bank holding companies, finance companies and the non-regulated investment arms of public utilities, Mr. Gluckstern said.

He pointed out that some insurance companies also have received memoranda.

The current offering expires Oct. 31, but the termination date may be extended to Nov. 30.

The nature structure of Centre Re and details of the financial reinsurance products it plans to offer have not changed under the new private placement, according to Mr. Gluckstern.

Bermuda-based Centre Re would operate as the holding company for three reinsurance units:

- Centre Reinsurance (Bermuda) Ltd., which would write worldwide reinsurance business excluding U.S.

Continued on page 83

## Inside

✓ This week's editorial says Congress should make clear that only the state of domicile should have regulatory control over insurers of purchasing groups. **PAGE 8**

✓ Marine insurers should be freed to write more non-marine risks, according to two London brokers who spoke at the Houston Marine Insurance Seminar. **PAGE 18**

✓ Liquidators of Oceanus Mutual Underwriting Assn. have suspended litigation against West German stop-loss reinsurer Deutsche Rückversicherung. **PAGE 28**

✓ A new report indicates that managed care programs cut hospital admissions by more than 20% among members of labor unions and their dependents. **PAGE 32**

✓ University of Pennsylvania employees give high grades to a new flexible benefit plan. **PAGE 36**

✓ Jerome Karter, senior vp and manager of the New York International Department of Johnson & Higgins, examines European property insurance pools in International Issues. **PAGE 49**

✓ Britain's product liability law could be challenged if its state-of-the-art defense is not reworded, a lawyer says at a meeting of the International Bar Assn. **PAGE 53**

✓ One-third of the companies that do not now have a flexible benefits plan are considering adopting one within

the next two years, a recent survey says. **PAGE 87**

✓ The Peruvian Congress approved a tougher-than-expected 1986 nationalizing insurers. **PAGE 88**

## Departments

Around the states .....	79
Ask a benefit actuary .....	50
Classiffs & goings: buyers .....	86
Comings & goings: buyers .....	42
Datebook .....	30
Info .....	38
Insurance services guide .....	90
International issues .....	49
Legal briefs .....	50
Letters .....	8
London .....	77
Markets .....	87
Opinions .....	8
Perspectives .....	49
Ticker .....	91
Washington .....	26
Worldwide .....	88

Vol. 21, No. 40—Business Insurance (ISSN 0007-6864) is published weekly at 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; 800-992-9970 or 313-446-1611. Copyright 1987 by Crain Communications Inc.

# International markets

## Employee benefit managers seek more network flexibility

By DONNA DIBLASE

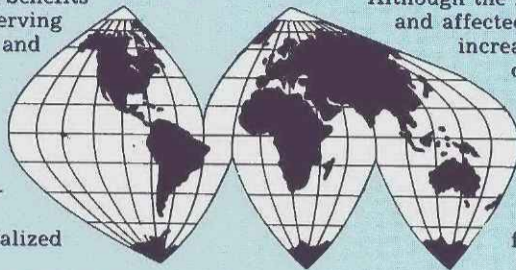
Employee benefit managers, trying to cope with an ever-changing benefits environment, are requesting more services from the international employee benefits networks.

As a result, the networks through which benefit managers pool benefits for their overseas employees have to be even more flexible in serving U.S.-based multinationals to remain competitive, say consultants and network officials.

Benefit managers face several changes domestically and abroad, including:

- New accounting rules governing the disclosure of pension expenses.
- Decreasing social security benefits paid by foreign governments.
- The poor quality of health care services offered through nationalized health care systems in some countries.
- The current active merger and acquisition climate of both U.S. and overseas businesses.

Along with expanding their services for U.S.-based multinationals, network officials predict they will see increased business from foreign multinationals with U.S. operations. Increasingly sophisticated benefit managers are seeking out the finance, administrative



Continued on page 61

## Property/casualty capacity stabilizing for multinationals

By GLENN HUNTLEY

U.S. multinational companies renewing their property/casualty insurance programs for foreign risks should find market stability if not lower rates, brokers and insurers say.

Although the hard market in the United States had spilled over national borders and affected global property/casualty insurance programs, brokers now report increased capacity and—in some cases—reduced rates for coverage for overseas risks, particularly property risks.

"We are just beginning to see a slight softening," said Stephen Van Hook, head of the international brokerage department at Alexander & Alexander Inc. in New York.

For U.S. companies doing business abroad, lower rates for property insurance may be in the offing, Mr. Van Hook predicted. Good property risks may see rate decreases from 15% to 20%, while rates for average risks could go down 5% to 10%, he said.

Rates for foreign casualty coverage should hold steady, he added.

Thomas Hite, senior vp of Zurich Insurance Group's international division in Schaumburg, Ill., agreed the tide has turned in the international insurance market.

"We are seeing some softening here and there, especially on the property lines," Mr. Hite said.

Continued on page 68

## New forces in insurance cycle may mean smoother ride: Miller

By MICHAEL BRADFORD

NEW ORLEANS—The current softening in the property/casualty insurance marketplace is governed by different forces than those that have influenced past underwriting cycles, says the chairman of Lloyd's of London.

Hence, competition in the marketplace may not be as severe in coming years as it was during previous cycles, says Lloyd's Chairman Peter Miller.

"It seems to me that at this phase of this particular cycle, events are being governed by the primary underwriters rather than in previous cycles when they merely responded to the fluctuating weakness and subsequent strengthening of the reinsurance market," Mr. Miller explains.

Speaking to a luncheon gathering at the annual meeting of the National Assn. of Professional Surplus Lines Offices last month in New Orleans, Mr. Miller said there is cause for "guarded optimism that sanity will prevail" among insurers.

He explained that he believes the current cycle is different from prior cycles because in previous years, "both in the initial softening and in the subsequent hardening of rates, the market seems to me to have worked from outside in; that is to say the primary underwriters, being able to enjoy a very weak reinsurance primary and secondary market, were inveigled into playing a game of pass the parcel."

During the hardening of the market that began during 1984 and lasted through 1986, "again we saw a market working from outside in..." as "reinsurers decimated by losses cried 'enough,' and the game had to stop."

But in the current market, primary insurers, which no longer can count on passing all risks along to willing reinsurers, are dictating the movement of the marketplace, Mr. Miller observed. Primary underwriters have had to "learn anew to rely more upon their own resources, for example, by taking bigger, proper retentions," he said.

"It seems to me that we may be witnessing the effects of healthy competition with insurers mindful of the dangers of the loss of credibility as well as losses on their balance sheets if they simply renege on their commitments."

repeat the events of the last cycle when the headlong rush for premium growth resulted in their disappearance into the sea—not of Galilee—but of lack of capacity.

"It is this different process, namely that events are being controlled from the center, which gives me some cause for optimism that we shall not see a disastrous fall in rates," Mr. Miller remarked.

Despite a generally hopeful outlook for the market, Mr. Miller pointed out that any softening in property/casualty insurance rates "has profound consequences for all intermediaries."

Continued on page 72

**Events are being governed by primary underwriters rather than in previous cycles when they merely responded, Peter Miller explains.**

## Insurer settles guarantee claim

By LAURA MAZZUCA

MIDLAND, Texas—An American Bankers Insurance Group Inc. unit is paying \$43 million to a Texas savings and loan association to settle a dispute over financial guarantees on mobile home loans.

In return, Midland, Texas-based Home Savings Assn. will be liable for any further losses on the loans. American Bankers estimates that future losses could amount to an additional \$50 million.

However, American Bankers must continue to insure loans that Home Savings later sold to other investors.

The settlement was reached late last month, four days after the start of a trial in U.S. District Court in Midland of suits filed by Home Savings against American Bankers Insurance Co. of Florida Inc. and a countersuit by the insurer against the S&L and others, said Richard C. Cole, an attorney with the New York-based firm of LeBoeuf, Lamb, Leiby & MacRae, which represents Home Savings.

"My client is very pleased with the outcome," Mr. Cole said. "When you are able to reach an agreement, you know what it is rather than leaving it in the hands of the jury."

"Home Savings is pleased that all parties have agreed to compromise and settled their contract dispute," said President Peter Link. "No further comment will be made since the terms of the settlement agreement filed with the court speak for themselves."

American Bankers' attorneys—Finley, Kumble, Wagner, Weine, Underberg, Manley, Myerson & Casey of Miami—would not comment on the settlement or the suit. However, an American Bankers spokesman said the company found the settlement satisfactory.

American Bankers Chairman R. Kirk Landon said in a statement: "The company is pleased with the terms of the settlement because it fairly allocates the responsibility for the losses between the parties."

Continued on page 85

## Hurricane whips insurers in Bermuda

By ROGER SCOTTON

HAMILTON, Bermuda—Bermuda's domestic insurers could be hit with up to \$50 million in property damage and cleanup claims following Hurricane Emily's rampage across the island late last month.

The island's captive insurance company managers were among those severely rattled when the hurricane's 115-mph winds tore into the island from opposing directions at the start of the business day on Sept. 25.

Hurricane Emily, which meteorologists had expected to only "brush" the island late that afternoon, struck at 8:30 a.m., tearing gaping holes in roofs, smashing windows, uprooting trees, overturning parked cars and snapping the mooring lines of the 825-passenger cruise ship Atlantic, berthed in Hamilton Harbor.

Emily battered the island for an hour before charging off at 50 mph into a raging North Atlantic. Although it claimed no lives, insurers say the damage it wreaked is the worst they have ever seen on the island.

Bermuda Fire & Marine Insurance Ltd., the is-

land's largest domestic property insurer, says losses caused by Emily were significantly larger than those caused by Hurricane Arlene in 1963, the last hurricane to pass directly across Bermuda.

Bermuda Premier John Swan has estimated total losses at \$25 million, but Cyril Rance, president of Bermuda Fire & Marine, said the figure will be closer to \$35 million.

And Kitson & Co., Bermuda agent for British insurer Gresham Fire & Accident Insurance Society, a unit of Legal & General Group P.L.C., is predicting the final damage total will be close to \$50 million.

Kitson Insurance Manager David Goodman said other estimates failed to take into account the size of some of the larger commercial claims filed against foreign insurers, including Gresham.

Although Mr. Goodman refused to disclose the likely extent of individual claims, he said Gresham's largest single claim—and probably the island's largest—will be filed by the Club Med resort, which was forced to close because of damage.

Continued on next page



Photo: Arthur Bean

Damaged docks in Hamilton show the destruction of Hurricane Emily.

## Bermuda damage

Continued from previous page

"The roof was damaged, windows were blown in and the build-up of pressure inside the building forced interior walls and ceilings to come away," Mr. Goodman said.

Other sources said the Club Med claim is likely to total about \$3 million, excluding losses covered by the resort's business interruption insurance. Those losses will not be assessed until the losses from canceled vacations has been calculated.

The Elbow Beach Hotel and the newly opened Marriott Castle Harbour, both of which sustained extensive roof damage, are likely to file claims of about \$1 million each with Gresham.

The British insurer also is expected to receive claims from Trusthouse Forte, the British hotel and restaurant chain that owns three vacation properties in Ber-

muda: the Bermudiana, the Belmont and Harmony Hall.

Both the Bermudiana and the Belmont reported roof damage, and Mr. Goodman said the Belmont also will file a claim for the cost of cleaning up its golf course, which was blocked by fallen trees and branches.

In addition, the Inverurie Hotel, which lost the roof on its west wing and was forced to evacuate all of its guests, is expected to file a claim.

Allan Peacock, managing director of Colonial Insurance Co. Ltd., the Inverurie's property insurer, said the hotel's claim would be substantial, but he refused to estimate its size.

Mr. Peacock did say the Inverurie also would be seeking recoveries under its business interruption policy, also written by Colonial.

"We've had about 200 claims worth \$2 million so far, and they're still coming in," he said. "Most

are for damage to cars and residential property."

Of all the domestic insurers, Bermuda Fire & Marine last week had received by far the largest volume of claims.

"We've had more than 1,600 claims, and they are continuing to come in," said Mr. Rance. "At least 1,300 are for property damage, mostly to roofs. These range from as low as \$500 to as high as \$100,000. It's by far the worst natural disaster we've ever seen, and I think we're looking at total claims of up to \$35 million."

BF&M also has received about 100 claims for damage to privately owned boats that Emily either sank or grounded, and about the same number of claims for motor vehicle damage.

In addition, Bermuda Electric Light Co., the island's electric utility, is expected to file a large business interruption claim with BF&M.

BELCO General Manager Alf

Oughton said that with the exception of two towns—Hamilton and St. George's, which have underground power lines—the hurricane blacked out almost the entire island for at least two days and forced the closure of Bermuda's only airport for 24 hours.

Electricity, supplied mostly through overhead cables, is being restored gradually to Bermuda, he said. But the company lost about \$120,000 in revenues on the first day alone.

BELCO is expecting a net loss of about \$600,000 by the time its operations are back to normal, which could be this week.

Argus Insurance Co. Ltd., another domestic insurer, has received almost 200 claims, mostly for house and car damage.

International insurance management companies also were hit hard by Emily. However, because most of the companies are not allowed to own property on the island under Bermudian law, they are unlikely

to file any property damage claims.

International Risk Management Ltd., a unit of The Reiss Organization and the second-largest captive manager in Bermuda, was one of the captive manager hit the worst.

"The office of our chairman, Fred Reiss, looked like Beirut," said Vice Chairman Arthur Deters. "His windows were blown in, business papers scattered everywhere and office ornaments, including some treasured personal items, were smashed to pieces."

"The hurricane also ripped off an exterior door on the roof of the building and funneled down into the offices, blowing tiles off ceilings and leaving electrical wires hanging down," he described.

"And outside, you could see the cruise ship Atlantic being blown across the harbor. It was an incredible sight."

Mr. Deters said that although five staff members had arrived for work by the time Emily struck, the office was effectively closed for most of the day.

"All our international telephone lines, facsimile and telex links were knocked out, but fortunately our computer room, where we have recently installed a new IBM mainframe, escaped undamaged. By Tuesday, we were operating at 100% again."

Wayne Morgan, executive vp of Johnson & Higgins (Bermuda) Ltd., the largest captive manager on the island, said it also lost virtually the entire working day when the hurricane struck.

"Only a few of our 130 staff made it into work, and we really weren't able to function," he said. "In any event, we didn't want staff risking their lives trying to come in, so when we knew Emily was coming through, we switched our computer off and later informed all J&H branches through our New York headquarters that we would be closed for the day."

Mr. Morgan said that the company's Victoria Hall headquarters was not damaged. "It was built to withstand this kind of weather, and it did."

Marsh & McLennan (Bermuda) Ltd. also decided to shut down its computer and write off the day, said President Andrew Carr.

Peter Leitch, chairman of Alexander Insurance Managers Ltd., a subsidiary of New York-based Alexander & Alexander Services Inc., said that a dozen of his 70-member staff were at their desks when Emily hit.

"We were functioning, but not too well under the circumstances," he said.

© 1987, New England Mutual Life Insurance Company, Boston, MA



## YOUR FINANCIAL FUTURE NEEDS A FLEXIBLE BENEFITS PLAN THAT'S THE PRODUCT OF TEAMWORK.

The kind of teamwork you can expect when you do business with The New England. A family of financial services companies with proven skills in the design, development and implementation of various corporate benefit programs.

The New England Employee Benefits Group is in business to make your job easier. The way we do that is, first, by working with you to establish specific plan objectives. Then, we help you develop the actual plan. Last, but certainly not least, we help you with the difficult, time-consuming task of implementing and administering it—including making sure your clients thoroughly understand everything being offered them.

If you want to work with a company that works to your benefit, you'll want to head our way. Phone 1-800-222-2725, Ext. 133, for more information.

**The New England. Your Financial Partner,  
Your Financial Future.**



**The New England  
Employee Benefits Group**

Your Financial Partner

## Nomination deadline approaches

Completed nominations for *Business Insurance's* 1988 Risk Manager of the Year award and the Risk Management Honor Roll are due Nov. 23.

A candidate may be nominated by anyone familiar with the risk management professional's work. Candidates are to be in charge of the risk management function for a corporation, government entity, financial or not-for-profit institution to be eligible for nomination.

Nominations must be submitted according to specific guidelines in a *Business Insurance* nominating packet.

If you want to nominate someone for the 1988 award, please request a packet by writing *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590; or call 312-649-5398.



## For Palm Beach Clothing, Wausau is the common thread.

Every Palm Beach label signifies a close attention to styling and to detail. Their concern for quality is apparent in every garment they produce.

And their concern for their employees is apparent in the close attention they give to the work environment. So, when certain workers began to develop a debilitating wrist condition, Palm Beach called Wausau.

From experience, Wausau suspected carpal tunnel syndrome, a painful condition caused by performing repetitive tasks day after day, year after year.

"That led Wausau to conduct an ergonomics study at several plant locations — to see how work stations could best be fitted to our workers," says Palm Beach Treasurer William Beebe. "As a result, Wausau made specific recommendations

on ways we could alleviate the problem."

Like thousands of companies across the country, Palm Beach relies on Wausau's special business insurance expertise. It's knowledge that comes from 75 years of concentrating solely on business insurance.

And, it's the common thread we can bring to your business.

**WAUSAU WORKS.**



**WAUSAU  
INSURANCE  
COMPANIES**  
© Wausau, Wisconsin 54401

A Member of the Nationwide Group.

# Hull, cargo rates to decrease: Insurers

By STACY SHAPIRO

NICE, France—After two years of increasing hull insurance prices and steady cargo insurance rates, shipowners and cargo owners can expect rates to plummet next year, marine underwriters say.

Increased competition among international marine insurance markets combined with reduced shipping losses last year will prompt marine underwriters to reduce their hull insurance rates, said marine underwriters attending the International Union of Marine Insurance conference last month in Nice.

In fact, hull insurance price reductions of up to 60% from last year's rates have been quoted in the London market in the past month, according to marine underwriters.

Competition—particularly between London, Norwegian, French and American and Swedish insurance markets—also will force hull rates downward next year, the underwriters said.

In the past two years, hull rates have increased and capacity has been reduced in line with the rest of the commercial property/casualty insurance market (BI, Sept. 29, 1986).

Competition is also expected to lead to reduction in cargo insurance rates.

Although cargo rates have held steady in the last few years, underwriters say rates could be reduced by as much as 50% from last year.

Renewed competition among underwriters for hull coverage sparked heated debate among the 540 people who attended the IUMI conference, held Sept. 20-24 at the Acropolis conference center in Nice.

"Are we entering into the most self-destructive competitive era that the marine market has ever seen?" asked Tony Nunn, general manager of The Scottish Lion Insurance Co. Ltd.

"If so, are you happy to leave it at that?" he asked. "We are still blaming each other for rate reductions. The sad thing is, how often do we calculate rates? How often is rating just 15% less than the other (person's quote)?"

Mr. Nunn did point out that hull losses have declined in recent years, with only 156 vessels lost last year, compared with 189 vessels in 1985 and 236 vessels in 1982. However, "we haven't had any major casualties. We are lucky. But the losses are in the pipeline."

"I don't know if we are facing the war that you describe," answered a Norwegian delegate. But, he added, "if there is uncontrolled capacity, then rates will go down."

For example, the Norwegian delegate told IUMI conference attendees that the Norwegian Hull Committee recently issued a quote for a hull policy for a 115-ton vessel under Norwegian management with a \$25,000 deductible. London underwriters then quoted a 5% reduction with the same deductible, he said.

However, another quote came in from the London market through a broker's binding authority with rates 60% less than the Norwegian quote and a 24% lower deductible, said the Norwegian delegate.

Much of the business was placed under the binding authority agreement with Lloyd's of London underwriters and insurance companies belonging to the Institute of London Underwriters. Japanese insurers also participated on the coverage.

The Norwegian delegate doubted that the underwriters who had given the broker binding authority realized the lower rates being

quoted by the broker.

"I suggest that everyone giving brokers (binding authorities) should cancel them or have one or two leading underwriters read each (submission)," he said.

"Broker covers are damaging to us all," said Mr. Nunn.

Another delegate told *Business Insurance* that hull rates on average will fall about 25% next year due to increased competition. He said that the Swedish Club—a mutual insurer for shipowners—and insurers in the United States and Norway were competing hard with the London and French markets for business.

The IUMI conference, which was first held following World War II, resembles a United Nations for marine underwriters, with delegates from 50 countries attending.

Held every year in a different country, the conference is the venue for gathering information on the state of the cargo, shipping and offshore oil drilling industries worldwide, as well as discussing problems with insurance policy wordings and clauses and international law.

However, industry competition and rating are not usually on the agenda, and the American Institute of Marine Underwriters goes as far as stating at each conference that AIMU will not enter into "any agreements or understandings, expressed or implied" on matters affecting rates or conditions of insurance.

Francois Drouault, chairman of La Reunion Europeenne in Paris, even asked delegates if competition was the "proper subject" for

an IUMI conference.

Nevertheless, Mr. Drouault—whose company, according to observers, has taken business from the London market in the last year—pointed out that all marine underwriters at the IUMI conference are in competition with each other.

"It is our environment," he said. "We all live in it. . . That cannot and should not be regulated."

He did agree that all marine underwriters should play fairly and adhere to the rules of the game. "There are many ways to compete," he said.

Marine underwriters also should accept that there is a new "internal" structure developing in the world marine insurance community in which one market will no longer dominate the others, he said.

Up until now, the London market—composed of Lloyd's and the ILU companies—has dominated the worldwide marine insurance market.

Now, however, instead of one market quoting a rate for a risk, many markets will quote rates, he said. "This is the wish of the assureds and the brokers."

"No doubt it is difficult to draw the line between reasonable and unreasonable competition. In my opinion, reasonable competition in relation to price remains marginal," he said.

Instead, shipowners are looking for the underwriters that will provide the best security and claims settlement for a reasonable price, he added.

In the last few years, American  
*Continued on next page*

## YESTERDAY'S CLAIMS A LOT LIKE YESTERDAY'S



The Claims Backer® is an on-line system that gives you immediate access to claims information from UAC's data base.



Out-of-date claims information can be worse than useless. It can be misleading. Now there's a way to get the timely, accurate information you need. It's a state-of-the-art, on-line computer system developed by UAC. It brings a whole new dimension to effective claims management. It puts you in control as never before.

It's called The Claims Backer.® You get up-to-the-second claims information simply by

accessing UAC's countrywide data base from a terminal in your office. This means you have claims information at your fingertips whenever you need it.

The information you need to do statistical and financial analysis, to review reserves, to prepare reports the way you want them. You're not kept waiting for days, weeks or months. You're on top of everything that's happening.

Continued from previous page

fleets have shifted their coverage from domestic underwriters to the French and Swedish insurance markets, while other world fleets have left the London market and moved their accounts to the French or Swedish markets (*BI*, Oct. 14, 1985; Sept. 29, 1986).

Underwriters at the IUMI conference also discussed competition in the cargo insurance market.

Last year, despite warnings that rates would plummet, underwriters detected that there was "a return to stability, discipline and design to improve results" in the cargo market, said George Jones, chairman of the IUMI cargo committee.

In a cargo report distributed to IUMI members, the United States delegation said that cargo insurance premium volume improved last year due to "rate increases and volume of trade. There is a great deal of buyer awareness of both price and coverage, especially on major accounts; however, there was some rate stability in the past year."

The United Kingdom, too, said that premium volume levels "at best" had been maintained with positive underwriting results being assisted "by the infrequency of serious casual-

ties."

However, improvement in cargo rates is not expected to last into next year in most countries, particularly Canada, Finland and France, the report pointed out.

Mr. Jones added that the improvement in cargo underwriters' results last year could be traced more heavily to a lack of losses rather than to an increase in premium rates.

In some foreign markets, there is a continuing pressure to reduce insurance rates by as much as 50% of what they were last year, according to Mr. Jones.

Also, "since the report, I detect a softening of the market," said Mr. Jones. "In the last few months, the Institute of London Underwriters and the Skandinavian countries have detected this, too."

The topic of competition among international markets filtered throughout conversations outside the conference hall.

Many delegates took the opportunity of being in the South of France during a heat spell to lounge at the beach, visit the ancient French towns along the coast and dine at the many elegant restaurants in the mountains or by the sea.

Unlike the very informal Rendez-Vous de

Septembre held in neighboring Monte Carlo 10 days earlier, the IUMI conference was structured.

Delegates were bused to the Acropolis conference center each morning and wore suits and ties in the sweltering heat to listen to speech after speech given by various IUMI committees. The speeches ranged from the state of the offshore oil rig industry to the handling of kiwi fruit in New Zealand.

The topics also included the nuclear contamination of cargo caused by nuclear accidents such as the one in the Soviet Union town of Chernobyl; hull war risks in the Persian Gulf; and the shipping industry in the Soviet Union (see stories, pages 10-14).

Hosts of this year's IUMI conference, the French insurance association Syndicat des Societes Francaises d'Assurances Maritimes et de Transports, did provide some diversions.

A grand reception started the conference, which was opened by the deputy mayor of Nice instead of the mayor, who was meeting French Prime Minister Jacques Chirac at Nice airport. Mr. Chirac attended a French political party conference on the other side of the Acropolis center, which increased police security at the center for IUMI delegates. ■

## American Hull Syndicate changes rules

By STACY SHAPIRO

**NICE, France**—Changes at the American Hull Insurance Syndicate could result in more capacity in the U.S. marine insurance market for oceangoing vessels and other marine risks.

The New York-based syndicate—whose investors are 46 U.S. insurance companies—in December made the first significant changes in the syndicate's articles of agreement since they were drawn up in 1920.

The changes give the investors freedom to insure certain vessels on their own, while gives the syndicate new flexibility to write other types of marine risks.

Syndicate Chairman John Hickey, who succeeded Allen E. Schumacher upon his retirement in June, explained the major changes in the syndicate as a result of the alteration to the articles during the International Union of Marine Insurance conference last month.

According to Mr. Hickey:

- The 46 U.S. insurance company investors will now be allowed to write "blue-water" insurance—coverage for vessels that sail oceans, rather than inland waterways. The old articles said that the syndicate would be the exclusive underwriter for blue-water insurance.

"Some underwriters felt that they should be able to write blue-water accounts in their own offices if they wanted to," Mr. Hickey explained. "We didn't object."

Mr. Hickey said he does not know how much capacity this will free up in the U.S. insurance market for blue-water business.

- The syndicate for the first time will be allowed to write marine insurance for terminal operators, stevedores, ship repairers and charterers. This will generate about \$1.5 million in additional premium income this year, which is "very little" compared with the syndicate's total estimated gross written premium volume of \$40 million to \$41 million for 1987, Mr. Hickey said. However, this is a growth area, he added.

- The syndicate will be able to react quickly to changes in the marine market because an underwriting committee no longer makes business decisions. Instead, Mr. Hickey is responsible for making syndicate policy under the new articles.

"We can react quicker," Mr. Hickey explained. "If we think something is worthwhile, rather than lose it, we will try to meet the rate level."

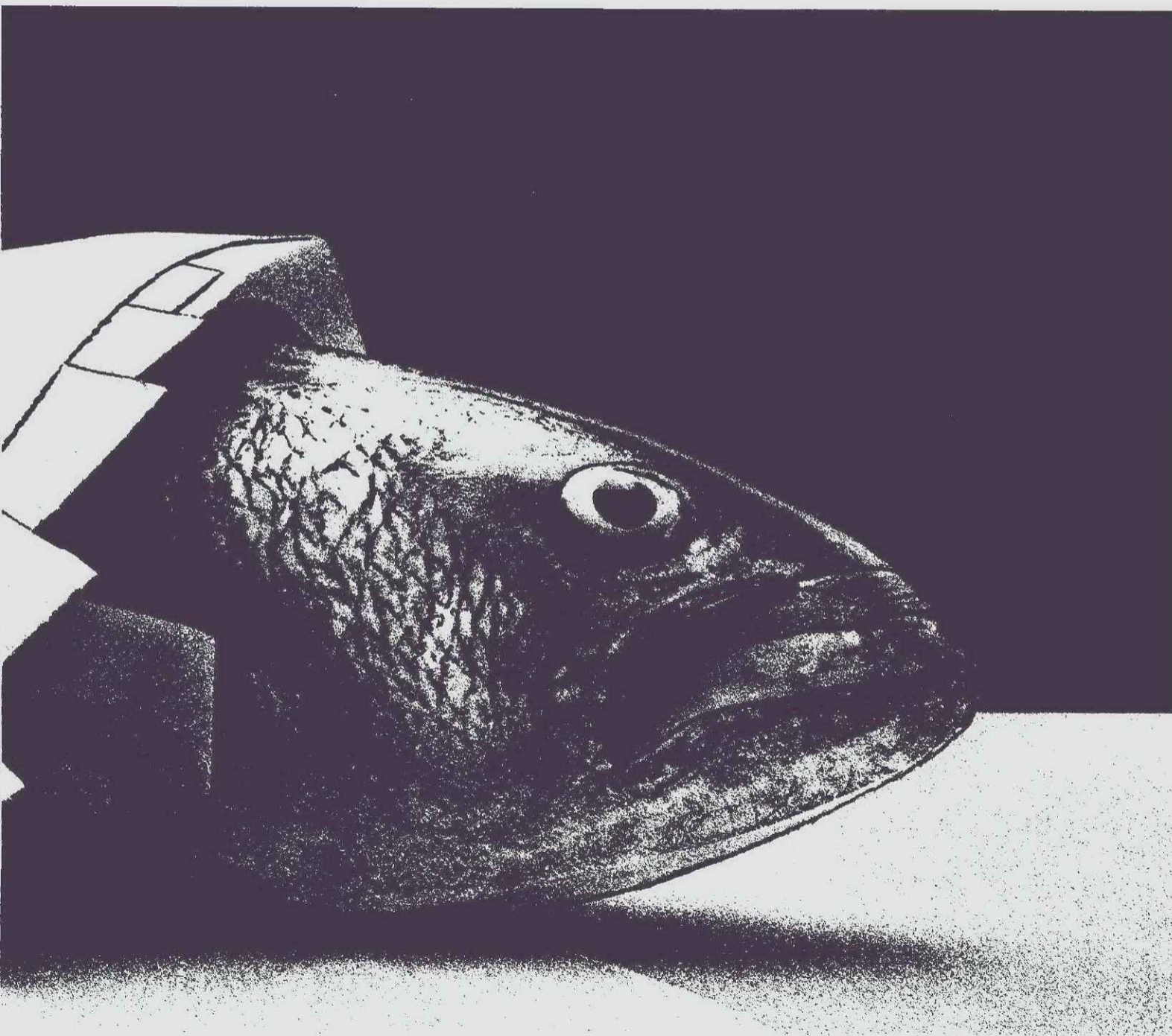
The syndicate was formed at the end of World War I to write blue-water insurance for U.S.-flagged vessels. At the time, there was no U.S. insurance market to write coverage for oceangoing vessels.

It was not until the 1970s that U.S. insurance companies became more seriously involved in writing marine insurance and reinsurance business, Mr. Hickey pointed out.

Officially, the syndicate is a non-profit organization, said Mr. Hickey.

While half of its business previously was derived from the United States and the other half from foreign countries, now 60% of its business is foreign and 40% is domestic.

# INFORMATION IS NEWSPAPER.



At UAC we're continually looking for ways to help you manage your claims dollars more effectively. The Claims Backer® is an example of what the latest technology and 65 years of claims handling experience can produce. For additional information, contact: Marketing Vice President, Underwriters Adjusting Company, 2 Corporate Place South, Piscataway, NJ 08854. Or call 201-981-8200.

**UAC**<sup>®</sup>  
THE TEAM WORKS

# A call for clarity

**C**LEARLY THERE ARE technical problems with the federal Risk Retention Act of 1986.

The act is ambiguous about Congress' intent to exempt insurers that issue policies to purchasing groups from licensing requirements and rate and form regulation in every state except the one in which the purchasing group is domiciled (see story, page 1).

Technical amendments are needed to make clear that only the purchasing group's state of domicile should have this regulatory control over the insurers of purchasing groups. The amendments should be addressed soon by Congress.

As the Commerce Department says in its recently released report, and as we recommended in an earlier editorial, Congress needs to hold hearings to further examine the proper role of states in regulating groups operating under the act, addressing both reducing regulatory burdens and strengthening financial oversight and consumer protection.

The technical problems with the act could be blamed on how quickly the original 1981 act was amended: eight months from introduction to congressional approval in October 1986.

We were among those who urged Congress to move quickly to amend the Risk Retention of 1981 to provide insurance buyers with more freedom to self-insure liability risks as a group and to buy liability insurance on a group basis.

The fast action, however, can be blamed for some of these technical problems that might have been identified had there been longer deliberations on the legislation. Still, we think it was wiser to get the act amended and the options made available to commercial insurance buyers than to get it perfectly drafted in the first instance. The liability insurance crisis in 1986 demanded the fast action.

While some observers contend that the need for the expanded Risk Retention Act has diminished because insurance prices are moderating and capacity has returned to the marketplace, this is not true for all insurance buyers. Consider, for example, blood banks in this country, whose primary liability insurance costs in 1986 rose to \$3 per blood donation from 65 cents (*BI*, Sept. 28).

We urge Congress to carefully study the Commerce Department report and to act on its recommendations.

## PBGC salvo on target

**W**E SUPPORT the efforts of the Pension Benefit Guaranty Corp. to return to LTV Corp. three of its massively underfunded pension plans.

The PBGC took action after LTV established a new lower cost pension program to restore to participants certain benefits not guaranteed by the PBGC. Participants lost those benefits when the PBGC terminated the three plans.

The PBGC terminated the three LTV pension plans in January when LTV said it could no longer afford to make contributions to the plans.

The PBGC says the new plans are really a continuation of the old plans except the agency—and not LTV—now pays the bulk of the benefits to retirees.

If LTV is allowed to get away with this, however beneficial it is to LTV workers, other financially distressed companies might terminate their plans, shift the plans' liabilities to the PBGC and then start new, cheaper plans. Then the agency would face billions of dollars in new liabilities and it would be forced to raise even higher the premiums it charges employers with defined benefit pension plans.

Certainly such fast-footed action by employers

could not have been what Congress envisioned when it established the PBGC. The agency was intended to be a last resort guarantor of workers' and retirees' benefits when companies fail and not a subsidy program for benefits provided by on-going companies.

We don't believe that after a company terminates an underfunded plan it never should be allowed to set up a new pension plan. That would be unfair to workers of a company that solves its financial problems and make it difficult for a recovering company to offer a competitive benefit package attracting wanted employees.

The PBGC's right to return LTV's plans to the company under current law is now being tested in the courts. While this litigation drags through the courts, Congress should act to deter other employers from following LTV's lead.

Congress should set a time—perhaps five to 10 years—in which no new plans could be established by a company that terminated an underfunded plan.

That would reduce an employer's incentive to dump an underfunded plan on the PBGC as a short-term financial fix.

## Letters

### Pay people to stay well to curb health care costs

To the editor: For many years cost containment has meant helping sick people become wise consumers. Current wisdom suggests that consumers of medical care are inherently unwise, so therefore we must control the providers. I wonder if this is wise.

Sharon Graugnard indicates in her Perspective article "Standards for PPOs" (*BI*, Sept. 21) that there are now 600 preferred provider organizations in 42 states.

Very soon, every doctor will be a pre-ferred doctor. When everyone is a PPO, no one is a PPO.

We are getting to the end of the line. All of the health maintenance organizations and all of the PPOs and all of the cost-containment reports are no: slowing the tide of rapidly escalating medical costs. We continue to focus on the symptoms

instead of the disease. We use too many medical services because we need too many medical services.

We have paid people to get sick for long enough. The system doesn't work. We need to start paying people to stay well.

**Mark A. Mitchell**  
U.S. Benefit Consultants  
Marietta, Ga.

### Charges against insurers 'idiotic'

To the editor: The editorial, "Realistic Profits" (*BI*, Sept. 21), states it all in a concise, cogent manner.

It's about time someone shoots down J. Robert Hunter's and the National Insurance Consumer Organization's idiotic contentions that insurers are the bad guys.

I've had my share of grief with insurers over the past 29 years, but in each instance it's been over a matter of honest

disagreement as to policy language interpretations.

Mr. Hunter's ability to distort the facts in support of his contentions never ceases to amaze me. There is no question in my mind that he is aware of regulatory requirements and financial accounting standards. Why he persists is beyond me.

**Anthony Giardino**  
Triton Group Inc.  
Pompton Lakes, N.J.

## 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)

Assistant Managing Editor: Dave Lenckus (Chicago)

Assistant Managing Editor/Graphics: Holly E. Seguire  
(Chicago)

**CHICAGO:** Stacy Adler (Assistant Copy Editor)  
Karen Brown (Assistant to the Editor)  
Linda J. Collins (Agent/Broker Editor)  
Meg Fletcher, A.R.M. (Associate Editor)  
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)  
Stephen Tarnoff (Associate Editor)  
Paul Winston (Assistant Copy Editor)  
Joanne Wojcik (Copy Editor)  
Christine Woolsey (Editorial Assistant)

**DALLAS:** Michael Bradford (Associate Editor)

**LONDON:** Stacy Shapiro (International Editor)

Carolyn Aldred (Associate Editor)

**LOS ANGELES:** Donna DiBlase (Bureau Chief)  
Glenn Huntley (Associate Editor)

**NEW YORK:** Douglas McLeod (Bureau Chief)  
Judy Greenwald (Associate Editor)

**WASHINGTON:** Jerry Geisel (Washington Editor)  
Deborah Shalowitz (Associate Editor)

Corporate: H.L. Stevenson (Corporate 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 Kerstowski (Production Manager)

**LOS ANGELES:** Michael J. Sharpe (District Manager)

**NEW YORK:** Charles A. Horvath (District Manager)

Jack Forrest (District Manager)

Martin J. Ross (District Manager)

Courtney Bauer (District Manager)

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

Corporate Marketing Manager: Alice Sieloff (Detroit)

**EDITORIAL:** Chicago: 312-649-5398

Dallas: 214-363-1066

London: 01-404-4228

Los Angeles: 213-651-3710

New York: 212-210-0100

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

**KEITH E. CRAIN**

Vice chairman

**S.R. BERNSTEIN**

Chairman-executive committee

**RANCE CRAIN**

President

**MARY KAY CRAIN**

Treasurer

**MERRILEE P. CRAIN**

Secretary

**WILLIAM A. MORROW**

Senior Vp-operations

Published weekly at 740 Rush St., Chicago, Ill. 60611, Telex 6871241, Cable CRAINCOM. Offices: 220 E. 42nd St., New York, N.Y. 10017, Telex 640207 CRAIN COM NYK; 1 Northpark, East Suite 114, 8950 N. Central Expressway, Dallas, Texas, 75231; Suite 814, National Press Building, Washington, D.C. 20045; 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 20-22 Bedford Row, London WC1R 4EB, England. \$1.75 a copy. \$68 a year in U.S. Canada and all other foreign add \$16 for surface mail. Europe and Middle East only add \$47 for air delivery. First-class mail to U.S. and Canada only, add \$48. Bermuda only, \$105 per year expedited delivery. WILLIAM STRONG, vp-circulation. BARBARA KISCH, 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. Microfilm copies are available from University Microfilms, 300 Zeeb Road, Ann Arbor, Mich. 48103. 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.

BPA

Member of Business  
Publications Audit of Circulation

ABP

*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.*



Pizza Hut and the Pizza Hut building design and logo are registered trademarks of Pizza Hut, Inc.

## Why does Ken Albrecht of Pizza Hut specify Crawford Risk Management Services?

CLAIMS SERVICES  
HEALTH AND REHABILITATION  
INFORMATION SYSTEMS  
RISK CONTROL  
EDUCATION  
RISK SCIENCES GROUP



Crawford & Company  
5620 Glenridge Drive, N.E.  
Atlanta, GA 30342  
(404) 256-0830

*"After 15 years in risk management, I know that even the smallest claim can become a nightmare when mishandled. I sleep better knowing Crawford is handling the case."*

A handwritten signature in black ink that reads "Ken Albrecht".

Ken Albrecht  
Director, Risk Management  
Pizza Hut, Inc.

# Cargo insurers seek radiation exclusion

By STACY SHAPIRO

NICE, France—Fourteen insurance markets, including Lloyd's of London, are calling for a worldwide cargo insurance exclusion for radioactive contamination and cleanups resulting from nuclear accidents such as last year's Chernobyl disaster.

The exclusion would bar cargo owners from filing insurance claims for cargo rejected by buyers because it was contaminated by fallout from a nuclear energy accident.

Only 22 of 38 countries that responded to a questionnaire from the International Union of Marine Insurance exclude nuclear accident contamination from their cargo insurance policies.

Also, non-marine underwriters generally exclude the coverage from non-marine policies.

However, key insurance markets—like the London, U.S. and Norwegian markets—still provide the coverage, said Jaap A.P. Boertje, chairman of the Netherlands insurance association Vereeniging van Transportassuradeuren.

Mr. Boertje spoke at a special workshop on nuclear accidents and their effect on cargo insurance held during the IUMI conference in Nice last month.

According to the IUMI questionnaire, 14 countries supported a general exclusion of radioactive contamination.

Lloyd's—a leading player in the marine insurance and reinsurance industry—wants to exclude the coverage as soon as possible. But Lloyd's can only exclude the coverage if other markets also do so, IUMI members say. Otherwise, London would lose business to other foreign markets, underwriters say.

"It is apparent that there already exists a majority who favor exclusion," said Chris Rome, chairman of Lloyd's Underwriters' Assn. "I suggest the only honest answer is for the world marine insurance industry to take a common stand and exclude the perils from their cover."

The call for a universal exclusion for radioactive contamination caused by nuclear accidents was one of the first times IUMI members have had a chance to tackle a serious issue as one body.

The move was precipitated by last year's fire and explosion at the Chernobyl nuclear power plant in the Soviet Union, which sent up a radioactive plume over a land mass of some 500 miles stretching toward the Baltic Sea.

Nuclear fallout from the Soviet accident eventually spread throughout Europe and Scandinavia and then the rest of the world.

Although radioactive contamination forced the slaughtering of reindeer and the rejection of some crops and milk powder, there were few, if any, insurance claims arising from the Chernobyl accident.

The Insurance Co. of the U.S.S.R. (Ingosstrakh) Ltd. reports that no claims were filed in connection with the incident in Chernobyl, said Mr. Boertje.

Ingosstrakh, however, specifically excludes risks caused by the direct or indirect effect of atomic explosion, radiation and radioactive contamination arising from any use of atomic energy and use of fissile materials.

Also, of the 38 countries responding to the IUMI questionnaire, only Australia wrote that the "possible radioactive contamination of perishable goods" led to payment of an insurance claim.

In the Australian case, Port Jeddah authorities confiscated off-loaded cargoes because the vessel also was carrying mineral sand

that was slightly radioactive.

High-level negotiations between governments initiated by the Insurance Council of Australia averted any threat to the perishable foodstuffs, but charges for power and storage imposed by port authorities had to be paid by insurers under protest.

"As the reports from member countries confirm, marine insurers were on this occasion let off with a warning (as) the radiation levels were not such as to be considered in any way dangerous," said Mr.

Rome.

However, "we are now in an unusual position in that we have the opportunity to shut the stable door before the horse has bolted," he said.

"The insurance industry, like many others, tends to react to events by excluding cover or by increasing rates too late to prevent a catastrophe, but in this case we have been fortunate in receiving a warning which I hope has left us enough time to take preventative measures.

"No doubt the precise cause of loss would be different next time, but that there will be a next time is hardly in doubt," Mr. Rome said.

Irish underwriters agree with Lloyd's and Mr. Rome that there needs to be a worldwide coverage exclusion for nuclear accident contamination of cargo.

Members of the Irish Institute of Marine Underwriters feel strongly that London's Institute Cargo Clauses should be altered so that, as in non-marine insurance, underwriters "are not exposed to a

possible catastrophe of grave proportions arising from a Chernobyl-type of incident," Mr. Boertje pointed out.

The Irish underwriters have been in contact with the Institute of London Underwriters on this subject.

Norway also feels that this risk should be excluded from standard cargo policy conditions and is awaiting discussions in the Nordic Marine Insurance Pool and "signals from other insurance markets," said Mr. Boertje. ■

# Risk M



It's a matter of defense.

To do battle against loss and liability, you've got to be armed with the right information. Which is why you should make Hartford Specialty your ally.

Whether your company payroll numbers 100 or 100,000, Hartford Specialty can meet your loss and claim information needs. With just the right combination of systems,

savvy and service.

Like a monthly loss report that's as easy to read as it is comprehensive. Or customized claim reports that can give you the *whole* picture.

With our Customer Allocation System you can assign medical, indemnity, *and* expense dollars to profit centers—individually, or in any combination.

# Iran-Iraq War damage toll huge: Expert

By STACY SHAPIRO

NICE, France—The 8-year-old Iran-Iraq War is causing more damage to ships than many people realize, according to a marine loss expert.

Aside from the 72 vessels at the start of the war that were trapped in the Shatt-al-Arab waterway separating Iran and Iraq and the continuing damage caused by mines and attacks on ships in the Persian Gulf, vessels also are being damaged as they try to avoid at-

tacks, said Michael Ellis, general manager of the Salvage Assn., a marine loss adjusting firm in London.

"Some of these casualties have been expensive for underwriters, and operating procedures used by some vessels may well increase the cost to underwriters of other accidents which are otherwise unrelated to the threat of the attack," Mr. Ellis said at last month's International Union of Marine Insurance conference in Nice.

So far, the Iran-Iraq War has

cost marine underwriters more than \$1 billion in hull and cargo losses (BI, Sept. 7).

Many of the losses are a direct result of attacks. In 1986 alone, Iraq attacked 60 vessels near Iran's Kharg Island oil terminal, while Iran attacked 39 vessels in the Persian Gulf, said Mr. Ellis.

As of late last month, the two nations had attacked 79 vessels in 1987, and Mr. Ellis said he expects the number of ships attacked by year-end will exceed last year's total of 99.

However, other losses are caused by trying to avoid attack, he pointed out.

Since 1982, Iraq has imposed a maritime exclusion zone at the northern end of the Persian Gulf, including the area around Kharg Island. In addition, Iran has issued "navigational safety" boundaries that stretch the length of the gulf and force vessels to abandon traditional shipping routes and "transit much trickier waters to the south," said Mr. Ellis.

Vessels trying to avoid these ex-

clusion zones navigate waters that are not well marked or fully charted and that are more hazardous "by virtue of oil platforms, shoals and generally shallower waters," he said.

Some vessels also sail at night with their lights off in these uncharted waters, with restricted use of radar and radio. "It is not surprising in those circumstances that ships have run into problems," said Mr. Ellis.

Several ships in the northern part of the gulf in the early part of the war ran aground "while seeking to avoid Iraqi attacks," he said.

Other losses attributable to attempts to avoid attack include:

- The grounding of a tanker loaded with 125,000 tons of Kuwait crude oil in December 1986. The tanker ran aground at night in the northern gulf while keeping close to the Saudi Arabian shore in waters that a laden tanker would normally avoid.

"She required salvage assistance and subsequent repairs costing some \$3 million," Mr. Ellis said.

- The grounding in April of a tanker with 225,000 tons of crude oil north of Qatar. The tanker was attempting to navigate to avoid Iranian attacks in waters that tankers of its size would normally never use. Repairs cost underwriters at least \$5 million on top of salvage charges, said Mr. Ellis.

- The May collision of a bulk cargo ship loaded with 14,000 tons of cement from the United Arab Emirates with a wrecked ship. The cargo ship was keeping close to shore, "again to avoid attack," Mr. Ellis said.

Underwriters now are wondering whether hull underwriters or war risk underwriters should pay for losses related to the war but not directly caused by an attack on a vessel.

The question was bandied among panelists and the more than 200 underwriters who attended a hull workshop at the IUMI conference.

"Everybody knows the difference between war perils and marine perils," joked Nicholas Wilmott, chief legal officer for Vestal General Insurance Co. Ltd. in Norway.

"War perils are essentially those perils which are not marine perils and vice-versa, which is very clear and understandable," he said sarcastically. "It may be impossible to define the concept of a broker, but we can all recognize one at 50 paces."

In the same lighthearted vein, Mr. Wilmott observed that war perils are like sharks. "An exact definition may be impossible, but we all know what a war peril is when it hits a vessel we have insured against marine perils only."

Two different sets of clauses found in Norwegian and London marine insurance policies address the definition of war clauses, he pointed out.

Mr. Wilmott said the Norwegian system—which he called the "Boy Scout approach"—says that all risks are insured under marine policies except war perils.

However, if the loss is caused equally by a combination of war and marine perils, the war risk and marine insurers must pay each half of the loss. If there is a dispute, each set of insurers pays half the loss until the dispute is resolved.

"On the other hand, we have the 'buccaneering' approach, which says that the most important thing is to draw the line as clearly and simply as possible—exactly where you draw the line is of less importance," Mr. Wilmott said, adding that there would be "no prizes for guessing that the buccaneers are

Continued on next page

# Managed.

Our interactive, on-line OSCAR system lets you specify the type of report you want—or even create your own—from a data base that's 24-hours current.

It's all backed by the same superior service that's made The Hartford a leader in the insurance industry.

Challenge us. You'll find that we respond with innovation and

expertise tempered by nearly two centuries of experience.

Test Our  
Response  
Ability.

HARTFORD  
SPECIALTY  
The Insurance People of



For more information contact your broker or the nearest Hartford Specialty office. We'll be glad to do some reconnaissance.

Why wait? In the never-ending battle to manage risk, we're your best defense.

## Iran-Iraq war

Continued from previous page  
to be found in the London market."

Under the London clauses, marine perils are specifically named and war risks are specifically excluded. Separate war risk clauses cover losses caused by war, civil war, insurrection and other war-related perils, said Mr. Wilmott.

If a loss is caused by a combination of marine and war perils, then underwriters must look for the dominant cause of the loss. Under the London clauses, it is not possible to apportion the loss to both marine and war risk underwriters.

When one risk is covered by a combination of the two countries' clauses and those of other countries, it "can create problems of incompatibility," Mr. Wilmott said.

Under the London clauses, shipping losses near war zones, like the Persian Gulf, which are

not directly the result of an attack will likely be paid by hull underwriters, panelists said.

The classic example was the collision between the Nova and the Magnum in December 1985. Both ships were proceeding at full speed at night—one to and the other from Kharg Island—when they collided.

"Their action was caused by war," said Mr. Wilmott. However, it was concluded that the dominant cause of the loss was faulty navigation, so hull underwriters paid the loss.

Mr. Wilmott is sure that an English court would have reached the same conclusion.

Mr. Wilmott asked IUMI underwriters why they have not protected themselves in the event a vessel they have insured against marine perils enters a war zone. For example, he asked:

- Why don't underwriters charge an additional premium for coverage for marine perils when a ship enters a war zone?

- Why don't they limit in the policy the number of calls a vessel can make in a war zone?

- Why don't they insist that war and marine risks be written as a single package?

- Why don't they check the technical standards of vessels that regularly sail in a war zone before they write insurance for these vessels?

In response to Mr. Wilmott's questions, one Norwegian underwriter said: "Underwriters do not wish to interfere in the gulf trade or wish to charge an additional premium. . . (Besides) brokers are too smart for us and we are too commercial."

"That is the Boy Scout answer. We would wish to hear a buccaneer's answer," the Norwegian insurer said.

A member of the audience from London replied that London underwriters thought if they did charge an additional premium, the Boy Scouts would take all the business." ■

## Soviet policy may benefit underwriter

By STACY SHAPIRO

NICE, France—The Soviet Union's new policy of openness—or "glasnost"—will benefit the state-owned Insurance Co. of the U.S.S.R. (Ingosstrakh) Ltd., according to a Soviet underwriter.

Michael Safronov, deputy director of Ingosstrakh in Moscow, said glasnost will lead to a greater awareness about insurance, which, in turn, will increase its business.

However, glasnost also may allow Western insurance companies to compete with Ingosstrakh for Soviet risks, according to comments made at the International Union of Marine Insurance conference last month.

For example, there is no government decree forcing the Soviet shipping industry to place its coverage with Ingosstrakh, though most of that business traditionally has been placed with the company, Mr. Safronov explained.

If Ingosstrakh begins competing with Western insurers, the Soviet insurer will be able to quote rates that are either in line "or lower" than the competition, Mr. Safronov said.

Mr. Safronov is fast becoming one of the leading spokesmen for the Soviet insurance industry. At last year's IUMI conference, Mr. Safronov for the first time delivered a speech detailing a Soviet disaster: the sinking of a Soviet cruise ship in August 1986 that killed about 390 people.

In addition, at an international law conference in London last month, Mr. Safronov said Ingosstrakh is willing to write up to \$100 million in satellite liability coverage when Soviet launch vehicles are used.

And, at the IUMI conference this year, Mr. Safronov for the first time provided details about the Soviet shipping industry and its insurance coverage.

The Soviet Union marine fleet ranks fifth in the world with more than 7,800 ships weighing almost 25 million gross tons, he said. Most of the fleet deals in fishing, port construction, exploration and mineral extraction and maintaining port facilities.

Although most of the Soviet vessels are insured by Ingosstrakh, some are insured in the London market, according to Mr. Safronov. Last year, hull insurance contributed \$20 million to Ingosstrakh's premium volume, only about 4% of its total.

About 43% of the hull premium stems from coverage for vessels currently under repair in foreign ports.

Hull insurance is compulsory for vessels that must be repaired abroad. About 600 Soviet vessels are repaired at foreign shipyards annually.

The IUMI conference members expressed amazement when Mr. Safronov pointed out that the insurer's hull loss ratio between 1982 and 1986 was only 23.5%. Over a six-year period, the Soviet merchant fleet lost 10 ships valued at a total of \$100 million.

"The expansion of hull insurance is a gradual process which depends on development of the new economic strategy in the country as well as on elaboration of efficient schemes to accommodate new demands of the more insurance-minded clients," Mr. Safronov said.

"It is reasonable to expect that hull insurance in the U.S.S.R. is reaching the turning point and what is coming in the next (few) years may present creative changes to the national marine market." ■

**EIS**  
**IR**

THE WHOLE IS GREATER THAN THE SUM OF ITS PARTS.

We'll make synergy work.

The Underwriting departments of the HANNOVER Re and the EISEN UND STAHL Re will be merged by 31st December, 1987. Our combined capacity and expertise should greatly benefit the insurance community as a whole.

We are well prepared for the challenges of the future.

HANNOVER Re · EISEN UND STAHL Re  
Karl-Wiechert-Allee 50 · D-3000 Hannover 61 · West-Germany



## More and more of our competitors are relocating

We never could match their cheap prices. But then again, they really couldn't match our underwriting quality or unsurpassed financial strength.

So here we are, the stable market in specialty risks, alive and well, writing primary and excess liability and excess property coverages that promise to indemnify our insureds for loss—losses that we'll still be here to pay.

Call the underwriting pros at General Star today...or tomorrow. It's never too late.



**GENERAL  
STAR**

**Here today  
Here tomorrow**

General Star Management Company, Stamford, CT • Specialty underwriting for primary and excess risks through appointed surplus lines brokers  
New York (212) 770-0150 • Chicago (312) 207-5400 • Los Angeles (213) 383-7734 • Stamford (203) 328-5700

## Houston Marine Insurance Seminar

# Marine insurer restrictions outdated: Brokers

By MICHAEL BRADFORD

HOUSTON—After coming through the recent hard market in good shape, marine insurers are now plagued by overcapacity and should be freed to write more non-marine risks, according to two leading London marine brokers.

Lloyd's of London rules that restrict marine syndicates to writing no more than about 10% of their premium volume in non-marine business are outdated and should be revised, according to John W. Buzbee, chairman of Marsh & McLennan Bowring Marine & Energy Group Ltd., and Michael E. Jenner, chairman of Jenner Fenton Slade Ltd.

The 10% rule also affects marine

insurers in the London market because they generally follow the rule, though they are not bound by it.

Mr. Buzbee and Mr. Jenner spoke in separate sessions at the 22nd Annual Houston Marine Insurance Seminar, held Sept. 20-21.

Mr. Jenner said that the Lloyd's and London company marine markets are "governed by a set of somewhat outmoded and outdated rules known as the Lloyd's A and B lists, which define what may be considered a marine risk and thus may be written in marine syndicates."

The Lloyd's lists allow marine syndicates to insure bridges; piers; tunnels; dams; diamond brokers; aviation hull, cargo and liability

risks; livestock risks; cargo in trucks and other inland transit risks; confiscation risks; and inland transit property risks, including material transported by pipelines, Mr. Jenner said.



He said the lists cause a problem for large corporations that need insurance packages that include coverages not considered marine insurance, as well as marine insurance.

Because of the 10% guideline, "the market has difficulty responding on corporate programs where the non-marine element is a

high proportion of the overall," Mr. Jenner said.

"This has proved particularly difficult in the case of legal liability policies, where a (policyholder) wishes to cover all their marine risks—such as offshore platforms, pipelines, rigs, hulls—as well as refining and marketing operations," he explained.

"It seems to me that the marine/non-marine distinction is an anomaly in today's world. The arguments in its favor seem to suggest that the device is a guardian of specialized underwriting and a protection for the syndicate members. I don't think any of these hold water," Mr. Buzbee said.

The practice of marine syndicates writing non-marine insur-

ance as part of overall packages of coverage for corporate buyers has brought criticism from some members of Lloyd's, Mr. Buzbee pointed out.

Marine syndicates "have been supporters of the package concept and as a result have written various non-marine coverages within the limits of their incidental non-marine allocation," he said. "A few underwriters at Lloyd's have taken considerable exception to this, arguing that marine underwriters in London have become virtually the only market in the world for certain non-marine liability risks."

Mr. Buzbee said such criticism is inappropriate, contending that non-marine coverages written by marine insurers "is a constructive use of the capacity that exists in this market. The ability of the marine market to write such packages has kept premium in the market that would otherwise find its way into non-market funding vehicles."

Mr. Buzbee pointed out that many insurance buyers avoided the most recent hard market by using alternative methods of funding risk, costing insurers premium volume.

But, "One segment of the market, it seems to me, escaped this crisis or at least was only minimally influenced by it. And that of course, is the marine market," he said.

Although marine underwriters took advantage of the hard marketplace to charge higher premiums and continue to haggle about which liability policy form is most workable, they did not contribute to a restricted marketplace with some of the underwriting practices employed by non-marine insurers, Mr. Buzbee said.

Marine insurers have "come through (the hard market) with flying colors," he said. But downturns in the shipping and offshore oil businesses have meant those industries are purchasing less insurance and leaving all marine underwriters with a lot of capacity, he said. This overcapacity has led "to an expansion of the marine market's encroachment—in the view of some—into non-marine areas," he said.

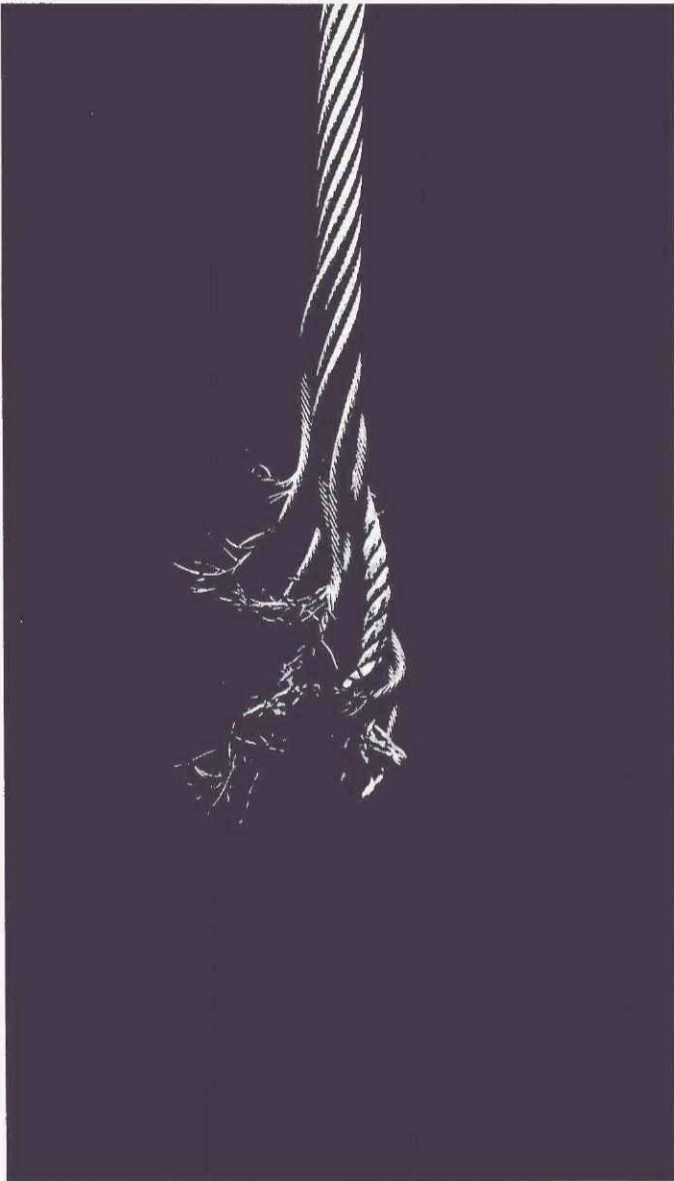
On the status of the marine market, Mr. Buzbee said the relative softness in the market is likely to continue "so long as the industries this market serves are not growing sufficiently to make demands on existing capacity."

The outlook for the general shipping industry "remains bleak with low freight rates and oversupply expected to continue in the '90s," he said.

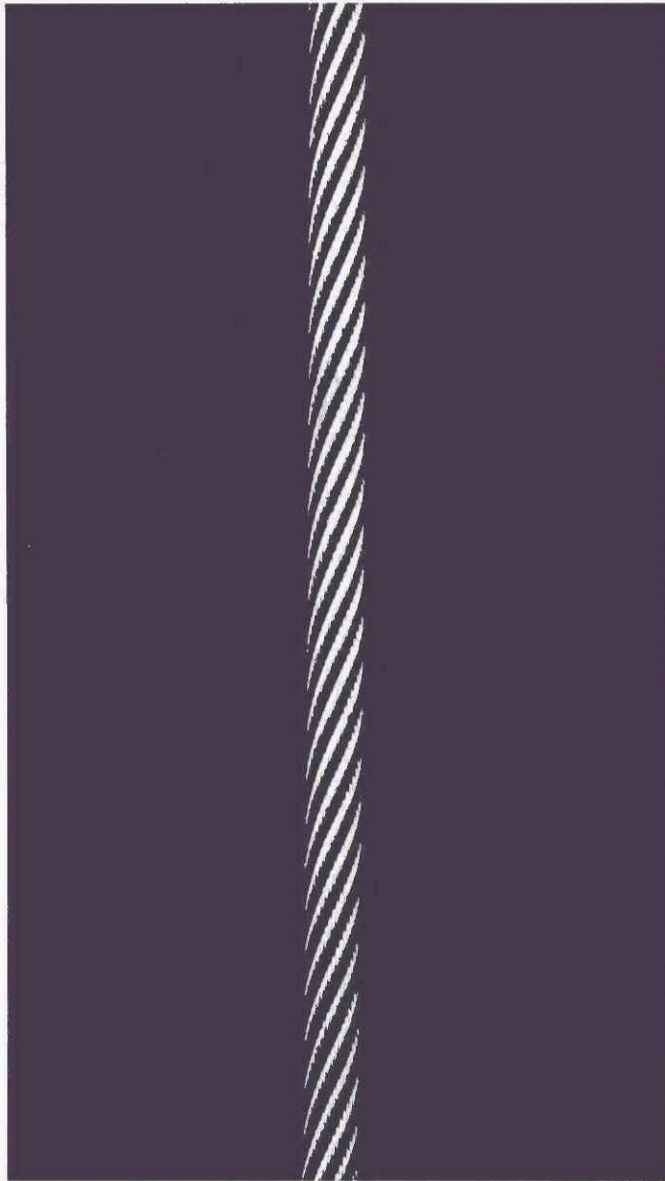
There is a bright spot on the horizon in the offshore oil industry, however, according to Mr. Buzbee. He pointed to one consultant's forecast for a rise in offshore exploration expenditures to \$32 billion in 1990 from \$22 billion this year. But even that increase in activity may not strain marine insurance capacity, Mr. Buzbee said.

Although competition is increasing among marine underwriters, Mr. Buzbee does not expect a drastic market softening, and he predicts that marine underwriters will continue to post a profit.

"This increased competitiveness or softness should not produce a catastrophic loss experience that would shortly thereafter generate a drastic upward swing in rates," he predicted. "Consequently, we will continue to have, at least in my view, a relatively stable market—one that will no doubt experience lower margins—but stable nonetheless, and barring a major catastrophe in the North Sea, one that should remain profitable to underwriters."



**Placing elevator insurance  
can be trying on your nerves.**



**Hang in there.**

Insurance companies believe the risks of insuring elevator contractors and suppliers outweigh the rewards. At American Marketing Center, we believe otherwise. So we've made arrangements, through a nationally recognized, A XI-rated company, to write your clients' policies\*—quickly and easily.

Solving tough risks with innovative programs is what we do best. So if you're looking for new ideas, call us at (212) 285-2160. Or write: 111 John St., New York, N.Y. 10038. Fax# 212-964-6465.

Before you reach the breaking point.

AMERICAN  
MARKETING  
CENTER, INC.

The insurance placement center.

\*All states except NY, NJ, Eastern PA & Hawaii



THE TRAVELERS' UMBRELLA  
COVERS THE WORLD.

No matter where you go in the world, you're never far from the global capabilities of The Travelers.

We have the international experience and expertise to serve your insurance needs in over 110 countries. Our international specialists in the U.S. are supported by the largest, most professional insurers in Europe, Asia, Africa, Australasia, Latin America and the West Indies.

Each local partner is fully staffed to provide you with on-the-spot support and fast, complete service.

We offer insurance products to cover the range of your property-casualty needs—from limited overseas operations to the largest, most sophisticated operations.

And we're also specialists at discovering answers for your international employee benefits and pension programs.

See how one of the strongest financial institutions in the world can cover the world for you. Call or write Bruce MacMillian, Vice President, at (203) 277-2395, The Travelers, International Dept., One Tower Square, Hartford, CT 06183-7040.

The Travelers Insurance Company, The Travelers Indemnity Company and Their Affiliates, Hartford, CT 06183

**TheTravelers**  
You're better off under the Umbrella.<sup>SM</sup>

# Inexperience blamed for reinsurance woes

By MICHAEL BRADFORD

HOUSTON—It is too easy to get into the reinsurance business, and as a result, the industry is suffering because of some unskilled personnel, according to a major reinsurance broker.

"Entry barriers have been too low. May I say I believe this is true for both reinsurers and brokers alike? It has simply been too easy to get into the business," said James Payne, chairman of E.W. Payne Cos. Ltd. in London, during the 22nd Annual Houston Marine Insurance Seminar last month.

Mr. Payne said that much of the reinsurance sector "naively continued to absorb business" during the market-share wars of the early 1980s. As a result, the market "reached a point of near collapse

in 1984 and 1985."

Reinsurers then began restricting the amount of business they would write, and premium rates zoomed, Mr. Payne said.

"A severe and sudden restriction in reinsurance capacity triggered an immediate effect within the primary market," he pointed out.

The competitive market battle and subsequent shift to hard market conditions can be blamed partly on inexperienced members of the reinsurance community, Mr. Payne asserted.

"Skill factors became dangerously diluted, and the financial factor—wherein lies the sector's reason for existence—became overstrained and compromised."

Although Mr. Payne contends that entry barriers are too low, he also noted that there is "no pre-

cise answer" on how high they should be set. "In financial terms, they must be high enough to guarantee the integrity of the system, and therefore



the starting point has to be set, taking into account ownership, classes of business, management experience, track record and so on," he said.

"We must then accept the need to increase the resultant investment at regular intervals in order to keep up with the social and economic environment of the market."

If the industry can stiffen its entry requirements, Mr. Payne said, "the reinsurance sector will

once more be perceived by the customer to be providing a valued service of integrity and stability."

"We have to discourage and eliminate those elements within the sector who are now euphemistically referred to as 'no-pays' and/or 'slow-pays' who dislocate the whole system with bad and doubtful debts and non-recoverables of overwhelming proportions."

Mr. Payne was careful to include reinsurance brokers in his assessment of the market.

"When I talked about tightening the barriers, I believe the principle applies equally to the brokerage community," he said.

Mr. Payne told his audience that the entire insurance industry is "not a suitable occupation for either the gifted or ungifted amateur. It is one for those with strong

conviction and nerve. The sooner this message is universally accepted and applied, the better."

Insurance and reinsurance business standards have to be improved, he urged, pointing out that insider trading has been dealt with in the United States and "similar treatment may be appropriate to many of the rogues who wander in and out of our industry, leaving devastation in their trail.

"At the same time, these standards must be set to prevent the naive and poorly trained from being turned loose with enormous amounts of inefficiently controlled capital," Mr. Payne said.

"The unguided missile—particularly when he is a reinsurer—can, has done and, if we are not watchful, will again cause us all unwanted and unnecessary problems," he asserted.

Despite the problems he mentioned, Mr. Payne said, "very many of us in this industry—primary insurers, reinsurers and brokers—are all generally better informed now as to the underlying dynamics of our situation than we ever have been. But many of us have paid dearly for that experience."

**'Damage has been done, but the industry is now wiser,' says James Payne.**

He said there also are other areas of the insurance and reinsurance industries that need improvement.

"It seems to be that non-industry critics have a tendency to oversimplify our business," he said. "The converse is also true. Those of us in the industry frequently overly complicate issues. We do less justice than we should to the key elements of communication, common sense and pragmatism."

Members of the insurance and reinsurance industry need to come together on regulatory and other issues that affect their business, Mr. Payne stressed.

"We have done a poor job explaining our contribution to our customers and indeed to those who regulate us. Our fragmented approach to such issues as claims-made, the 1986 tax bill and its impact, highlights this well enough."

Insurance and reinsurance pricing has to reflect the fact that "our businesses are by their nature long-term," Mr. Payne said. "We will help ourselves considerably if we exert real efforts to steer away from ambiguously worded contracts."

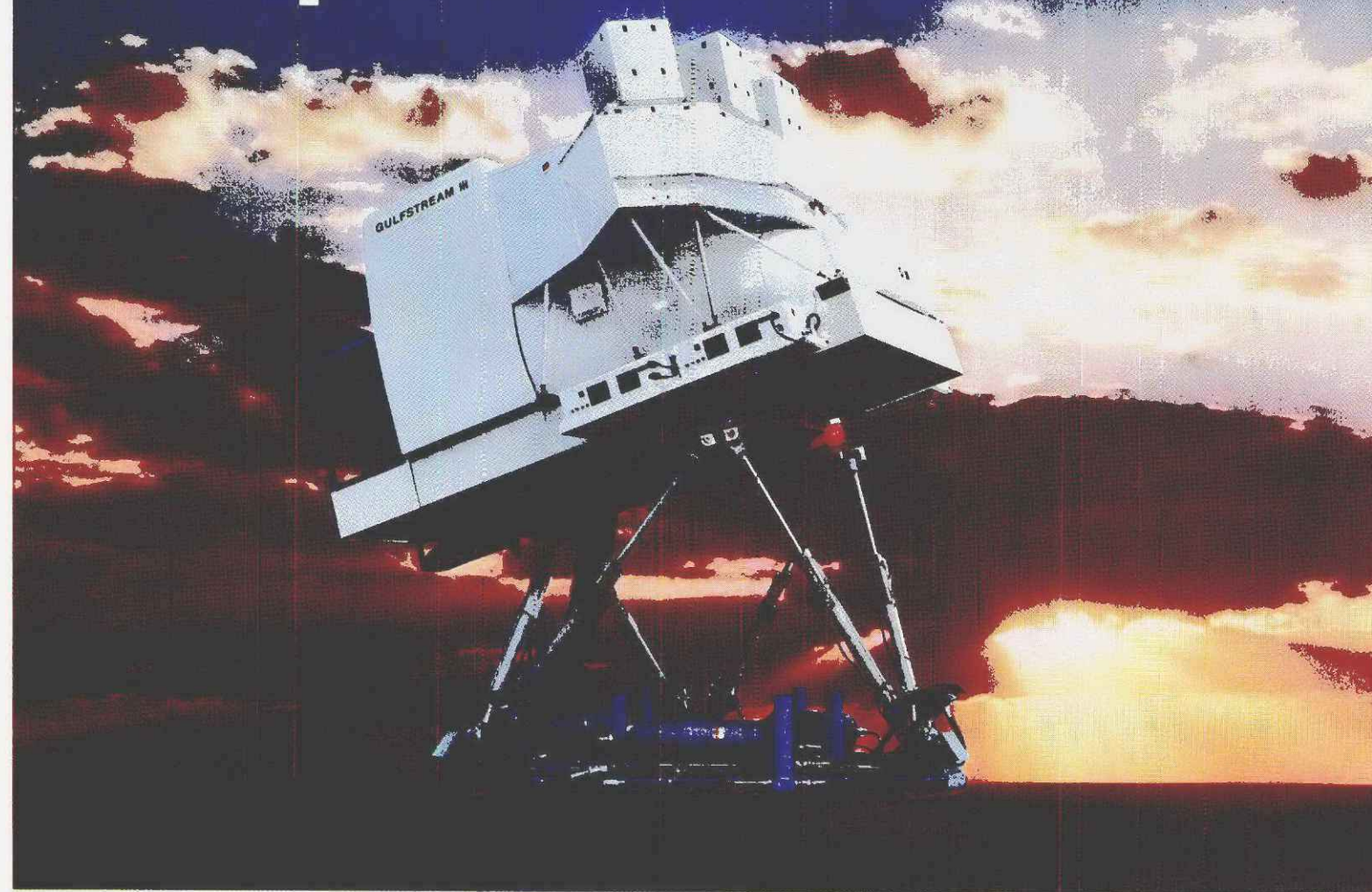
"Let us be clear as to the real nature of the service and the product we sell and accept a strict duty to ensure they perform. If our products cannot be bought with confidence, they are useless," he said.

Mr. Payne told the group that "damage has been done, but the industry is now wiser. We are all acutely aware that to justify our existence we must contribute value."

Members of the industry must "examine with infinite care, the credentials of those with whom we choose to trade, since we understand the universal demand for quality in service and product excellence," Mr. Payne said.

He said he is confident the industry will survive and succeed, "provided the industry's key players—the insurer, the reinsurer, the intermediary and indeed the investor—set about addressing aggressively some of these really very difficult matters in harmony." ■

## How to prevent airplane accidents.



One of FlightSafety's fleet of more than eighty flight simulators.

Nine out of every ten aircraft accidents have pilot-related causes.

That's why every pilot should train to proficiency at least once every eight months. And the best training—according to both pilots and aviation insurers—is a professional program of simulator based training.

Simulators are vital for complete, safe training. For example, there are 265 specific faults, systems malfunctions or adverse conditions that can be demonstrated in FlightSafety's newest simulators.

Incredibly, over 70% of those "problems" are either impossible or unsafe to demonstrate in the airplane itself.

Every year, FlightSafety trains over 25,000 pilots—an elite group with a superlative safety

record. And we back up the quality of that training by providing a free \$50,000 accident insurance policy to qualified FlightSafety Pro Card holders. (It's a benefit that can rise to \$100,000 with repeated training sessions.)

If your responsibility for risk protection includes business aircraft, contact FlightSafety for information on training programs for your specific aircraft.

Write FlightSafety International, Dept. U-047, Marine Air Terminal, LaGuardia Airport, Flushing, N.Y. 11371 Telex 667573UW; or call

**1-800-227-5656**

(In New York, 718-565-4120).

**FlightSafety**  
international

# FASTER WORLDWIDE CLAIMS INFORMATION MEANS THE SAME THING IN EVERY LANGUAGE:

# BETTER BENEFITS MANAGEMENT.

Fast incoming information about claims is a big reason why multinational companies need GMD,\* The Group Management Division of the American International Group of insurance companies. And fast information is what you get with GMD's TOGAS.™

## **TOGAS™ MOBILIZES INFORMATION IN ONE COMPREHENSIVE REPORT**

TOGAS™ is GMD's computerized system for administering, processing and paying claims, and for providing worldwide loss data on a timely basis.

It provides you with the latest usage reports, classified by type of benefit, employee, location of loss, provider and other criteria, facilitating effective loss analysis at both corporate and local levels.

And TOGAS™ delivers 90-day turnaround on results reports, giving you detailed income and payment plan statements, claims and rate analyses, and renewal recommendations.

## **GMD HELPS YOU STAY ON TOP OF WORLDWIDE BENEFITS COSTS**

Of course, TOGAS™ is just part of our worldwide service that helps multinationals maintain more efficient management control. GMD also provides you with local -language benefit booklets, marketing and consulting support, and personalized on-site and home office attention.

For more information, write The Group Management Division, American International Group, Department A, 70 Pine Street, New York, NY 10270. Or call (212) 770-5060.

And get on top of employee benefits costs. Fast.

**AIG AMERICAN INTERNATIONAL GROUP  
OF INSURANCE COMPANIES**

Our Policies Are Your Best Insurance.

# A&A chief urges 'grassroots' industry effort

By MICHAEL BRADFORD

HOUSTON—A "grassroots insurance information program" should be implemented to fight off several threats to the way in which the insurance industry operates and is regulated, says the head of the nation's second-largest broker.

John A. Bogardus Jr., chairman of Alexander & Alexander Services Inc. in New York, told his audience at the 22nd Annual Houston Marine Insurance Seminar that industry employees must speak out against current conditions that could challenge the way they do business.

"The marine market is depressed by overcapacity and low rates for commodities, especially oil," Mr. Bogardus said. "But, frustrating as this situation may be, there are other, more ominous conditions which threaten our entire industry.

"It is likely, for instance, that many insurers around the world are still underreserved and in financial difficulty," he said. "I realize that this is contrary to public wisdom that insurance companies

are making a robust recovery as a result of the 1985 to '86 hard market."

Mr. Bogardus said the National Assn. of Insurance Commissioners has estimated that 25% of all U.S. property/casualty insurers could face financial difficulties this year.

Furthermore, "cynicism and distrust bred by market volatility and fueled by a series of scandals at Lloyd's has cast a shadow on all who work in international insurance markets," Mr. Bogardus remarked.

"Although the problems of 1985 and 1986 have subsided substantially, clients still express dissatisfaction with the cost and availability of insurance in certain lines of coverage. Many are still exploring alternatives ranging from more self-insurance to operating without insurance."

According to recent reports, Mr. Bogardus said, the 1986 amendments to the Risk Retention Act have so far spawned at least 136 purchasing groups and 37 risk retention groups. And, "all signs point to a continuation of this trend."

In addition, "the climate in the U.S. Congress and state legislatures is especially hostile," he said. "This reflects the recent hard market and a backlash to the business community's campaign for tort reform."

This problem is compounded by the fact that tort reforms have failed to produce conditions that allow insurers to lower prices and increase capacity in "difficult lines," Mr. Bogardus said.

Mr. Bogardus said Congress has turned its back on tort reform and congressional committees instead are now considering federal regulation of the insurance industry.

"The current principal threat to the industry at the federal level is the drive to repeal the broad antitrust immunity for rate-setting and other business practices granted by the McCarran-Ferguson Act," he said.

"Once again the industry is being thrown on the defensive. Its critics are asking the question, 'Why is the insurance industry the only U.S. industry that requires such a broad exemption from antitrust?'"

Mr. Bogardus said he agrees with those who are "receptive to an objective examination of McCarran-Ferguson. Rather than dogmatically opposing any change, we might

benefit from negotiated trade-offs."

Mr. Bogardus also pointed out other challenges to the insurance industry, including:

- The small-business community, which he called "a potent lobbying force" that has been "sorely stressed by the insurance crisis. They are frequently more of a source of criticism than an ally."

- The influence of lawyers in the political process. Mr. Bogardus said approximately 42% of the members of the House of Representatives and 62% of U.S. senators are lawyers. "This creates a receptive audience for arguments to preserve the status quo on tort reform."

"In my 36 years in this field, I cannot recall another time when the insurance industry was in such tumultuous circumstances," Mr.

Bogardus said.

He urged the insurance industry to use its "people resources" to help overcome the challenges it is facing.

"What is needed are not more paid spokesmen at the top. What is needed is the involvement of the hundreds of thousands of people who work at all levels of this industry."

Mr. Bogardus urged his audience to join him "in recognizing that the challenge to those of us in management is to help all of our people to see" that first, "it is in their own interest to speak up.



"Second if they are motivated and mobilized, they can have a greater impact on public opinion and government policy than all the big shots. They need to write letters to their government representatives at the local, state and national level. They must speak out at every opportunity regarding the issues, the problems and the solutions."

But Mr. Bogardus acknowledged that his suggestions would not be easy to implement.

"Human nature works against the discipline to get personally involved," he said. "As in listening to an inspiring sermon, one's intentions to respond may be serious but the follow-through requires enormous effort."

Management must motivate insurance industry personnel to be-

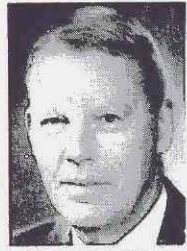
come active by demonstrating "to all of our people that their professional futures are at stake."

"And, secondly, we must give them incentives to speak out."

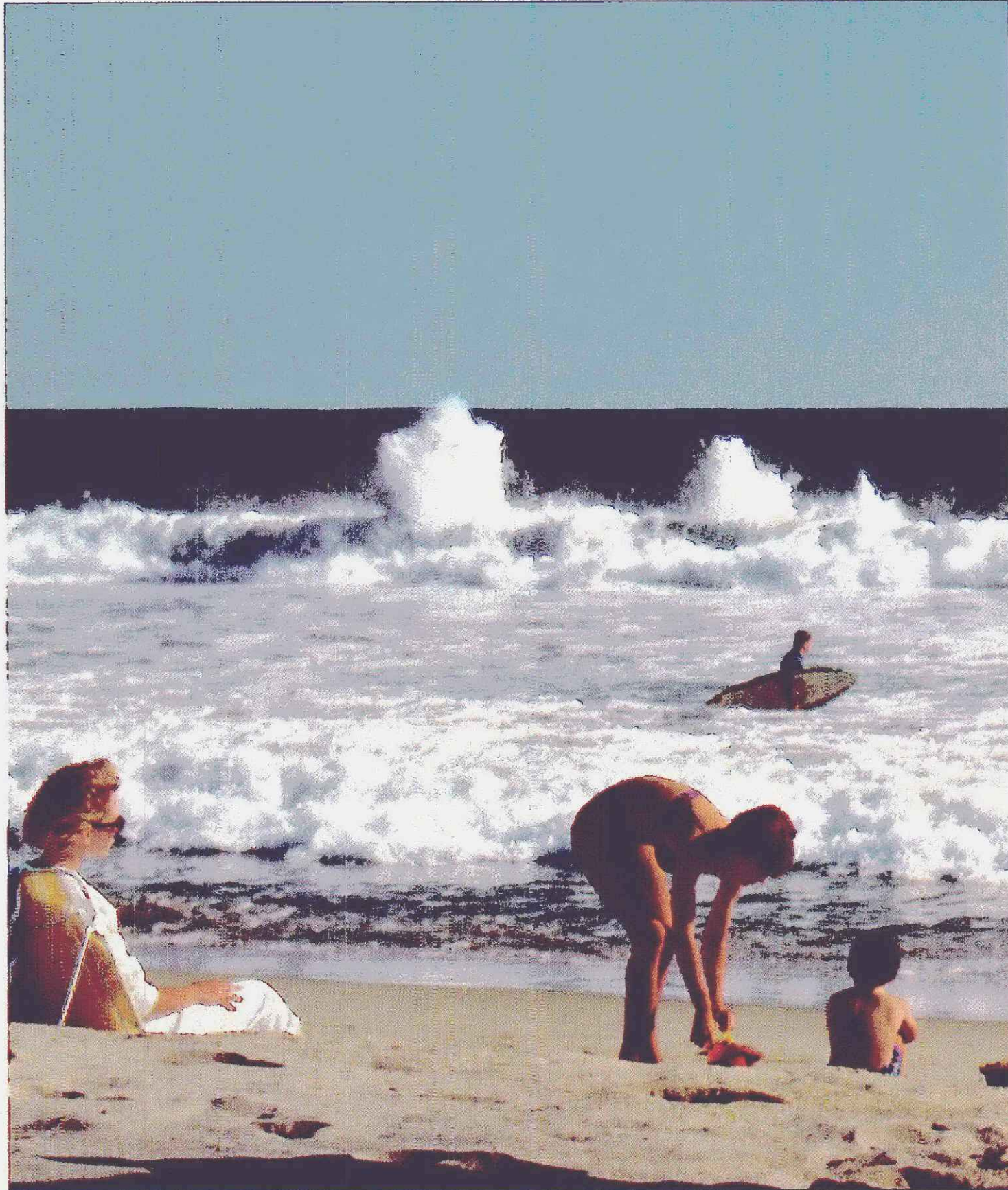
He explained that the A&A board recognizes that senior officers have to spend time on public affairs "and we provide the resources to accomplish this."

Compensation also has to be offered to "people down the line," said Mr. Bogardus. "Each of our companies has to devise strategies and action plans that suit its own style and resources. But it is imperative that we give our people tangible incentive to become involved in the issues."

"I believe this is the only way the industry is going to change public opinion, and I am convinced it is also the best way." ■



Mr. Bogardus



# Lloyd's sets goals as it celebrates 300 years

By MICHAEL BRADFORD

HOUSTON—Lloyd's of London is facing its 300th anniversary with the goal of maintaining and improving its reputation for fairness and honesty while providing a high quality of service to its policyholders, says its chief executive.

Alan Lord, who also holds the title of deputy chairman, said the London marketplace is facing three main tasks as it heads toward its fourth century.

"First, we are continuing to improve the regulation of the Lloyd's community on the basis of the substantial work which has been done in the last few years," said Mr. Lord.

"Second, we are equipping the Corporation of Lloyd's to take on increasing responsibility by the de-

velopment of its staff resources, hopefully in a way which will reduce costs as a percentage of premium income as Lloyd's continues to grow," he added.

And third, new technology, "particularly information technology, will have a high priority because it provides much of the key to cost efficiency, both in our internal administration and in the handling of day-to-day business," he said.

Mr. Lord discussed the future of Lloyd's at the 22nd Annual Houston Marine Insurance Seminar sponsored by the Houston Mariners Club on Sept. 22.

He told attendees that Lloyd's is implementing regulatory changes recommended by the Committee of Inquiry set up earlier this year under Sir Patrick Neill. The Neill report suggested 70 changes that

included a restructuring of the Lloyd's Council to provide more independent supervision of the marketplace (BI, Jan. 26).

Mr. Lord said the Neill report "is objective and well-balanced and recognizes the enormous strides which Lloyd's has made in the field of self-regulation since it was given new powers under its own act in 1982."

Of the changes, the most important relates to the Council of Lloyd's, he said. The new makeup of the 28-member council gives the majority of seats to 16 members who do not work in the Lloyd's market. Mr. Lord said the new structure of the ruling council and other recommendations in the Neill report "build on the firm base of self-regulation which has been put in place in recent years, the over-

riding purpose of which has been to guarantee the security of the Lloyd's policy and the protection of the Lloyd's name."

Mr. Lord also mentioned new regulatory arrangements that are being developed for Lloyd's brokers. The regulatory changes would have been implemented by now, he said, if Lloyd's had not had to spend so much time with the Neill investigation.

Although he could not say what the final broker regulations would be, Mr. Lord did say that the main elements of the new proposals are likely to address the following:

- The composition of the boards of the brokerages. The qualities of the directors will be examined to determine whether "those individuals and their respective qualities collectively add up to the overall

mix needed to run a Lloyd's broking business properly," said Mr. Lord.

- Ownership of the brokerage. Mr. Lord said ownership will not only have to be "fit and proper" but also "non-interfering."

- Strengthening of financial rules in areas such as accounting records, capital adequacy, solvency margins and others.

- The quality of management. Lloyd's will look closely at the honesty and integrity of directors and partners of brokerages. Existing rules already ensure that Lloyd's has disciplinary authority over those individuals.

- The competence of Lloyd's brokers. Mr. Lord said, "Testing competence means that Lloyd's has to look at the broker's portfolio of business and particularly at its general nature and source. As the mix of business changes, the people, the financial arrangements and the systems for proper management and control may need to be reviewed."

- A code of practice for Lloyd's brokers. "Codes of practice at Lloyd's are to guide and assist the market and to raise standards," Mr. Lord explained. "They can be relevant in determining whether a Lloyd's business is regarded as fit and proper to operate."

Mr. Lord stressed: "These remarks about the future shape of broker regulation at Lloyd's are at present necessarily tentative. The results of Lloyd's work will be made public later this year in the form of a consultative document."

In planning for the Corporation of Lloyd's to take on increasing responsibilities, Mr. Lord said scenarios are being mapped out to predict Lloyd's future growth.

Mr. Lord speculated that by the "end of the century one would be looking at a Lloyd's market with a capacity of around 55 billion pounds (\$90.2 billion at current exchange rates); on a more conservative and entirely realistic basis market capacity by the year 2000 could be anything up to 30 billion pounds (\$49.2 billion) to 40 billion pounds (\$65.6 billion)."

However, "in this world the past has only limited utility as a guide to the future," he cautioned.

So Lloyd's has embarked upon "scenario planning" to give some sort of indication of the nature of the support services the market will require, the future size of the market, and the numbers of staff that will be needed, he said.

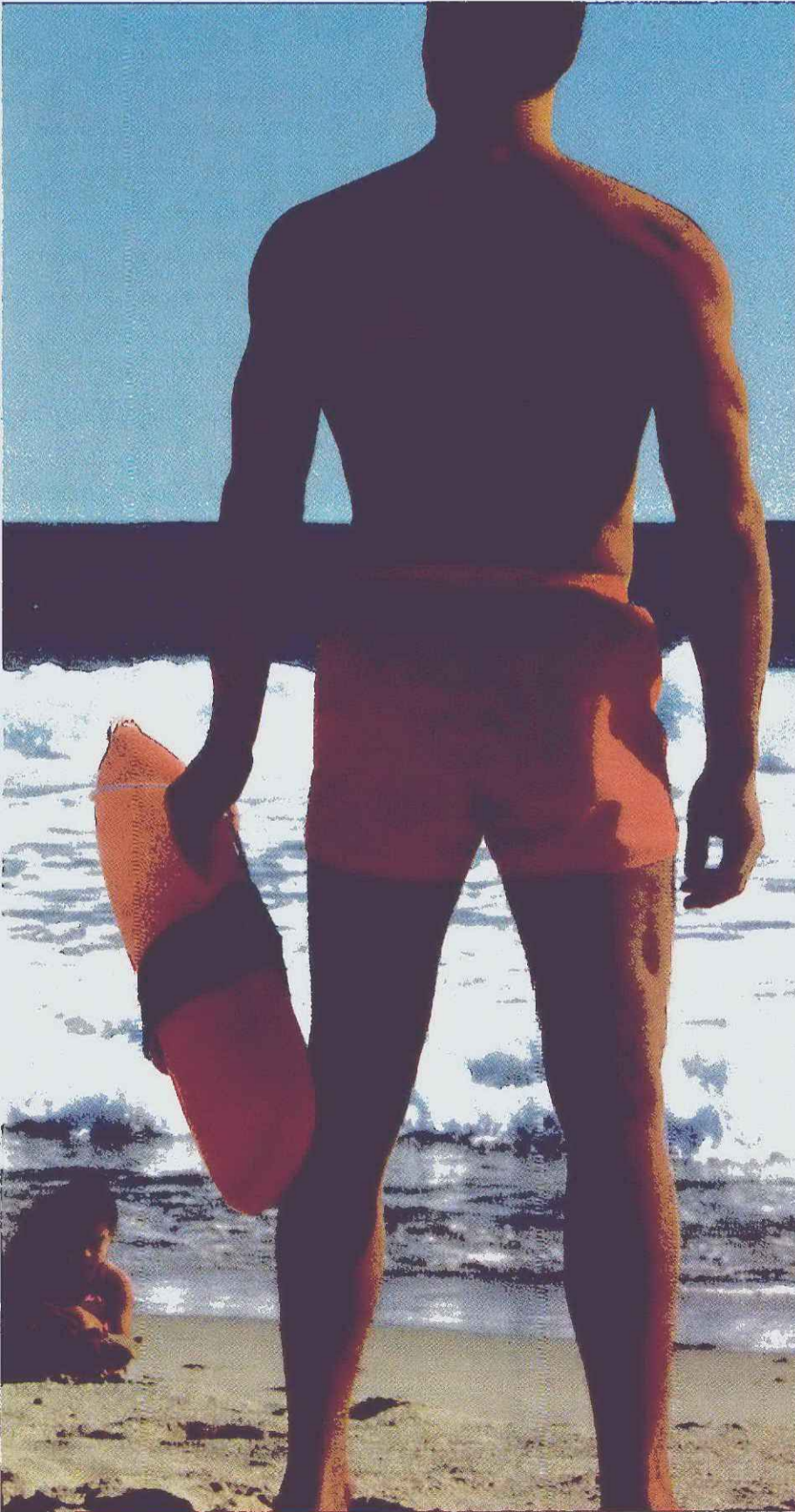
Although the 300-year-old insti-

*Continued on next page*



Mr. Lord

## STANDING WATCH.



### In control of changing Healthcare currents.

Some of America's most innovative healthcare plans are offered by Pacific Mutual, a member of Pacific Financial Companies: Flexible benefits, preferred provider healthcare networks, catastrophic and psychiatric case management. Group life and health programs for both large and small companies.

All are important cost containment programs. All are proven. All are time tested. Thoroughly researched with leading benefits professionals. In Chicago. Phoenix. Los Angeles. St. Louis. Atlanta. And more.

Pacific Financial Companies has over \$30 billion of life insurance in force. We are among the few companies with a Standard & Poor's AAA rating for claims payment ability. And have an A.M. Best superior A+ rating.

Pacific Financial Companies. Standing watch. In control. Innovators since 1868.



PACIFIC FINANCIAL COMPANIES

THE POWER OF THE PACIFIC

1 (800) 544-3600

Pacific Mutual, Pacific Financial Associates, Pacific Consulting Corporation, Pacific Equities Network, PM Management Services Company, PM Capital Advisors, PM Realty Advisors, Parametric Portfolio Associates, Pacific Investment Management Company

### MULTI-MARKETS PHYSICAL DAMAGE CARGO GROUP

Call: Richard D. Slautterback, Chairman

Telex: 80-4319

1-800-647-3769



P.O. Box 105257 Atlanta, GA 30348

## MANY PROBLEMS . . . ONE SOLUTION.

No matter how many Workers' Compensation problems you have, Cost Care's Workers' Compensation Case Management System is the only solution you need.

At last there is a single comprehensive system designed to:

- ✓ Mitigate disability and reduce litigation.
- ✓ Assist in early return to work.
- ✓ Reduce both medical and indemnity costs.

Cost Care -- the single solution for Workers' Comp Case Management.

**COST CARE™**

Call:  
Burt Feldman, Director  
1-800-762-3029 Nationwide



WORKERS' COMPENSATION  
CASE MANAGEMENT

## Lloyd's goals

Continued from previous page  
tution is somewhat traditional, it is also very forward-looking, said Mr. Lord. And that is evident in its commitment to new technology.

The announcement earlier this year of IBM U.K. Ltd. "was the culmination of many months of discussion amongst those . . . who recognized the need to introduce a market-wide network which would help reduce the current administrative costs and delays incurred in the transmission of information among market members," he said.

Lloyd's electronic services will allow "better control of risks by the more timely exchange of information on premiums and claims settlements. It will reduce duplicate processing, paper and distribution costs and enable Lloyd's and the rest of the London market to compete more effectively."

The network will be implemented by year-end, he said, avail-

able first in the United Kingdom and extended worldwide later.

Plans call for enhancement of the system in the second and third years with additional services including electronic fund transfer through direct links with banks. In its third year, about 300 underwriting boxes will be connected.

Mr. Lord also pointed to Lloyd's new building as a symbol of its commitment to the future.

"With its glittering stainless steel exterior pipework, its external glass elevators plainly derived from a vision of Cape Canaveral and its bright blue cranes permanently fixed to its roof, it looks to many people like something designed to be lowered gently into 100 feet of water on the continental shelf," said Mr. Lord.

"There are others who think that it should be," he quipped.

Although the building needs some fine-tuning and modification, it maintains the concept of a single underwriting room that provides space for growth, he said.

"In that sense, it represents what we like to think of as Britain at its best—a fusion of the spirit of the old with the best and most effective of the new." ■

## 850 gather for marine conference

HOUSTON—Attendance at the 22nd Annual Houston Marine Insurance Seminar "exceeded all expectations," according to one of the event's organizers.

About 850 insurers, insurance intermediaries, buyers and others gathered at the Adam's Mark Hotel in Houston for two days of meetings, said James Pierce, executive vp of Energy Insurance International in Houston and chairman of the annual conference.

The seminar featured prominent speakers from the London marketplace and the risk management profession as part of a tradition begun in recent years.

This year's London lineup included such notables as Alan Lord, deputy chairman and chief executive of Lloyd's of London; John W. Buzbee, chairman of Marsh & McLennan Bowring Marine & Energy Group; Michael E. Jenner, chairman of Jenner Fenton Slade Ltd.; and James A. Payne, chairman of E.W. Payne Cos. Ltd.

Robert W. Esenberg, risk management administrator for the City of Virginia Beach, Va., and vp-conference with the Risk & Insurance Management Society, shared insurance buyers' view of the current marketplace.

Mr. Esenberg told the group that although there has been some improvement, "especially in the property area, the insurance market is still in shambles."

Buyers continue to face rate increases and restrictive policy forms, he said. And, "The number of insurance companies that either have failed or are in the process of failing is having a devastating effect on our ability to protect our corporate assets."

In addition, risk managers have too often found themselves in adversarial positions with underwriters, said Mr. Esenberg. He urged insurers and buyers to be flexible in their dealings with each other.

"In an effort to reduce the conflicts between our members and the underwriting community," Mr. Esenberg said, "RIMS has increased its liaison activities with senior members of some of the major insurers. It is our desire to expand these activities even further, and to include liaison meetings with the reinsurance community, both domestic and foreign." ■



PEANUTS Characters: © 1950, 1951, 1952, 1958, 1965, 1966, 1968, 1971 United Feature Syndicate, Inc.

## WITH MET LIFE CONDUCTING YOUR GROUP UNIVERSAL LIFE PLAN, WE CAN MAKE BEAUTIFUL MUSIC TOGETHER.

If implementing a Group Universal Life plan sounds difficult, get Met Life to orchestrate your plan. With us, employee benefit managers can sit back and enjoy the music.

We'll recommend the best enrollment approach and then provide enrollment/communication mate-

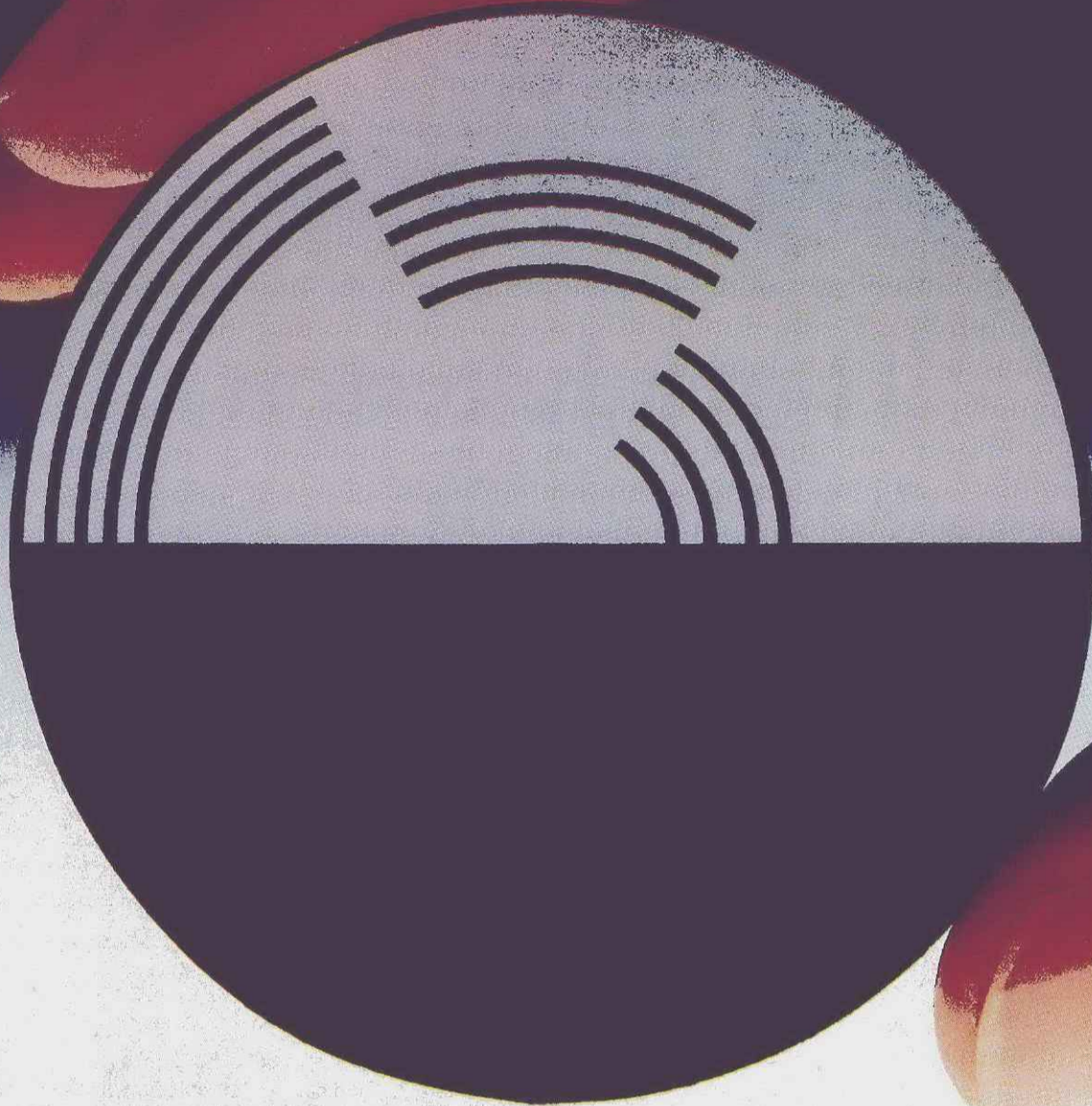
rials. We even offer a toll-free number to answer employees' questions about Group Universal Life.

With our thorough on-going plan administration, benefit managers can hum along. Call your broker/consultant or your Met Life Group Representative.

### GET MET. IT PAYS.

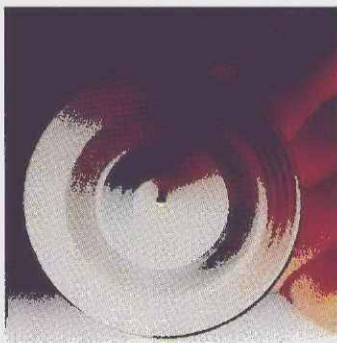


# For a brighter solution.



Can you make this circle colorful without adding colors?

At First State, we can surprise you. If it's greater capacity you need on a specialty insurance placement, or if it's coverage for a unique risk, turn to us. In addition to our financial strength and experienced underwriting, you can count on a quick turnaround.



To put it another way, we're on a roll. Now you know us—and what to do with the black and white disk.

First, cut it out. Spin it clockwise on a pin, and the outside ring will be red, the middle ring green and the inside ring blue. Spin it counterclockwise, and the color rings will be in reverse.



**THE HARTFORD**  
The Insurance People of **ITT**

*Striking A Balance In Today's Market*

## FIRST STATE and NEW ENGLAND INSURANCE

*Atlanta, Boston, Chicago, Los Angeles, New York, San Francisco*

# Notification bill advances in Congress

By DEBORAH SHALOWITZ

WASHINGTON—The High Risk Occupational Disease Notification and Prevention Act is back on the fast track in Congress.

The House will begin debate on its version of the legislation, H.R. 162, on Oct. 14, according to a spokesman for Rep. Joseph M. Gaydos, D-Pa. Rep. Gaydos is the sponsor of the bill.

The Senate version of the bill, S. 79, has been reported out of the Labor and Human Resources Committee but has not yet been scheduled for debate on the floor of the Senate.

Both bills would require current and former employees to be notified if they are or have been exposed to potentially hazardous substances on the job.

Also, employers would be responsible for medical monitoring of employees for illnesses resulting from exposure to hazardous substances in the workplace (*BI*, June 15; April 27).

## Medicare costs

Medicare premiums will be increased more than 38% next year, while coinsurance and deductibles will rise by 4%.

According to figures released late last month by the Health and Human Services Department, the Medicare Part B premium will be \$24.80 per month next year, a 38.6% hike from the current \$17.90.

Furthermore, the deductible that beneficiaries pay for the first 60 days of inpatient hospital care under Medicare Part A will increase 4% to \$540 annually in 1988 from \$520 in 1987.

For hospital stays between 61 and 90 days, beneficiaries will have to pay coinsurance of \$135 per day, up \$5 from 1987's coinsurance rate of \$130, an increase of 4%.

That coinsurance will rise 4% to \$270 per day in 1988 from \$260 per day in 1987 for additional days. After 150 days, beneficiaries are responsible for the entire hospital bill.

Medicare Part A pays for all covered services in a skilled nursing facility for the first 20 days. After the first 20 days, beneficiaries must pay coinsurance for care received in a skilled nursing facility for up to 100 days.

In 1988, Medicare beneficiaries will pay coinsurance of \$67.50 per day toward the costs of skilled nursing facility care for the 21st through the 100th day, a 4% increase over the 1987 rate of \$65 per day.

After receiving care for 100 days in a skilled nursing facility, beneficiaries are responsible for the entire bill.

## COBRA hearings

The Internal Revenue Service will hold two days of hearings next month on proposed regulations implementing the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985 (*BI*, June 22).

Although a final agenda is not yet available, an IRS official said the hearings will take place Nov. 4 and Nov. 5 in the seventh-floor auditorium at IRS headquarters, 1111 Constitution Ave. N.W.

## GAO retirement study

Millions of workers who are members of defined benefit pension plans do not know the earliest age at which they can retire with either reduced or full benefits, according to a new government

## Washington

study.

According to the report by the General Accounting Office, more than 70%—or 18 million—of the 25 million workers in defined benefit pension plans in 1983 either did not know or incorrectly stated when they would be eligible for normal retirement benefits.

Of this group, about 14 million workers reported an eligibility age that differed from plan requirements by more than one year. Some 9 million workers thought they could retire more than a year earlier, and 5 million workers thought the plan's normal retirement age was more than a year later than it actually was.

An additional 4 million workers did not know when they would be eligible for full retirement benefits.

Of the 18 million workers who would be eligible for early retirement, only 12 million workers knew they would be eligible for the benefit. And of those 12 million workers, only 3 million workers, or 25%, knew when they could take early retirement.

Some 4 million workers thought they could retire more than a year earlier than possible, some 3 million workers thought they could retire more than a year later than possible and another 2 million workers did not know when they

could retire.

The statistics were gathered during a 1983 survey of consumer finances conducted by the University of Michigan's Survey Research Center under contract with the Federal Reserve Board.

The survey collected information from 3,824 households and 1,012 pension plans sponsored by public and private employers.

Questions asked of employees included:

- What is the youngest age or the minimum years of service at which you could receive full retirement benefits from your pension plan?

- If you wished to, could you retire early and receive reduced benefits from this plan?

- If so, what is the youngest age or the minimum years of service at

which you could retire and begin drawing at least partial benefits from the plan?

The report had been requested of the investigative arm of Congress by House Select Committee on Aging Chairman Edward Roybal, D-Calif., because of concern that workers who do not know about their pension provisions could be seriously hampered in their retirement planning, according to a letter attached to the report.

The study, "Pension Plans: Many Workers Don't Know When They Can Retire," is available from the U.S. General Accounting Office, P.O. Box 6015, Gaithersburg, Md., 20877; 202-275-6241.

The first five copies of the report are free. Additional copies are \$2 each. Orders must be prepaid by

*Continued on next page*

## CertiFacts—The Comprehensive Utilization Review System

# The only system to integrate utilization review with health claims administration...

CertiFacts from Erisco can maximize the cost-containment potential of preadmission certification and utilization review. This fully automated, online system draws upon Erisco's 15 years of experience developing advanced computer systems software for employee benefits. CertiFacts integrates with ClaimFacts, the health claims management system from Erisco, to provide the vital link for claims adjudication, utilization reporting and cost analyses.

Here's a typical situation—an employee's wife is expecting a baby. You'll see the benefits of CertiFacts before, during and after hospitalization.

## before

Thanks to CertiFacts' online, single-screen processing, everything moves smoothly, starting with the employee's first call to his preadmission review service. The system verifies employee eligibility by checking plan provisions in the ClaimFacts database. CertiFacts records the physician's plan for the anticipated normal delivery. Should the physician indicate an alternate treatment plan, it would be

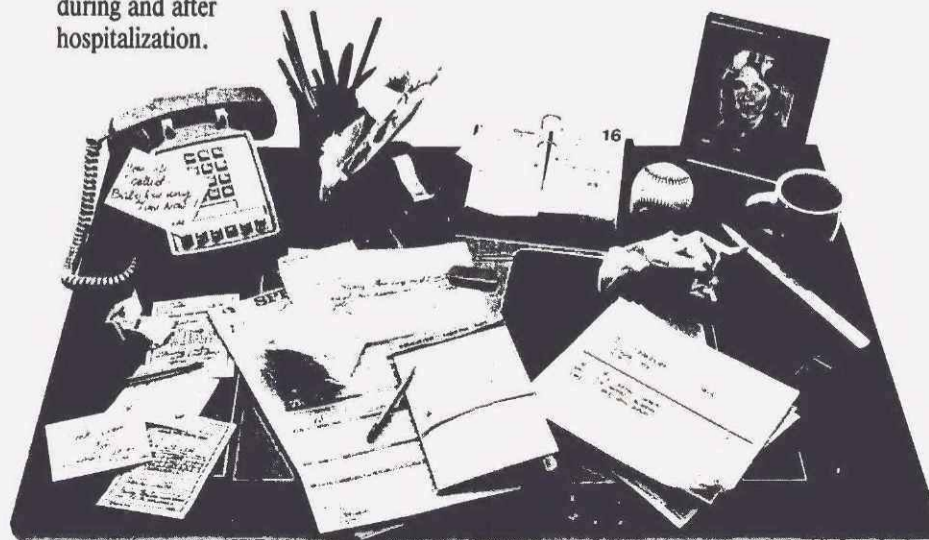
reviewed online using objective criteria developed for CertiFacts by board-certified specialists.

At every point CertiFacts promotes personal communication among the reviewer, the employee and the physician's office. This includes agreement on the level of care, the treatment plan, when admission should occur and length of stay.

## during

When a medical problem results in a Caesarean section, instead of the planned delivery, CertiFacts takes the changes in stride. The physician contacts the review service to extend the wife's length of stay, and to revise the treatment plan.

CertiFacts automatically keeps an online diary that tracks the case from its onset. It flags and confirms significant dates for the reviewer, including admis-



Continued from previous page  
cash, check or money order made  
out to the Superintendent of Docu-  
ments.

## RIMS' objections

A number of changes are needed  
in a bill sponsored by Senate Labor  
and Human Resources Committee  
Chairman Edward Kennedy, D-  
Mass., which would require em-  
ployers to provide health insurance  
to employees and their dependents,  
says the Risk & Insurance Manage-  
ment Society Inc.

RIMS outlined its proposed  
changes to the bill, S. 1265, in a  
five-page letter to the Labor and  
Human Resources Committee last  
month.

Included in the letter are sugges-  
tions that:

- Employers would provide  
group health insurance coverage to  
employees who work at least 30  
hours per week, and only after  
those employees have been on the

job six months.

Currently, the bill would require  
employers to provide health insur-  
ance to employees who work 17½  
hours per week after 30 days on the  
job.

- The \$3,000 out-of-pocket limit  
on employee copayments and de-  
ductibles could be reached only  
through employee expenditures  
that comply with the health insur-  
ance plan.

For example, if the plan required  
a second surgical opinion and a  
beneficiary did not obtain one,  
then the employee's copayment or  
deductible for that treatment  
would not apply toward the \$3,000  
limit.

- A cap of \$500 should be placed  
on expenses resulting from a pre-  
existing condition.

Currently, the bill requires all  
pre-existing conditions to be cov-  
ered fully by the employers health  
insurance.

- Employers only should have to  
pay 50% of the premiums for de-

pendent coverage, not 80% as now  
proposed under the bill.

- Deductibles should be indexed  
to inflation on an annual basis. The  
bill only provides for indexing of  
the annual out-of-pocket expense  
cap.

RIMS also voiced objections to a  
provision in the bill requiring em-  
ployees to accept employer-prov-  
ided group health insurance cov-  
erage.

"While RIMS understands Sen.  
Kennedy's concern that some em-  
ployers may not hire or may ac-  
tually fire employees who choose  
to take coverage under an optional  
system, we believe this would  
amount to only a few irresponsible  
employers," wrote Howard Greene,  
RIMS' associate legislative direc-  
tor and author of the letter.

"The mainstream of American  
employers already handle the issue  
responsibly and our members must  
object to being treated as doing  
otherwise," the letter continued.

Furthermore, "not allowing an

employee to waive enrollment even  
when covered under another plan  
is also a detriment to cafeteria  
plans," the letter stated.

## \$813,000 OSHA fine

The Occupational Safety and  
Health Administration proposed  
penalties of \$813,000 against Scott  
Paper Co. for willfully underre-  
porting employee injuries and ill-  
nesses at the company's Winslow,  
Maine, plant.

The proposed penalties stemmed  
from 203 alleged willful instances  
of failure to record occupational  
injuries or illnesses during 1985  
and 1986. All but one of the alleged  
violations carried a penalty of  
\$4,000. One allegedly improperly  
recorded injury received a fine of  
\$1,000.

According to Frank White, a  
deputy assistant secretary at the  
Labor Department, the alleged in-  
juries not properly reported by the  
company included fractures, back

injuries, hernias, strains and  
sprains.

The Philadelphia-based manu-  
facturer said in a statement that  
although it "has not had an oppor-  
tunity to review the citations in  
detail, it questions the excessive  
amount of the fine."

## Small business

Small business is worried about  
the direction Congress is headed.

This session of Congress is "one  
of the most threatening times" in  
recent history for small business,  
declared the president of the Na-  
tional Federation of Independent  
Business, at a luncheon meeting  
with the press last month.

John Sloan, president of the  
NFIB, said that of the issues Con-  
gress is addressing, two of the most  
threatening proposals for small  
business are mandated parental  
leave benefits and mandated group  
health insurance.

Continued on next page

## & after

sion, continued stay review  
and discharge. It monitors the  
treatment plan and the appropri-  
ateness of any revisions. And,  
by alerting the physician and  
reviewer to agreed-upon dates  
and treatments, it contributes  
to cost management.

Because of CertiFacts, the review  
service was able to offer efficient,  
personalized attention and fast  
response to the employee and  
everyone concerned. The physi-  
cian obtained quick approvals  
and rapid agreement to changes  
when needed. All charges were  
paid promptly and accurately by  
ClaimFacts based on its own  
data as well as information pro-  
vided by CertiFacts. And at all  
times, confidentiality and security  
were completely protected.

This linking of preadmission  
certification to claims data  
makes true healthcare manage-  
ment possible by providing mean-  
ingful reports for measurement,  
analysis and review.

If you're an insurance car-  
rier or TPA, we'd like to show  
you how CertiFacts can help you  
compete more effectively by  
offering a unique service to  
your customers.

If you're a self-administered  
organization considering a pre-

admission review program of  
your own, we'd like to demon-  
strate how CertiFacts can provide  
you with savings in the adminis-  
tration of your program.

## CERTIFACTS CLAIMFACTS

Erisco—The benefits of information

That's right. All the advantages of  
Erisco's proven mainframe soft-  
ware, on a mid-range computer.  
But there's more.

### Your own IBM 9370. From Erisco.

Now you can obtain both the soft-  
ware and the hardware from us, in  
a one-stop solution. You get all the  
flexibility and versatility of Claim-  
Facts and CertiFacts, along with  
the modularity and performance of  
an IBM 9370. And from both com-  
panies comes a well-recognized,  
long-term commitment to  
customer service.

### A total solution in a compact package.

The IBM 9370 fits easily in almost  
any office, with no special wiring or  
air conditioning. The modular design  
lets it grow along with your needs.

CertiFacts, ClaimFacts and the  
IBM 9370—a dedicated solution  
for controlling the bottom line of  
your health care dollars.

### For more information.

To learn more about CertiFacts or  
other Erisco benefits software, call  
or write the Sales Department at  
Erisco, 1700 Broadway, N.Y.,  
NY 10019, (212) 765-8500.



IBM 9370 is a trademark of International Business Machines Corp.

Erisco

BB a company of  
The Dun & Bradstreet Corporation



## Washington

Continued from previous page

Mandated parental leave is addressed in H.R. 925, a bill co-sponsored in the House by Rep. William Clay, D-Mo., and Patricia Schroeder, D-Colo. (BI, June 15). Sen. Christopher J. Dodd, D-Conn., introduced similar legislation, S. 249, in the Senate.

Mandated group health insurance is the subject of S. 1265, a bill proposed by Sen. Edward Kennedy, D-Mass. (BI, May 25).

Also, the High Risk Occupational Disease Notification and Prevention Act "would really be a killer to small business," he noted.

But the NFIB's members are "going to stand very strong against government intervention mandating what we have to do," asserted Mr. Sloan.

He noted that the Washington-based group of more than 500,000 businesses has a lobbyist in every state capitol and an active staff in Washington.

Furthermore, the small business group is urging its members to become delegates to the Democratic national convention or the Republican national convention, which will be held next year.

"This is a chance for small-business owners to make sure they have a friend in the White House," said

Mr. Sloan. "By supporting, educating and helping out members become convention delegates, we are ensuring big dividends for small business no matter who sits in the Oval Office."

### McCarran-Ferguson changes

Senate Minority Leader Robert Dole, R-Kansas, predicted that a bill to modify the McCarran-Ferguson Act, S. 1299, probably will not be addressed by Congress during its current session.

In remarks to the American Insurance Assn. board of directors last month, Sen. Dole said that several other issues will take precedence over the legislation sponsored by Sen. Howard Metzenbaum, D-Ohio, (BI June 8). These issues include a budget reconciliation bill and catastrophic medical expense legislation, according to Sen. Dole.

### IIAA Washington representative

Mary Catherine Keegan-Ayer has joined the Independent Insurance Agents of America as Washington representative.

Previously, Ms. Keegan-Ayer for two years was the legislative director for Rep. Nicholas Mavroules, D-Mass. Prior to that, Ms. Keegan-Ayer was the chief legislative assistant to Rep. Don Edwards, D-Calif. ■

# Oceanus drops efforts to recover reinsurance

By ROGER SCOTTON

HAMILTON, Bermuda—Liquidators of Oceanus Mutual Underwriting Assn., the insolvent Bermuda-based protection and indemnity club, have suspended litigation against West German stop-loss reinsurer Deutsche Ruckversicherung A.G.

Oceanus' liquidators Christopher Morris and David Anfossi, both partners with the accounting firm Touche Ross & Co., claimed that Deutsche Ruck owes Oceanus about \$14 million in outstanding claims when the liquidation began in March 1984.

Robert Hewitt, a London-based senior manager with Touche Ross, said last month that the Oceanus

committee of inspection, representing the P&I club's major creditors, decided to halt proceedings against Deutsche Ruck.

The action was due to go to trial in London next month, provided that Oceanus had complied with a court order that it first put up 250,000 pounds (\$410,500) as advance security against court costs.

The money was to have been paid by the beginning of September.

"The liquidators decided with great reluctance that they could not recommend the payment of this security," said Mr. Hewitt. "They felt the possible return on this sum did not justify its payment by the creditors.

"Additionally, there was little time to prepare for the trial. But, if at some future time, the liquidators find they (have the) funds, they could decide to reopen part or all of the Deutsche Ruck case, though clearly we would have to assess the size of the likely recovery at that point, given that the statute of limitations could knock out certain claims that are more than 6 years old."

The decision to abandon the pro-

**'We have ceased all litigation on the issue of stop-loss reinsurance,' says Robert Hewitt.**

ceedings is the second setback of its kind for Oceanus in its effort to pursue claims with a book value of about \$150 million.

It follows a British Court of Appeal decision in July to dismiss a separate Oceanus action against a syndicate of French stop-loss reinsurers from whom the liquidators had been seeking about \$60 million in unpaid claims (BI, Aug. 10). The appellate court rejected the case because of Oceanus' failure to put up \$1.6 million as security for court costs, a failure the court said was due to the fact that creditors did not adequately support efforts to finance the litigation. Because of this cited lack of support, the court refused to grant more time for the money to be raised.

"It is fair to say, at this stage, we have ceased for the time being all litigation across the board on the issue of stop-loss reinsurance," Mr. Hewitt said.

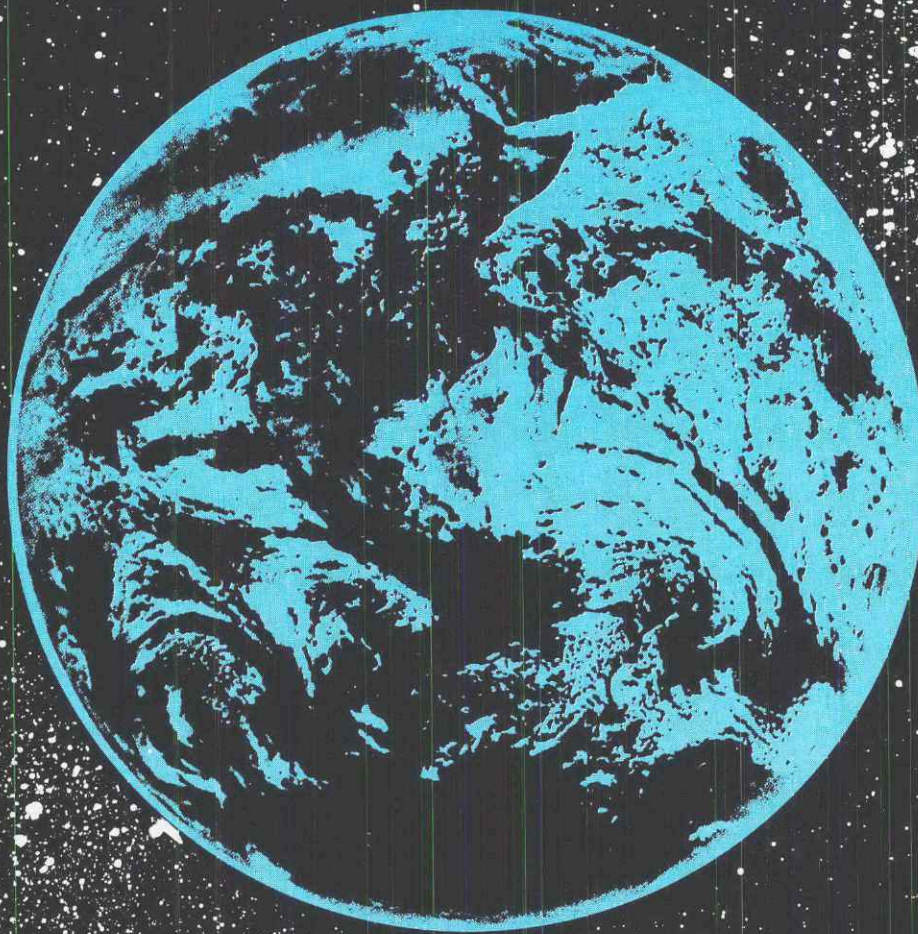
But, he added, "The Oceanus liquidation is by no means dead. There are one or two other initiatives the liquidators still want to pursue and we will be examining those with the committee of inspection before the end of the month."

Mr. Hewitt declined to discuss the initiatives, but hinted that a situation with Lloyd's Bank in London still had to be resolved. Lloyd's Bank, which is owed about \$9 million by Oceanus, contributed large sums to the liquidation.

Mr. Hewitt, who reports to the Oceanus liquidators, explained that the biggest single problem that has consistently slowed the progress of the liquidation has been a lack of funds needed to retain expert legal counsel.

"We were never able to commit funds to lawyers because we have only received pledges from creditors. The result was that we have been unable to retain the experts we needed for the litigation," he said.

Oceanus faces estimated claims of about \$322 million, but all creditors and assets have not been identified. ■



## A World of Difference



### Maclean, Oddy—International

In today's world, Maclean, Oddy may make the difference for you.

Maclean, Oddy focuses on large, complex insurance needs. We specialize in arranging insurances for commercial, energy and industrial indigenous foreign accounts. These risks of overseas clients are insured through our representation of major U.S. insurance companies.

#### International Insurance and Reinsurance Brokers

3900 Allied Bank Tower  
1445 Ross Avenue, LB 200  
Dallas, Texas 75202  
(214) 855-7000 Telex: 163191  
(Exclusively through Agents & Brokers)

For further information contact:  
R. B. Oddy, Chairman



# If you want a reinsurer who will help keep you on an even keel...

**ring National Re!** You'll enjoy long-term stability with National Re because we have a strong surplus position and are committed to sharing many classes of risks. Our treaties have built-in flexibility, so your reinsurance will keep pace with your progress.

If you want a team of reinsurance professionals who will help you steer around troubled seas in the years ahead, ring National Re!

**NR** **National Reinsurance Corporation**

**Responsive Reinsurance**

777 Long Ridge Road, P.O. Box 10167, Stamford CT 06904 • 203/329-7700 • Telex: 965938  
Atlanta • Chicago • Dallas • Hartford • Los Angeles • New York

Rated "A" by A.M. BEST Company.

## Datebook

**OCT. 6-7. Product Safety and Liability Prevention: The Role of Warnings** course in Madison, Wis., sponsored by the College of Engineering at the University of Wisconsin-Madison; \$695; \$645 less coursebook. Engineering Registration, The Wisconsin Center, 702 Langdon St., Madison, Wis. 53706; 800-262-6243; 800-362-3020 within Wisconsin.

**OCT. 6-7. Ergonomics and Job Modification** course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$250. Shari Falkenburg, National Loss Control Service Organization, K-3, Long Grove, Ill. 60049-0075; 800-323-9585; 312-540-2331 within Illinois.

**OCT. 9. Offshore Captive Formation** seminar in Dallas, co-sponsored by Rossiter Blumentritt Consultants and Cayman Business Services; \$50; \$65 at the door. Rossiter Blumentritt Consultants, P.O. Box 12844, Austin, Texas 78711; 512-472-7659.

**OCT. 9. Current Trends in the Legal Environment of Workers Compensation** seminar in New York, sponsored by the National Council on Compensation Insurance; \$165 for NCCI members; \$205 for non-members. Mary Ellen Robinson, National Council on Compensation Insurance, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1066.

**OCT. 11-14. Remembering the Past... Anticipating the Future: The Society of Chartered Property & Casualty Underwriters' 43rd Annual Meeting and Seminars** in San Antonio, Texas; \$325 for Society of CPCU members, \$170 for spouses/guests. Society of CPCU, Kahler Hall, Providence Road, CB#9, Malvern, Pa. 19355-0709.

**OCT. 11-14. Risk Management Forum: Association European des Assures de l'Industrie and the Risk & Insurance Management Society Inc. International Conference** in Monte Carlo; 2,300 French francs (approximately \$381) for university members or students; 4,600 French francs (approximately \$761) for members of a risk management department; 6,300 French francs (approximately \$1,043) for insurers, brokers, adjusters and other professions other than those listed. AEAI/RIMS Monte Carlo Conference, SOCFI, 14 Rue Mandar, 75002 Paris, France.

**OCT. 11-16. Fundamentals of Employee Benefits Management** conference in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; \$900. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

**OCT. 12-16. Management and Administrative Skills for the Occupational Safety and Health Professional** course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$735. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**OCT. 13-14. Personnel Law Update 1987** seminar in Philadelphia, sponsored by the Council of Education in Management; \$495; \$475 each for two or more from the same organization. **Also Oct. 14-15** in Chicago; **Oct. 20-21** in Los Angeles; **Oct. 27-28** in Seattle; **Nov. 4-5** in Detroit, Morristown, N.J., Honolulu; **Nov. 10-11** in San Diego; **Nov. 17-18** in San Jose, Calif., Minneapolis; **Dec. 1-2** in Tampa, Fla.; and **Dec. 8-9** in Phoenix, Ariz. Karen Nelson, Council on Education in Management, 321 Lennon Lane, Walnut Creek, Calif. 94598; 415-934-8333.

**OCT. 14. Complying With COBRA: The Final Regulations** workshop in Chicago, sponsored by the Illinois State Chamber of Commerce; \$45 for ISCC members; \$70 for non-members. Carol Jensen, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

**OCT. 14-15. Constructing, Processing and Marketing Variable Insurance Products** conference in New York, sponsored by the Institute for International Research Inc.; \$895. Institute for International Research Inc., 310 Madison Ave., Suite 1212, New York, N.Y. 10017; 800-345-8016; 212-883-1770.

**OCT. 14-15. Emerging Technology-The Impact on Product Safety, Insurance and Critical Business Decisions** conference in Stamford, Conn., co-sponsored by the National Safety Council and the Engineering & Safety Service of the American Insurance Services Group Inc.; \$300 for members; \$400 for non-members. Edward S. Charkey, American Insurance Services Group Inc., 85 John St., New York, N.Y. 10038; 212-669-0400.

**OCT. 14-16. New Age Retirement Planning** workshop in New Orleans, sponsored by Retirement Advisors; \$495; \$395 if registration is made three weeks in advance. **Also Nov. 11-13** in New York. Retirement Advisors, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

**OCT. 14-16. Fundamentals of Property and Casualty Reinsurance Agreements** conference in New York, sponsored by Executive Enterprises Inc.; \$975; \$875 for additional registrants from same organization. **Also Nov. 11-13** in Los Angeles. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

**OCT. 15. Risk Management and Safety Techniques for Public Agency Recreation Programs and Facilities** seminar in Anaheim, Calif., sponsored by Risk Management Seminars; \$150 in advance; \$175 at the door. **Also Oct. 29** in Pleasanton, Calif.; **Nov. 18** in Sacra-

mento, Calif.; **Nov. 19** in Fresno, Calif. Risk Management Seminars, P.O. Box 1601, Sonoma, Calif. 95476-1601; 415-943-1405.

**OCT. 15-16. Recent Developments in Insurance and Reinsurance Disputes in the Property & Casualty Industry** conference in San Francisco, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

**OCT. 15-17. Annual Conference of the Profit Sharing Council of America** in Washington, D.C.; \$585 for first member delegates; \$525 for additional member delegates; \$645 for non-member delegates; \$180 for non-delegates. Profit Sharing Council of America, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

**OCT. 17. Humor and the Health Care Professional** seminar in Chicago, sponsored by Crane Consultants; \$70; \$85 after Oct. 7. Crane Consultants, 9040 N. Forestview Road, Skokie, Ill. 60203; 312-674-3320.

**OCT. 19-21. Techniques of Finance and Accounting** course in Chicago, sponsored by the Risk & Insurance Management Society Inc.;

\$540 for RIMS members; \$640 for non-members. Fran Jordan, Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**OCT. 19-23. Recognition of Occupational Health Hazards** course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$735. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**OCT. 20-22. Cargo Insurance Clauses Workshop** in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 506 pounds (approximately \$832). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

**OCT. 22. Coping With the Responsibilities of Risk Management** workshop in Northbrook, Ill., sponsored by the Chicago, Wisconsin and Northeastern Illinois chapters of the Risk & Insurance Management Society; \$80 for RIMS members and prospective members. Art Meyer, Wisconsin Gas Co., 626 E. Wisconsin Ave., Milwaukee, Wis. 53202; 414-291-6520.

**OCT. 22-23. Advanced Employee Benefits Workshop** in New York, sponsored by the Practising Law Institute; \$475. Practising Law Institute, Dept. 22, 810 Seventh Ave., New York,

N.Y. 10019; 212-765-5700.

**OCT. 22-23. Advanced Employee Benefits** workshop in New York, sponsored by the Practising Law Institute; \$475; \$45 for coursebook only. **Also Nov. 2-3** in New York. Practising Law Institute, Dept. 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, extension 271.

**OCT. 22-23. Letters of Credit and Trust Agreements in the Insurance Industry** conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

**OCT. 22-23. Techniques of Self-Insurance: Corporate Survival in a World With Inadequate Commercial Insurance** seminar in San Francisco, sponsored by the Practising Law Institute; \$425; \$45 for coursebook only. **Also Nov. 2-3** in New York. Practising Law Institute, Department 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, extension 271.

**OCT. 22-24. 11th Annual Employment Law Seminar** in Napa, Calif., sponsored by the Defense Research Institute Inc.; \$525 for DRI members; \$550 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

**OCT. 25-28. 1987 Corporate Health Care Cost**

**Management Conference** in Washington, D.C., sponsored by the International Foundation of Employee Benefit Plans; \$605 for IFEBP members; \$680 for non-members. Registration Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

**OCT. 26-27. Insurance Company SEC Accounting and Reporting** course in New York, sponsored by Peat Marwick Main & Co.; \$725. Peat Marwick Registrar, Executive Education Department, 3 Chestnut Ridge Road, Montvale, N.J. 07645-0435; 800-762-3932.

**OCT. 26-27. Fall Conference of the American Assn. of Insurance Services** in Charleston, S.C.; \$250 for first registrant; \$125 for additional registrant from same organization; \$100 for spouses. American Assn. of Insurance Services, 1035 S. York Road, Bensenville, Ill. 60106; 312-595-3225.

**OCT. 26-27. Health Care Cost Containment** workshop in San Francisco, sponsored by the Health Research Institute; \$495. **Also Nov. 9-10** in New York; and **Dec. 7-8** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 26-27. Year-end SEC Accounting and Financial Reporting for Property/Casualty Insurance Companies** conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same

*Continued on next page*



# MOST INSURERS' IDEA OF GLOBAL IS TO SPLIT YOU IN ALL KINDS OF

The way most insurance firms are structured, you could get perilously tied up trying to manage your multinational insurance programs.

That's because, to provide three major types of international programs—global, reverse flow and home-foreign—they'd send you to at least three separate sources.

Royal comes to the rescue. Our international department is uniquely geared to inte-

grate all three programs from just one source. So one phone call is usually all it takes.

What's more, our managers and underwriters have both U.S. and foreign expertise to deliver underwriting and program coordinating beyond the norm. We have direct access to 500 Royal offices and more than 20,000 employees worldwide, all following Royal's stringent, mandatory Standards of Performance.

**Continued from previous page**

organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

**OCT. 26-28. Government Risk Management Seminars: Basic Fundamentals, Advanced Techniques or School Risk Management in Washington** sponsored by the Public Risk & Insurance Management Assn.; \$350 for PRIMA members; \$400 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

**OCT. 27. Corporations vs. Directors: The Real Struggle Over D&O Liability** conference in New York, sponsored by the Tillinghast Division of Towers, Perrin, Forster & Crosby; \$450. Also Nov. 5 in San Francisco. Conference Director, Tillinghast/TPF&C, 722 Post Road, Darien, Conn. 06820; 203-655-9791.

**OCT. 29. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.)** workshop in San Francisco, sponsored by the Health Research Institute; \$250. Also Nov. 12 in New York; and Dec. 10 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 29. Cost Containment Through Communications and Education** workshop in San Francisco, sponsored by the Health Research Institute; \$250. Also Nov. 12 in New York; and Dec. 10 in Chicago. Health Research Institute,

1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 29-31. Asbestos Medicine** seminar in Reno, Nev., sponsored by the Defense Research Institute Inc.; \$410 for DRI members; \$435 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

**NOV. 1-4. Insurance Technical Conference** in Boston, co-sponsored by the Alliance of American Insurers and the American Assn. of Insurance Services; \$275 for Alliance/AAIS members/subscribers; \$100 for family members; \$325 for non-members. Donna G. Pilstrom, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 W, Schaumburg, Ill. 60173-4980; 312-490-8595.

**NOV. 2-6. Developing and Managing a Basic Safety and Health Program** course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$650. Tommy Thomas, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

**NOV. 2-6. Sampling and Evaluating Airborne Asbestos Dust** course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$725. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**NOV. 4-6. Marine Cargo Insurance and Ocean Cargo Claims** seminars in New York, sponsored by the World Trade Institute; one day (Ocean Cargo Claims): \$425, \$380 for additional registrant; two days (Marine Cargo Insurance): \$665, \$600 for additional registrant; three days (both seminars): \$845, \$760 for additional registrant. Registrar, World Trade Institute, 1 World Trade Center, 5W, New York, N.Y. 10048; 212-466-4044.

**NOV. 5-6. Integrating and Expanding the Role of Employee Health Care** conference in San Antonio, Texas, sponsored by the American Hospital Assn.; \$395 for AHA members, \$495 for non-members. American Hospital Assn., P.O. Box 98946; Chicago, Ill. 60693; 312-280-6083.

**NOV. 5-6. Managing Intergovernmental Pools** conference in San Antonio, Texas, sponsored by the Public Risk & Insurance Management Assn.; \$150 for PRIMA members; \$250 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

**NOV. 5-6. Recovering Uncollectible Reinsurance** conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Also Dec. 10-11 in Los Angeles. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

**NOV. 6. Alternate Dispute Resolution and**

**Risk Management: Controlling Conflict and its Costs** seminar in New York, sponsored by the Practising Law Institute; \$250; \$45 for coursebook only. Practising Law Institute, Department 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, extension 271.

**NOV. 8-11. Legislative Research Commission's Third Biennial Workers Compensation Seminar** in Louisville, Ky.; before Oct. 9: \$150; after Oct. 9: \$190. Charlene Collins, Legislative Research Commission, Fourth Floor, Capitol Building, Frankfort, Ky. 40601; 502-5640-8100.

**NOV. 9-10. The Solution to the High Cost Claim—Medical Case Management** conference in New York, sponsored by Intracorp; \$385; \$340 per additional registrant from the same organization. Jackie Mazoway, Intracorp, Chesterbrook Corporate Center, 701 Lee Road, Wayne, Pa. 19087; 800-345-1075.

**NOV. 9-10. Medical Malpractice in Cardiac Care** seminar, sponsored by Law Journal Seminars-Press; \$390; \$365 each for two or more registrants from the same organization. Registrar, Law Journal Seminars-Press, 111 Eighth Ave., Suite 900, New York, N.Y. 10011; 800-221-8195; 212-741-8300.

**NOV. 9-12. Seventh Annual Construction Insurance Conference and Pre-conference Seminars** in New Orleans, sponsored by the International Risk Management Institute Inc.; \$235 for one pre-conference seminar (Nov. 9): Con-

struction Insurance Primer, Insurance Cost Control, or Risk Financing Alternatives; \$495 for conference (Nov. 10-12); \$595 for conference and one pre-conference seminar. International Risk Management Institute Inc., 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 800-527-2580; 214-960-7693 within Texas.

**NOV. 9-13. International Reinsurance Practice** course in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 675 pounds (approximately \$1,110) plus VAT. Joy Bam-brough, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

**NOV. 15-19. National Assn. of Independent Insurers' 42nd Annual Meeting** in Maui, Hawaii; \$250 for members; \$350 for subscribers and guests; \$100 for spouses. National Assn. of Independent Insurers, 2600 River Road, Des Plaines, Ill. 60018-3286; 312-297-7800.

**NOV. 16-18. Utilization Review Systems** workshop in Scottsdale, Ariz., sponsored by the Group Health Assn. of America Inc.; \$425 for GHAA members; \$500 for non-members. Group Health Assn. of America Inc., 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3275.

**NOV. 16-20. Fundamentals of Industrial Hygiene Monitoring** course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500. John Garis, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

**NOV. 20. Political Risk & Credit Insurance** seminar in New York, co-sponsored by The College of Insurance and Cook & Miller; \$125. Professional Development Division, The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111, extension 303.

**NOV. 30-DEC. 1. Behavioral Science as an Approach to Accident Prevention** course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$375. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**DEC. 2-3. Legal Aspects of Occupational Safety & Health** course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$385. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**DEC. 2-4. Fundamentals of Insurance** course in Atlanta, sponsored by the Risk & Insurance Management Society Inc.; \$495 for RIMS members; \$595 for non-members; after Oct. 20 add \$45. Fran Jordan, Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**DEC. 4-9. 33rd Annual Employee Benefits Conference** in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; before Oct. 4: \$480 IFEBP members only; after Oct. 4: \$525 IFEBP members only. Registration Department, International Foundation of Employee Benefit Plans, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

**DEC. 7-9. Hazard Communication: Worker Training Right to Know** course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$400. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**DEC. 9-11. Techniques of Risk Management** course in Chicago, sponsored by the Risk & Insurance Management Society Inc.; \$495 for RIMS members; \$595 for non-members; after Oct. 27 add \$45. Fran Jordan, Risk & Insurance Management Society Inc., 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**JAN. 20. Managing and Controlling Asbestos Contamination/Exposure** course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$160. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**JAN. 21-22. Transportation of Hazardous Materials/Waste** course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$265. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

**JAN. 25-29. Hazardous Materials: Handling and Disposal** course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$735. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

*The Datebook is compiled from notices sent to Business Insurance. Notices should be sent at least eight weeks in advance to Datebook, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. Please include the price, if any, of the meeting and information on registration for interested readers. Business Insurance reserves the right to select meetings of most interest to its readers and cannot guarantee that notices will be printed.*



# INTEGRATION DIRECTIONS.

We're well-honed on the home front, too. Full-scale international operations in New York and Chicago service the Northeast and Midwest. And expansion to the West with a center in Los Angeles is planned for 1987. To find out more, call Royal toll free at 1-800-221-5670. We'll not only save you time. We might even save the day.

**Royal Insurance**  
 9300 Arrowpoint Boulevard  
 Charlotte, NC 28217

## Working Without a Net?

Like the highwire performer, it's risky—with no room for error.

Catastrophic injuries occur infrequently, but when they do, your health plan can't afford to be working without a net—Cost Care's Catastrophic Case Manager Network. With hundreds of full-time Case Management experts, the Network effectively manages and contains the costs of catastrophic injuries anywhere in the country.

Cost Care's Network is there when you need it.

**COST CARE™**

Call:

Ray Foose, Director Marketing  
1-800-762-3029 Nationwide



CATASTROPHIC CASE  
MANAGEMENT

## Managed care program cuts admission rates

By JAMES M. BURCKE

PHILADELPHIA—A pre-admission review and second-surgical opinion program have cut hospital admissions by more than 20% among members of labor unions and their dependents whose group health insurance plans are underwritten by Blue Cross of Greater Philadelphia, a new report shows.

This reduction in the number of hospital admissions saved \$23 million in hospital costs, the insurer says.

BC of Greater Philadelphia, which underwrites hospitalization insurance, reports that hospital admissions for members of labor unions and dependents fell 23.6% to 18,722 in 1986, the first full year

of the insurer's Quality Care Admission Review program, from 24,512 in 1984, the last full year in which the pre-admission review program was not used.

"Since 1980, we have witnessed a dramatic 34% decrease in admissions... two-thirds of this decrease occurring since the implementation of managed care in 1985," said a statement by David S. Markson, president and chief executive officer of BC of Greater Philadelphia, and Edward F. Toohey, president of the AFL-CIO's Philadelphia Council.

Under the Quality Care program—which was introduced in 1985—all non-emergency, non-maternity cases are reviewed prior to hospital admission to determine whether inpatient care is necessary, while emergency and maternity cases are reviewed after admission. In addition, second opinions are mandated for certain surgical procedures.

The managed care program also helped reduce the number of days that members of labor unions and their dependents spent in the hospital, BC of Greater Philadelphia reports.

Labor union members and dependents were hospitalized for 128,275 days in 1986, a 22.4% drop from 165,392 days in 1984, the insurer reports. And total inpatient hospital charges for labor union members and dependents declined 4.1% to \$116 million in 1986 from \$121 million in 1984, despite rising health care costs.

Furthermore, the number of admissions and hospital days per 1,000 persons has drastically declined since the implementation of the managed care program.

BC of Greater Philadelphia reported an admission rate of 65.2 per 1,000 members of labor unions and dependents in 1986, down 21.4% from 83 admissions per 1,000 members in 1984. For all BC of Greater Philadelphia subscribers, admissions declined 18.9% to 71.1 per 1,000 in 1986, from 87.7 per 1,000 in 1984.

"If there had not been the 21.4% decline in the rate of admissions from 1984 to 1986 (among union members and dependents), Blue Cross of Greater Philadelphia labor subscribers would have incurred an additional 5,108 admissions in 1986 alone, and spent over 32,544 additional days in the hospital. This... represents over \$32 million in inpatient hospital charges avoided through... managed care efforts," the report says.

Likewise, the number of inpatient days per 1,000 labor union members and dependents fell 20.2% to 447.0 in 1986 from 560.4 in 1984.

For all BC of Greater Philadelphia subscribers, inpatient days decreased in the same period by 19.2% to 462.1 per 1,000 people from 573.1 per 1,000.

BC of Greater Philadelphia reports that admissions among labor union members and dependents fell for five types of service categories between 1984 and 1986, with only the admission rate for substance abuse services increasing.

The number of admissions for medical services per 1,000 labor union members and dependents fell 32.4% to 28.6 in 1986 from 42.3 in 1984. Admissions for surgical services dropped 18.8% to 19.5 per 1,000 in 1986 from 24.0 per 1,000 in 1984.

The number of admissions for obstetrical services among labor union members and dependents fell 1.8% to 10.7 per 1,000 in 1986 from 10.9 per 1,000 in 1984, while

Continued on page 34

When it comes  
to selling  
group life,  
put the power  
of the Sun  
behind you.

If you're a broker who sells larger group life plans, you'll want to get the full story on Sun Financial Group. We offer the financial strength, professional support, and attractive pricing that allow you to compete effectively in today's corporate marketplace.

To feel the power of the Sun for yourself, simply contact our nearest office: Atlanta, Baltimore, Boston, Chicago, Cleveland, Detroit, Houston, Indianapolis, Los Angeles, New Orleans, Philadelphia, Pittsburgh, Seattle, Tampa, and San Juan.



**Sun  
Financial  
Group**

# BRILLIANT DEDUCTION!

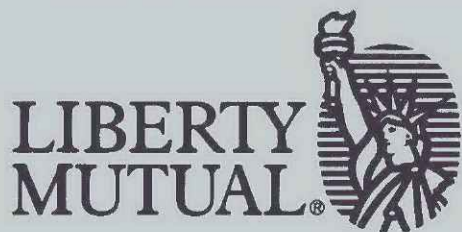
## Announcing Liberty For All.

Now your employees can save on auto, home and life insurance through the convenience of payroll deductions. And it will hardly cost you a thing.

*Liberty For All* gives employees an additional 5%\* discount on Liberty Mutual's already low rates. Your only expense is for a minor change in your payroll system.

For more information about the hottest perk going, send in this coupon or call Harold Scroggins, Director of Mass Merchandising, Liberty Mutual, at 1-800-225-2390 Ext. 2665, in MA (617) 357-9500.

**AMERICA BELIEVES IN LIBERTY MUTUAL INSURANCE.**



75th ANNIVERSARY—1987

OTHER DEDUCTIONS	
DESCRIPTION	AMOUNT
AUTO INS	12.61
HOME INS	10.01
LIFE INS	4.58

EMPLOYEE ID: \_\_\_\_\_

STATE: 836.0

Send to: Mr. Harold Scroggins  
Director of Mass Merchandising, Liberty Mutual  
175 Berkeley Street, Boston, MA 02117

Please send more information about  
"Liberty for All" to:

Name \_\_\_\_\_

Company \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

Phone Number \_\_\_\_\_

SERVING THE SECURITY GUARD INDUSTRY FOR OVER A QUARTER CENTURY:

## Brownyard is the shield behind the shield!

Every day the Security Guard industry provides protection for its clients by offering a "shield" against a host of risks and perils. *We do the same for them!*

Brownyard pioneered "protection for the protectors," and now we offer comprehensive liability protection through stable, top-rated (A+ Class 15) licensed carriers that are admitted in all states. That's an exclusive.

Another exclusive is Excess Liability coverage with \$5 million limits and no restrictions!

We also offer Third Party Fidelity Bonding. Please call us today.

**BROWNYARD BROTHERS**

20 Fourth Avenue, Bay Shore, NY 11706  
(800) 645-5820 (Except in New York) (516) 666-5050



## Managed care

*Continued from page 32*

the admission rate for mental disorders dipped 12.8% to 3.4 per 1,000 last year from 3.9 per 1,000 in 1984.

However, the number of hospital admissions among labor union members and dependents for substance abuse rose 57.9% during the period to 3.0 per 1,000 in 1986 from 1.9 per 1,000 in 1984. However, this increase may be attributable to a special substance abuse identification and counseling program implemented by BC of Greater Philadelphia and the AFL-CIO, the report notes.

Inpatient days also decreased in four of the five service categories between 1984 and 1986.

The number of inpatient days per 1,000 labor union members and dependents fell 38% to 162.8 in 1986 from 262.7 in 1984, while the number of inpatient days for surgical procedures dropped to 134.0 per

1,000, down 15.8% from 159.2 per 1,000 in 1984.

Inpatient days for obstetrics fell to 43.5 per 1,000 labor union members and dependents in 1986, down 1.1% from 44.0 per 1,000 in 1984, while inpatient days for mental health treatment fell 7.6% to 66.1 per 1,000 in 1986 from 71.5 per 1,000 in 1984.

However, inpatient days for substance abuse rose 76.5% to 40.6 per 1,000 in 1986 from 23.0 per 1,000 in 1984.

BC of Greater Philadelphia also reported that:

- The number of surgical admissions among labor union members and dependents for nine diagnostic classes decreased between 1984 and 1986, while the rate stayed the same in only one class: lymphatic surgery.

The types of surgeries in which admission rates decreased were: circulatory; respiratory; digestive; genitourinary; nervous system and senses; accidents; skin and musculoskeletal; endocrine; and other diagnoses.

The largest percentage decrease was for skin and musculoskeletal surgeries, for which admissions per 1,000 labor union members or dependents totaled 2.2 in 1986, down 35.3% from 3.4 in 1984.

- The number of admissions for non-surgical medical treatment among labor union members and their dependents decreased in all 10 diagnostic classes between 1984 and 1986.

The largest percentage decrease was in the accidents category, for which admissions per 1,000 union members and dependents dropped by 50% to 2.7 in 1986 from 5.4 in 1984.

This was followed closely by the skin and musculoskeletal category, for which admission per 1,000 dropped by 48.6% to 1.9 in 1986 from 3.7 in 1984.

In addition, BC of Greater Philadelphia reports that the use of short procedure units (SPUs), which are hospital-based facilities used to perform outpatient surgical procedures, has increased dramatically.

There were 21.6 outpatient surgical procedures performed per 1,000 labor union members and dependents last year, up 16.1% from 18.6 performed per 1,000 in 1984 and up 180.5% from 7.7 per 1,000 in 1980.

Among all BC of Greater Philadelphia subscribers, the outpatient surgery rate increased to 25.1 per 1,000 in 1986, up 22.4% from 20.5 per 1,000 in 1985 and up 234.7% from 7.5 per 1,000 in 1980.

The ratio of inpatient-to-outpatient surgery has decreased to 0.9-to-1 in 1986, from 1.5-to-1 in 1984, and 5.6-to-1 in 1980, the insuree reports.

Besides examining utilization experience reported by BC of Greater Philadelphia, the report also examines Philadelphia-area health care utilization as tracked by Philadelphia Blue Shield, which underwrites major medical/surgical insurance.

According to the report, Philadelphia-area union members and their dependents' utilization of in-hospital services decreased over the last three years, while their utilization of outpatient and other medical services increased.

Labor union members and dependents used 1,052.6 in-hospital services per 1,000 subscribers in 1986, down 18% from 1,282.9 services per 1,000 in 1984. However, outpatient and other utilization increased 9.1% to 2,184.2 per 1,000 in 1986 from 2,001.3 per 1,000 in 1984.

# MODEL (mo·dĕl), n., A thing that represents on a small scale the structure or qualities of something greater.

— Oxford English Dictionary



**Some organizations would like to be known as "model" managed health care companies.**

**But not us.**

Founded in 1982, CAPP CARE is an original. From the beginning, we've been at the forefront of managed health care services.

CAPP CARE's utilization management program has the most sophisticated, computerized utilization review system in current operation. Sophisticated, but not complicated. . . *straightforward cost containment.*

And few Preferred Provider Organizations

can match CAPP CARE's for scope: more than 32,000 physicians and 300 hospitals located in 72 markets in 17 states. And that is just the beginning.

Our participating insurance carriers, third party administrators, self-insured employers and Taft-Hartley trusts represent more than \$4.5 Billion in annual group health insurance business throughout all 50 states. Building PPO networks to meet their needs is our goal.

Why buy a model when you can have an original? Why settle for less?



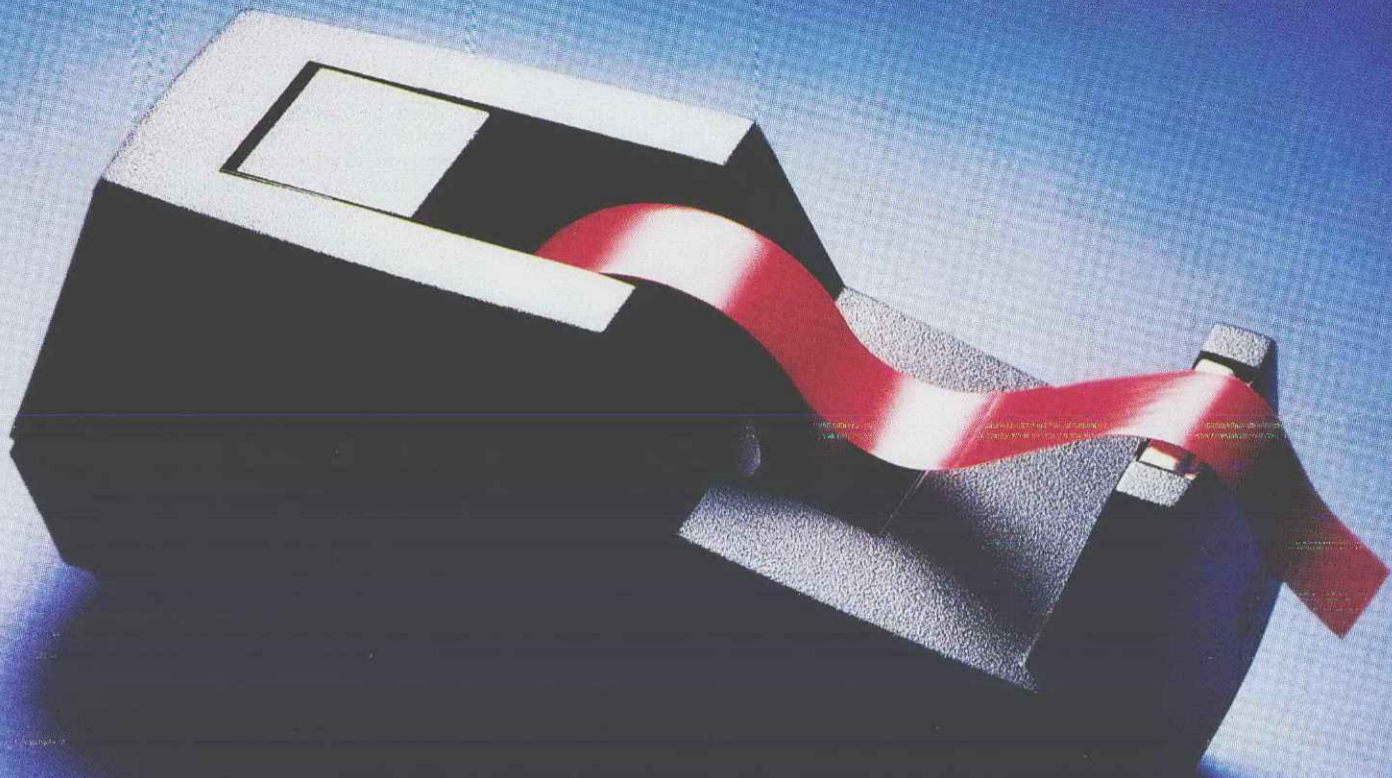
**CAPP CARE** Good Medicine IS Good Business

Participating Carriers: Allstate,\* American Community Mutual, American United Life,\* Farmland, Home Life,\* John Alden, Nationwide,\* Northbrook, Pacific Mutual,\* Pau Revere, Provident Mutual,\* UNUM, Wausau Life \*Shareholder

For more information write CAPP CARE • Division B • P.O. Box 8110 • Fountain Valley, CA 92728-8110

For a free copy of "Community Data Report 1987, Labor Experience," contact Leonard Davis, Vp-Cost Containment, Blue Cross of Greater Philadelphia, 1333 Chestnut St., Philadelphia, Pa. 19107; 215-448-5281.

WITH GROUP UNIVERSAL LIFE FROM THE TRAVELERS,  
YOU WON'T GET STUCK WITH THIS.



This smooth-running plan from The Travelers will reduce your retired life liability without increasing your administrative headaches.

Imagine a program that offers your employees a valued benefit at no cost to you, eliminates tax on imputed income *and* reduces your retired life liability.

Group Universal Life from The Travelers does all that and more. We make it so easy to implement and administer you won't get stuck with one inch of red tape.

We put our expertise to work for you by setting up and maintaining your program with our advanced computer network and highly-trained staff.

We make sure you and your employees completely understand the plan. If they have any questions, they call our 800 number for on-line, current personal account information.

And you won't get stuck with the details.

For more information, call Bruce Davidson, Vice President, at (203) 277-4518.

With The Travelers, the only red you'll see is in our Umbrella.

The Travelers Insurance Company and its Affiliates, Hartford, Connecticut 06183.

**TheTravelers** 

You're better off under the Umbrella.<sup>SM</sup>

# Flexible benefits pass test at university

By STACY ADLER

PHILADELPHIA—Teachers and staff members at the University of Pennsylvania in Philadelphia are giving high grades to the university's new flexible benefit plan.

The plan, which took effect July 1, allows the university's 7,800 employees to exchange some of their life insurance benefits for increased health care benefits.

Under the Pennflex system, flex dollars can be used to purchase dependent life insurance or dependent health care coverage or to increase an employee's own benefits.

A key aspect of Pennflex is that employees who are satisfied with their benefits don't need to make any changes.

Rita Doyle, assistant benefits manager at the university, said that because many employees were skeptical about changes in their benefit plan, Pennflex had to be designed as a benefit change that would include current benefits—in addition to choices—without any reductions.

Mark Murray, a consultant with Hewitt Associates who helped design the plan, agrees.

"Employees needed absolute assurance that they could revert to coverage pre-Pennflex," he said. "Current coverage had to be an option."

"The university represents a unique population," he said. "Employees are well-educated and they were concerned this not be a guise for benefit cut-backs."

To drive this message home, the university developed an elaborate communications plan that included newsletters, brochures, a video and even a simulated calculator to prove that the plan was cost neutral—meaning any savings generated by the plan would be returned to employees.

In addition, James J. Keller, director of benefits for the university, and Ms. Doyle held more than 220 meetings with employees explaining Pennflex.

And the results of the plan have been extraordinary, according to Mr. Murray: Some 70% of all eligible employees made changes in their benefit plans.

The most popular change, according to Ms. Doyle, was in the level of life insurance coverage.

Prior to Pennflex, employees received life insurance of up to four times salary on a non-contributory basis, depending on their age. For many younger employees this amount of coverage seemed excessive, she said.

Now employees receive a credit to their Pennflex account equal to the amount the university had contributed toward their group life insurance. Employees can use this money to retain current benefits or lower their life insurance coverage to purchase other benefits.

The Pennflex plan offers nine life insurance options ranging from \$33,000 in coverage to \$165,000 in coverage at annual premiums ranging from \$67 to \$337.

Pennflex allows employees to reduce their life insurance to one times salary or increase it to five times salary. A 10th option caps life insurance coverage at \$50,000 regardless of salary for a \$102 annual premium. Some 700 university employees choose this option.

Among those employees who opted to lower their life insurance and generate flex dollars, the most popular choice—by some 25%—was to purchase dependent life insurance, Ms. Doyle said.

Employees could purchase \$10,000 in life insurance for a spouse or \$5,000 for each child. The annual premium to cover a spouse is only \$27 per year and the premium to cover one or more chil-

**'The university represents a unique population,' says Mark Murray of Hewitt Associates. 'Employees are well-educated and they were concerned this not be a guise for benefit cutbacks.'**

dren is \$8 per year. And, the annual premium to cover an entire family premium is \$35.

The life insurance program is un-

derwritten by Equitable Life Assurance Society of the United States in New York.

Prior to Pennflex, the univer-

sity's health care coverage was a first-dollar medical plan written by Blue Cross/Blue Shield of Pennsylvania. Now employees have a choice of two medical plans and six health maintenance organizations.

The first option is the current BC/BS plan.

The second option is a comprehensive medical plan for employees who have coverage elsewhere and need a supplemental plan or for younger employees who don't feel they need as much coverage.

Under the comprehensive medi-

cal option, underwritten by BC/BS, employees pay a higher deductible of \$200 and a larger copayment of 20%, up to an annual out-of-pocket maximum of \$1,200 for individual coverage. For family coverage, employees pay a \$400 deductible and a 20% copayment up to an annual out-of-pocket maximum of \$3,400.

In addition to the two BC/BS plans, employees can choose from one of six HMOs, including: John Hancock Health/Plan, a group practice association model HMO;

*Continued on next page*

## We saved you a seat.



Continued from previous page

Health Maintenance Organization of Pennsylvania/New Jersey, an individual practice association; Delaware Valley HMO, an individual practice association; Maxicare, a group practice association; or Health Insurance Plan of New Jersey, a group practice association.

The Health Maintenance Organization of Pennsylvania/New Jersey is one umbrella organization but represents two HMO choices for employees.

The university pays the same amount for each employee regardless of the type of health care plan chosen, with the employee picking up the difference.

The university pays \$60.50 per

month toward health care coverage for single employees and \$166.50 per month toward the cost of family coverage.

The university does not offer any preferred provider organizations and does not plan to offer any in the future, said Ms. Doyle.

Employees who can prove they have sufficient medical coverage elsewhere and wish to opt out of employer-provided medical coverage entirely may receive an annual rebate of up to \$200 or \$200 in flex dollars to put in a flexible spending account.

"We always allowed employees to opt out of health care coverage," explains Ms. Doyle, "but we never offered a rebate before."

**'We always allowed employees to opt out,' explains Ms. Doyle, 'but we never offered a rebate.'**

Employees can purchase a wide variety of medical services not normally covered under their benefit plan or offset their deductible or copayments through the flexible spending account.

Employees can contribute up to \$2,400—generated through flex dollars or salary reductions—into

a flexible spending account for health care-related expenses.

In addition, university employees can put \$5,000 in a separate dependent care flexible spending account to cover child or elderly day care.

To help employees understand the tax savings of putting money in a flexible spending account, the university developed a mock calculator.

The cardboard mechanism that resembles a slide rule shows the employee's taxable income and the contribution made to the flexible spending account and then shows the resulting tax savings.

For example, an employee with \$30,000 in taxable income who

puts \$400 in a flexible spending account can save \$141 in federal income taxes if he files an individual tax return or \$89 if he files a joint return.

Some 13% of the eligible employees chose to contribute some amount to a flexible spending account, says Hewitt's Mr. Murray.

The average contribution was \$570, he added.

Pennflex offers two dental choices: The Penn Faculty Practice Plan and the Prudential Insurance Co. of America plan.

Under the Penn Faculty Practice Plan, employees receive dental care by the staff of the dental college at the university.

Under this plan, exams, X-rays, cleanings, fillings and oral surgery are covered 100%. Root canal, bridges, gold crowns and other services are partially covered. There is no maximum on the dental benefits an employee can receive under this plan.

Under the Prudential plan, exams, X-rays and oral surgery are covered 100%. Two cleanings per year are covered 100% and fillings are covered 90%. Root canal, bridges, gold crowns and other services are partially covered. Each employee can receive up to \$1,000 in benefits per calendar year.

The university fully covers the cost of employee dental care and shares the cost of family dental care.

Flex dollars can be used to purchase dependent dental care coverage.

The employee's cost for PFPP family coverage is \$17.39 per month. The employee's cost for Prudential family coverage is \$22.35 per month.

Employees who do not spend all of their flex dollars buying new benefits are entitled to a cash rebate. Some 12% of the employees at the university received a rebate. The average rebate was \$164 per person, which was added to the employee's taxable income.

Ms. Doyle said that despite employees' initial skepticism about the plan, only 10% of the employees did not return benefit election forms. And 90% of those employees who did return a form made some changes in their benefit plans.

Employees who did not return election forms retained their current benefits.

"The response from employees was 'give me more choice, give me more ability to spend the university's health care dollars,'" said Mr. Murray.

And to meet that goal, the university is working on expanding its flexible benefit program. Among the items on the agenda are new ways to generate Flex dollars for new employees and more options for employees.

Made any benefit changes? Write Stacy Adler, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611; 312-649-5393.

No matter what size policy we write, we're more than accommodating when it comes to service. That's why brokers are starting to see Appalachian and Affiliated from a different perspective.

We have the proven capacity to write policies for companies of all sizes. Large and small. It's one of the reasons we've earned Best's A+ property insurance ratings.

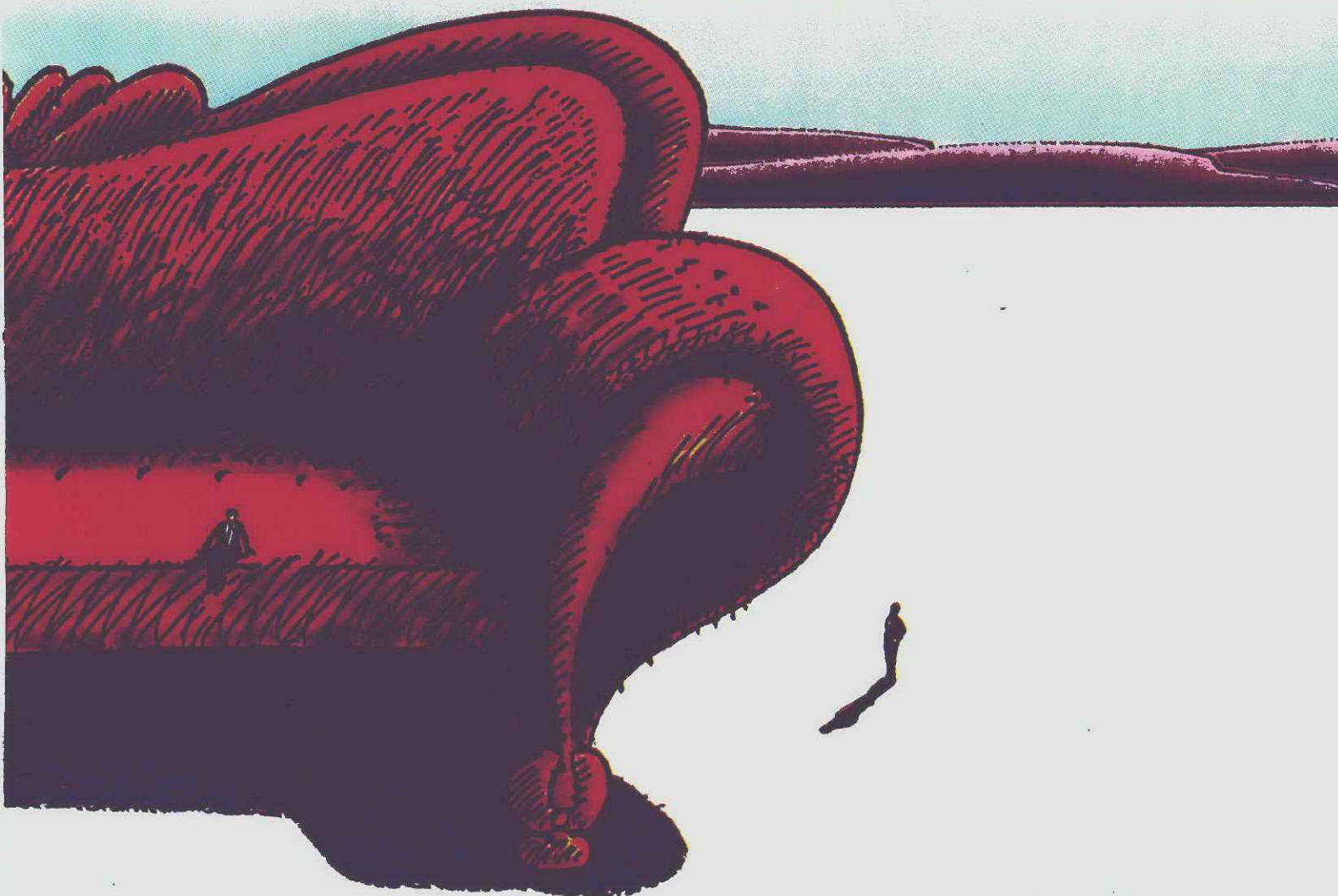
Appalachian and Affiliated offer a complete product line—including an "all risk" policy that's simple, comprehensive, and flexible. We have a proven track record of serving brokers who require fast, competitive, and complete service. We put you directly in touch with our underwriters for fast responses. And, our claims

settlement and paperwork response is just as fast, just as efficient, and certainly, fair. We've even been known to hand deliver a policy in a pinch.

We can also make available the expertise of Factory Mutual engineering—expertise helpful in reducing or controlling property losses for your clients.

So, if you want insurers who provide capacity, coverage, and service, talk to Appalachian and Affiliated. We'll help give you a new perspective on property insurance.

**Affiliated FM Insurance Company**  
**Appalachian Insurance Company**  
Associated with Allendale Mutual Insurance Co.  
Allendale Park, P.O. Box 7500, Johnston, RI 02919.  
Telephone (401) 275-3000.



**GENERAL AGENT  
(WHOLESALE)  
TRUCK PROGRAM**

Admitted and non-admitted markets available to established GA, MGA and E + S Brokers with established transportation book of business.

Richard D. Slutterback  
Chairman  
Telex: 80-4319

1-800-647-3769



P.O. Box 105257 Atlanta, GA 30348

## FINANCIAL AUDIT SERVICE

(Includes IRIS Test Application/Results)

Critical Financial Information On Over 300 U.S. Insurers,  
Reinsurers And Consolidated Insurance Groups

- Quarterly Results
- Loss, Expense, Combined Ratios
- Premium Distribution by Line
- IBNR Reserves as % of Premiums
- Schedule P, Loss Reserve Analysis
- Premium to Surplus Ratios
- Assets as % of Surplus
- Reserves as % of Surplus

Three Issues Per Year — Annual Cost \$1,050.00

# Conning & Company

Members of the New York Stock Exchange, Inc.

101 Pearl Street, Hartford, CT 06103

Contact: David Schupp - 203-520-1277

## Info

• The ethics of health benefits and how they apply to plans for organ transplant patients, AIDS patients and other specialized cases are examined in "Claims Processing for Benefit Plans" published by the International Foundation of Employee Benefit Plans. Five authors in the medical, claims processing and employee benefits fields contributed to the book. Copies of the book are available to foundation members for \$7 and to non-members for \$12 by sending payment to the Publications Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• The Group Health Assn. of America Inc. offers an analysis of the legislation and regulations affecting health maintenance

organizations. "GHAA's Legislative and Regulatory Issues Digest" reviews federal and state developments including employer contributions, federal qualification application fees, non-discrimination rules and tax reform issues. The digest is available for \$20 from GHAA, Order Department, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036.

• Tapes of speeches made at the Atlanta Risk Management Educational Conference, sponsored by the Risk & Insurance Management Society's Atlanta Chapter in February, are available for purchase. The following subjects are available: "The Changing Role of Risk Management," "Service Providers—How Should Risk Management Relate to Each," "Economic Indicators," "Concern over Drugs and Alcohol in the Workplace," "Claims-Made, the Aftermath," "The Future of Industry Captives" and "Legislative Issues." Tapes are available for \$8.50 apiece plus postage and handling by writing Joan Oelschig, Fuqua Industries, 4900 Georgia-Pacific Center, Atlanta, Ga. 30303.

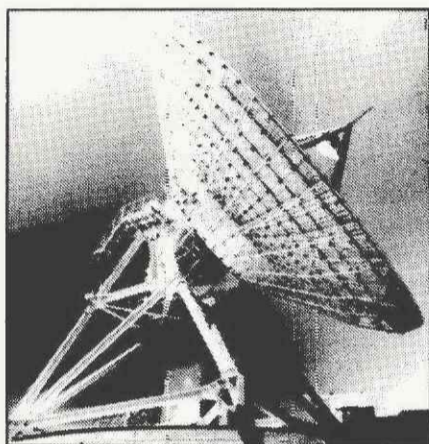
• "America in Transition: Benefits for the Future" examines, through the observations of professionals in the field, how the design, structure and goals of employee benefits are changing. Demographics of an aging workforce and satisfaction with current benefits are among the topics covered by government and private sector writers. Copies of the softcover book (0-86643-049-0) published by the Employee Benefit Research Institute are available by sending \$15 per copy to EBRI-ERF Publications, P.O. Box 753, Waldorf, Md. 20601; 202-659-0670.

• An overview of the impact that the Tax Reform Act of 1986 will have on group insurance programs is available from Pension Planning Co. Inc., a consulting subsidiary of Republic Hogg Robinson Group. Topics discussed in the booklet include non-discrimination rules, eligibility tests and flexible benefit programs. Free copies of the brochure are available from the company at 355 Lexington Ave., New York, N.Y. 10017; 212-867-4100.

• The International Foundation of Employee Benefit Plans has published a book reviewing the private pension system in the United States. "The Regulatory Impact on Pensions" reports on the Employee Retirement Income Security Act and other legislation and how it affects plan qualification and termination, a comparison of defined benefit and defined contribution plans, as well as pension plan coverage and vesting. Wayne Wendling, director of research for the foundation, and two other staff members researched and wrote the book. Copies of ISBN No. 0-89154-314-7 are available for \$12 for members and \$20 for non-members from the Publications Department of the International Foundation, 18700 W. Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• The International Risk Management Institute Inc. has published a new classification cross-reference booklet to help producers, underwriters, premium auditors and rating technicians classify commercial risks for workers compensation and commercial general liability insurance premium determinations. The guide includes all of the old premises-operations CGL codes in numerical order and shows the corresponding

Continued on page 40



Whatever time,  
wherever in the world,  
your business  
will be properly  
ensured with the  
Bank of Bermuda.

We offer you a global payment system, for same day value,  
through our correspondent banks and our membership in SWIFT.  
Our Hong Kong, Guernsey, London and New York offices will provide  
you with 24 hour foreign exchange coverage.

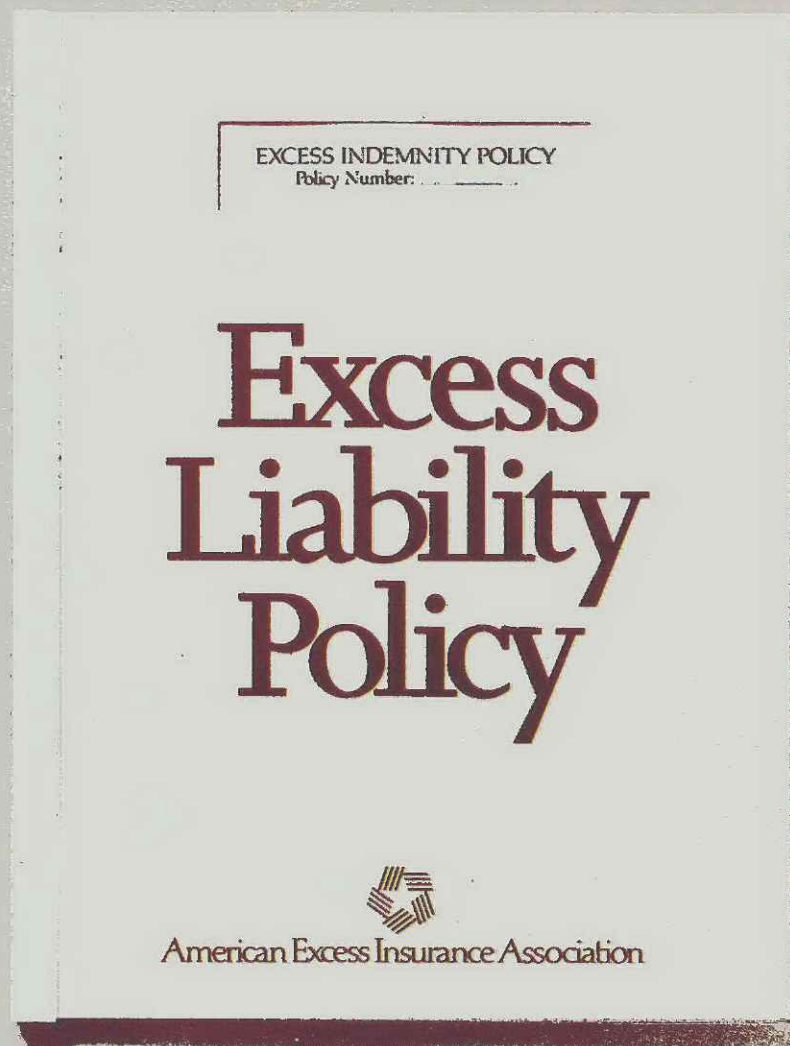
You will receive the benefits of our sophisticated electronic banking facilities,  
our worldwide investment management expertise and our very personal service.

You will receive all those benefits, instantly, continually, with us  
around the world.



**THE BANK OF BERMUDA LIMITED**

Bermuda, New York, London, Hong Kong and Guernsey, Channel Islands.



# The Patchwork Quilt Vs. Our \$75 Million Blanket.

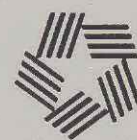
A single policy of \$75 million over \$25 million in excess liability coverage is now available from the American Excess Insurance Association.\* We're a new facility comprised of domestically admitted insurance companies. Within our policy you can avoid missing layers, inconsistent language, offshore 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 finally bring stability, consistency and permanence to the excess liability market. 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 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) 528-1931.



American Excess  
Insurance Association

\*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.

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, a subsidiary of American General Corporation; NAC Re Group; 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; North American Company for Property and Casualty Insurance; Royal Insurance Company of America;  
The Travelers Indemnity Company; Zurich Insurance Company, U.S. Branch.)

## Info

Continued from page 38

new CGL codes to quickly convert from the old system to the new. The other listings serve similar purposes. Copies of the guide are \$17.98 each for one to five copies and \$8.99 for six or more copies. They may be ordered from International Risk Management Institute Inc., 12222 Merit Drive, Suite 1660, Dallas, Texas 75251; 214-960-7693.

• Lawsuits involving **workers injured by falling objects** recovered awards in 81% of the cases studied in a recent issue of "Verdict Reviews." The publication examines jury reactions to liability and damages and includes brief summaries of verdicts and settlements in recent cases. Case summaries include docket numbers, names and locations of the attor-

neys involved and medical and wage loss figures. Copies of "Workers Injured by Falling Objects" are \$22.50 each from Jury Verdict Research Inc., 5325 Naiman Parkway, Suite B, Solon, Ohio 44139-1065.

• An update of **state tort liability statutes** and changes states have made in those laws during 1985 and 1986 is available from the Public Risk & Insurance Management Assn "Tort Liability Today, 1986 Update" is written by John Pine, adjunct professor at the Government Services Institute of Louisiana State University. Copies are available for \$10 prepaid for PRIMA/League of City members and \$20 for non-members from PRIMA, Suite 400, 1120 G St. N.W., Washington, D.C. 20005; 202-626-4653.

• "**Managing Corporate Health Care Costs**" is a collection of presentations from the Corporate Health Care Conference held in November 1986. It includes a physician's perspective on cost containment, provider audits, post-employment medical costs and a review of Bank of America's company policy on AIDS and other life-threatening illnesses. Published by the International Foundation of Employee Benefit Plans, a non-profit educational association serving an information clearinghouse, the book is available for \$10 to members and \$18 for non-members. Payment may be sent to Publications Department, International Foundation, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• Channing L. Bete Co. Inc. has published "**About Substance Abuse at Work**." The 16-page illustrated booklet examines commonly abused drugs, their effects

on job performance, productivity and safety awareness. It also shows employees where to turn for assistance. For a free sample copy of "About Substance Abuse at Work" and more information, contact Channing L. Bete Co. Inc. Department PR, 200 State Road, South Deerfield, Mass. 01373.

• "**Liability Risk Retention Act**" is a brochure that explains the Risk Retention Act of 1986. The brochure explains the act in detail, its provisions and how to set up a risk retention group or purchasing group. Also, it provides information for organizations to consider when deciding whether these types of groups are appropriate solutions for their insurance problems. For a free copy of the brochure, contact Jan Lester or Pat Holloway, American Insurance Services, 44 Montgomery St., Suite 1400, San Francisco, Calif. 94104; 800-228-5311; 800-421-9519 within California.

• Abt Associates offers a new brochure on **customer satisfaction programs in the health care industry**. The brochure outlines the components of a customer satisfaction program and describes the value of customer satisfaction programs for insurers and third-party administrators, health maintenance organizations, preferred provider organizations, hospitals and employers. For a free copy of the brochure, contact Morris R. Levene, Program Manager, The Health Group, Abt Associates Inc., 55 Wheeler St., Cambridge, Mass. 02138-1168; 800-624-7100 or 617-492-7100.

• "**Legal Malpractice**" is the title of a Jury Verdict Research publication that examines jury reactions to the issues of liability and damages and includes brief summaries of verdicts and settlements in recent cases. Case summaries in the publication include the docket numbers, names and locations of plaintiffs' and defense attorneys and expert witnesses, trial dates, claimed injuries, attorneys' offers and demands, as well as plaintiffs' and defendants' contentions. Copies of "Legal Malpractice" may be obtained for \$22.50 by contacting Jury Verdict Research Inc., 5325 Naiman Parkway, Suite B, Solon, Ohio 44139-1065.

• "The Crawford Risk Review" is a 20-page newsletter containing **articles of interest to risk managers** and insurance industry professionals. For a free subscription to the newsletter, write Crawford & Co., Market Communications Department, P.O. Box 5047, Atlanta, Ga. 30302.

• "**How to Buy Health Insurance**" is the title of a new folder for employers published by the Illinois State Chamber of Commerce. The ISCC folder outlines 11 points that benefit managers should keep in mind when making decisions affecting health care benefits. For a free copy of the folder contact the Health Care Cost Management Department, Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

• Structured Annuity Settlements Inc. is offering a informational package called "Structured Settlements: An Overview" to introduce claims and risk managers to **structured settlements** as a method of settling personal injury, wrongful death and workers compensation cases. To order the informational package, send \$5 to Structured Annuity Settlements Inc., 35 Glenlake Parkway, Suite 480, Atlanta, Ga. 30328.

• Free reprints of "Benefits Basics—Considerations in Self-Insurance" and "Utilization Review and Second Opinion Programs" are available from the International Foundation of Employee Benefit Plans. Both articles, which appeared in "The Digest," the IFEBP's monthly newsletter, are aimed at those who are new to the **employee benefits** profession. Each article also includes a bibliography. Free copies are available by contacting the IFEBP Publications Department, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

• Have a new report, booklet or educational brochure you'd like to send to buyers of insurance? *Business Insurance* will describe material costing less than \$25 as an editorial service in the Info column. Simply send us a copy of the item to be offered and a short description of it, along with the cost and a mailing address. Address all contributions to Info, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590.


To serve you better—Expanded lines of property and casualty treaty reinsurance. Expanded services. Expanded capacity. Rated A+ by A. M. Best.

# NORTH STAR EXPANDS



A Broker's Guide to Quality Reinsurance

Morris Corporate Center I, 300 Interpace Parkway, Parsippany, NJ 07054 (201) 299-6200



# How are things going with your directors liability coverage?

Times are tough for directors. Their personal assets are on the line with every corporate decision. Worse, it's been a real battle to secure directors liability insurance that's stable, affordable *and* responsible.

That's why Aetna is offering substantial, and stable, D&O capacity and a greater understanding of the legal intricacies facing directors and officers.

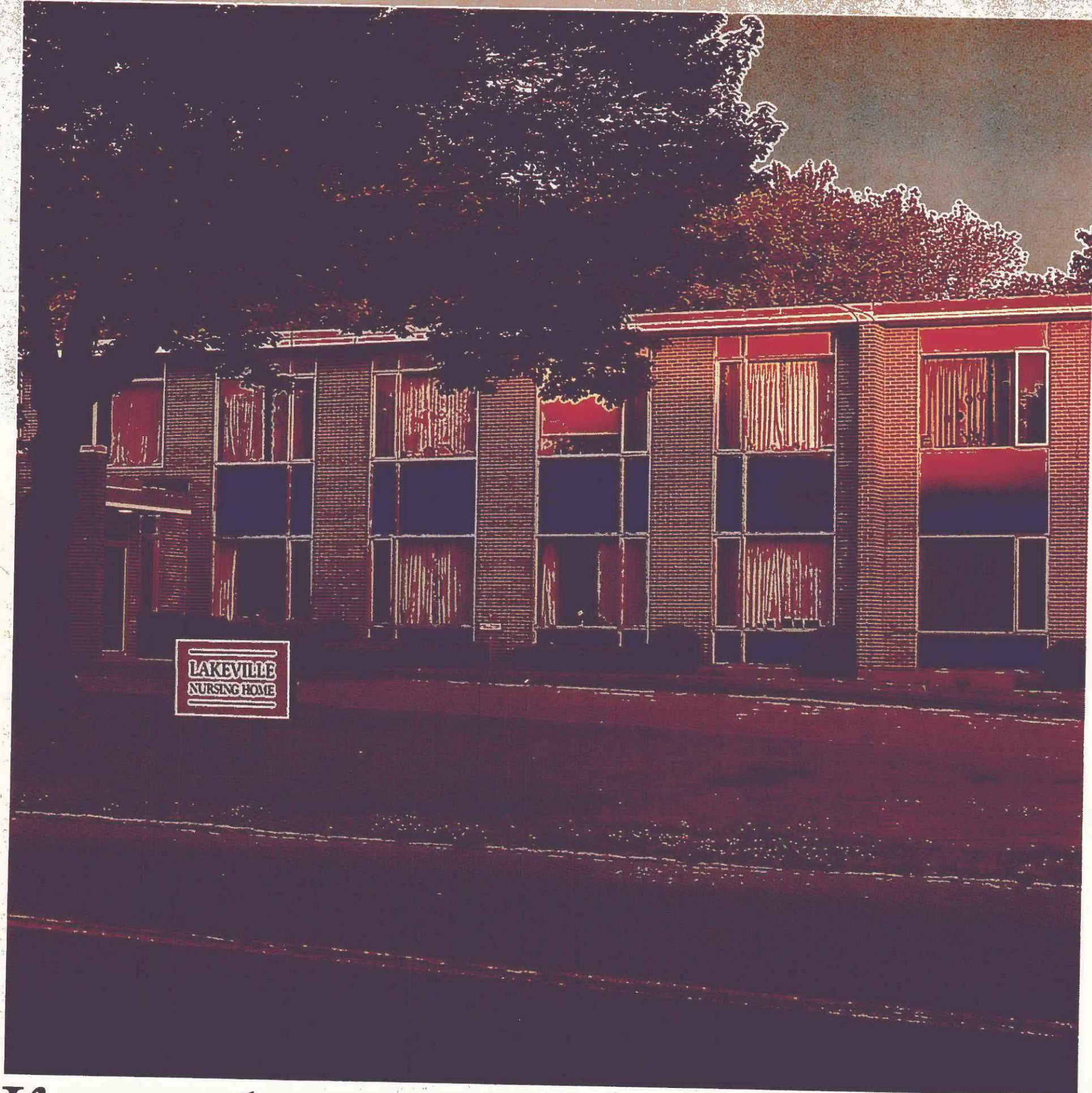
Standing behind Aetna is ERIC Reinsurance Company (a subsidiary of Executive RE, Inc.), a creative new reinsurance approach.

ERIC is domestic and committed exclusively to providing Aetna with long-term, stable capacity. That means a return to consistent, reasonable premiums. And coverage that stays with you. Now and in the future.

Aetna's stability goes beyond premium and availability. Our integrated underwriting and claim handling, provided through Aetna's new underwriting manager, ERMA (Executive Risk Management Associates), is designed to make our relationship with you a virtual partnership.

Now, wouldn't it be nice to have a partner in a world full of adversaries?

To learn more, call or write: ERMA, 82 Hopmeadow Street, P.O. Box 2002, Simsbury, CT 06070, (203) 244-8900.



# If an employee were forced into this home,

In many cases, the answer is yes.

Right now, over 100,000 working age people are confined to nursing homes as a result of an accident or chronic illness.<sup>1</sup> But only 3% of all people have insurance to cover the cost<sup>2</sup>—an expenditure that averages \$25,000 per year.<sup>3</sup> And studies show that 6 out of 7 people would be financially devastated in the event of such a disability.<sup>4</sup>

But now there is a way to help cover these catastrophic expenses. With LTD Extended Care.<sup>sm</sup> From

the number one company in group LTD.<sup>5</sup>

LTD Extended Care is the *first* group disability insurance benefit designed for small to mid-size companies to protect disabled employees who require full-time nursing home care.

It works like this. In the event of such a need, UNUM's base LTD plan does what it was meant to do, replace income. While the LTD Extended Care benefit helps pay up to 100% of the nursing home costs—without reducing the base LTD benefit. The result?



# would his family be forced out of this one?

The disabled and their dependents are protected against devastating financial hardship. And assets are preserved.

LTD Extended Care is available for employees of companies who participate in UNUM's base LTD plan.

For you, LTD Extended Care means a new sales opportunity. Because it allows you to sell to those people with our popular base LTD plan. And LTD Extended Care is another good reason to approach those clients

without UNUM LTD.

To learn more about this major advance in group disability coverage, call UNUM. The company that protects people's income.

 **UNUM**<sup>®</sup>  
Income Protection.

# OPEN MINDS OPEN MARKETS.

If First Boston and The New England had not challenged conventional wisdom, the transaction on the right might be a blank box.

Instead, it signals the opening of a new market and new borrowing opportunities for mutual life insurance companies. The story is this:

People assumed that the domestic capital markets were out of bounds to mutual life insurance companies.

Normally, this financing would have followed the usual path—overseas and into the Eurodollar markets.

But in the course of structuring the transaction, market conditions changed. Interest rates available in the U.S. were more advantageous than those abroad. And The New England raised an interesting possibility—why not attempt to register the issue here.

First Boston listened and was intrigued. Together, The New England and First Boston pursued the idea and found that problems thought to be associated with filing a statutory financial statement with the SEC would not, in fact, block the issue.

As a result, The New England not only achieved a lower cost of funds, but set a precedent for all mutual life insurance companies.

Now these issuers' borrowing opportunities are truly global, with access to all major capital markets, and with the potential for lower-cost funds, larger transactions and longer maturities.

Conventional wisdom rarely leads to creative financing ideas. That's why, when First Boston works with clients, we encourage an exchange of ideas between open minds. And that's how we maintain an open-ended range of capital markets opportunities.

This announcement is neither an offer to sell nor a solicitation of offers to buy any of these securities. The offering is made only by the Prospectus.

NEW ISSUE May 8, 1987

**N/E** **The New England**  
Your Financial Partner

**\$250,000,000**

**TNE Funding Corporation**

9% Guaranteed Notes Due 1995

Payment of principal of and interest on the Notes unconditionally guaranteed by

New England Mutual Life Insurance Company

Price 100%  
plus accrued interest from May 1, 1987

Copies of the Prospectus may be obtained in any State in which this announcement is circulated only from such of the undersigned as may legally offer these securities in such State.

The First Boston Corporation

Goldman, Sachs & Co.	Merrill Lynch Capital Markets	Morgan Stanley & Co. <small>Incorporated</small>
Salomon Brothers Inc.		Shearson Lehman Brothers Inc.
Bear, Stearns & Co. Inc.	Alex. Brown & Sons <small>Incorporated</small>	Dillon, Read & Co. Inc.
Donaldson, Lufkin & Jenrette <small>Securities Corporation</small>	Drexel Burnham Lambert <small>Incorporated</small>	E. F. Hutton & Company Inc.
Kidder, Peabody & Co. <small>Incorporated</small>	Lazard Frères & Co.	PaineWebber Incorporated
Prudential-Bache Capital Funding		I. F. Rothschild, Unterberg, Towbin, Inc.
Smith Barney, Harris Upham & Co. <small>Incorporated</small>	Wertheim Schroder & Co. <small>Incorporated</small>	Dean Witter Reynolds Inc.



# First Boston

# Extra protection

## European nations operate property insurance pools

By Jerome Karter

WHEN THE RAIN in Spain keeps falling on the plain, don't let rising flood waters cause you to despair! Instead, look to Consorcio for loss recovery.

As many U.S. risk managers know, the Consorcio de Compensacion de Seguros was established in 1954 to provide primary extraordinary perils insurance against personal or material damages and direct damage to objects insured within Spanish territory.

In Norway and France as well, risk managers can rely on government pools to provide primary property damage recovery for catastrophe perils. These two pools, set up in 1980 and 1982 respectively, may not represent a burgeoning trend, but they do allow U.S. risk managers to distance their worldwide property insurer from first-dollar catastrophe loss recovery.

How? Let's start with Spain.

Over the years Consorcio has been funded by a compulsory tax on the policyholder's net premium with underwriters acting as collection agents for the General Department of Insurance and the Ministry of Finance. The tax is applied to the following classes of business: fire, burglary, glass breakage, machinery breakdown, electronic data processing equipment, motor vehicles and personal accident insurance.

Recent revisions to Consorcio's precepts have broadened some recovery terms while restricting others. For example, the new regulations impose a deductible on all damages except personal accident claims, equal to 10% of the amount of the loss—subject to a minimum of 25,000 pesetas (\$206) and a maximum of 1% of the sum insured. In addition, the deductible will be applied separately to each location where the policyholder maintains property.

From Jan. 1, 1987, Consorcio covers:

- ✓ Natural phenomena of an "extraordinary character," such as flood, earthquake, volcanic eruption, atypical cyclone and falling of astral bodies or meteorites.

- ✓ Terrorism, mutiny or civil uprising.

- ✓ Peacetime acts and/or activities of armed forces or security forces.

Essentially, previous Consorcio regulations listed the same perils, as well as "damages caused by an extraordinary nature, which are not covered by the ordinary policy." The new regulations, however, limit recovery to described perils, such as earthquake ("the brusque movement of the earth spreading in all directions, caused by the movement of the earth's crust or its deepest point") or astral bodies and meteorites ("bodies entering into the earth's atmosphere and alien to human activity").

Similarly, the perils of terrorism, mutiny and riot are now specifically defined by Consorcio.

While some view the new definitions as a coverage restriction, others believe that they pave the way for easier loss recovery from Consorcio by removing the previous requirement for a government-declared state of catastrophe.

Undoubtedly, the main coverage changes are reflected in the flood, earthquake and wind categories. For example, the former flood wording imposed mandatory deductibles when a risk fell within specified distance and height

limitations. The revised flood

wording deletes the

separate flood deductible, but requires the policyholder to pay an aggravated peril surcharge of 20% if the insured property is located at a height not exceeding five meters and at a distance equal to or less than 300 meters from the course of a river, estuary, sea or lake with a natural exit.

When a policyholder's exposure falls within the stated parameters and a flood loss occurs before the actual

recovery from the Caisse Centrale de Reassurance, a government-organized pool that operates within the boundaries of France, excluding overseas territories.

Like Consorcio, the Caisse Centrale provides catastrophe coverage for direct damage to all property insured under a primary insurance policy. In effect, the fund guarantees indemnification up to the amount of the first manifestation of the peril.

Coverage is triggered by the

"Journal Officiel," an interministerial decree that certifies the state

of natural catastrophe. However, a policyholder must report property damage claims within 10 days and business interruption claims within 30 days of the issuance of the Journal Officiel.

The fund will respond to the following direct damage perils: flood, streaming, landslide, collapse, subsidence, earthquake, tidal wave and moving mass of snow or ice.

The Caisse Centrale applies to

### International issues

**These natural catastrophe coverages can provide an effective bargaining point with your worldwide property damage insurer because recovery under a government-sponsored pool removes the U.S. insurer from first-dollar loss recovery.**

distance and height has been declared under a property damage policy, the claim payment will be reduced in proportion to the true scope of the peril.

Further, the former earthquake trigger—that is, a seismic intensity of not less than seven degrees on the Wood Neumann scale—has been removed. In any event, seismic phenomena must be certified by Spain's National Geographic Institute.

Likewise, Consorcio recovery for the peril of atypical cyclone is now based on specific requirements for wind velocity, distance and time as well as rainfall per square meter/per hour.

Another change in Consorcio rules requires that blanket limits be broken out to delineate sums insured for exposures such as electrical towers; mold, models and patterns; data retrieval, etc.

With some exceptions, Consorcio excludes damages caused by: armed conflicts, including war, whether declared or not; nuclear energy; legal strikes; inherent vice or defect; business interruption or indirect damage of any nature; and weather phenomena of a nature other than those described.

Lastly, while Consorcio always paid claims on an actual cash value basis only, recovery now tracks the underlying property damage policy; that is, on a replacement value or first-loss basis as well.

Across the border, in France, a policyholder can seek catastrophic

property damage policies covering buildings and contents; forests (if insured against fire); tents, caravans and camping equipment; and land motor vehicles (if insured against physical damage).

When a property damage policy is written with no deductible, recovery under the government fund is in excess of a deductible equal to 10% of the amount of the direct damage for all professional property, subject to a 4,500-franc (\$743) minimum. In cases where a primary policy carries a higher deductible, then the higher deductible will apply. Dwelling property, land motor vehicles and other non-professional property are subject to a flat 1,500 franc (\$248) deductible.

Unlike Consorcio, the fund guarantees business interruption recovery for the stated perils, with claim payment subject to the terms and conditions of the primary insurance policy in force when the peril is first manifested. Further, a flat three-working-day deductible applies, subject to a minimum of 4,500 francs. Again, if the primary contract carries a higher deductible, the higher deductible will apply.

Like Consorcio, the Caisse Centrale is funded by premium taxes that are collected by the insurer for the government. In fact, a 9% surcharge is applied to the total net premium for any property damage, business interruption or multirisk policy, in addition to a 9% tax.

Also, a 6% surcharge is applied to the related theft/fire premium of any automobile policy; otherwise, the policyholder surcharge is 0.5% of the physical damage premium including glass breakage. In addition, all automobile policy premiums are subject to 18% tax.

In the meantime, a Sept. 9, 1986, extension to the 1982 law governing the Caisse Centrale provides indemnity for acts of terrorism against insured property. Some local insurers have been charging a 6% additional premium for this coverage extension.

The coverage extension can include bodily injury caused by terrorism with claims indemnified through a special fund that receives a flat levy of 5 francs (83 cents) on each property damage policy issued after Jan. 1, 1987. When coverage is triggered, the fund will pay one or more deposits within one month to the victim or his/her beneficiaries and will remit a proposal of indemnity within three months after receipt of documents proving the loss amount.

Moving across the continent to Norway, the government-organized reinsurance pool, Naturskada, provides compulsory property damage insurance against extraordinary perils. Naturskada does not, however, apply to business interruption exposures.

As its name implies, Naturskada responds to the direct property damage perils of landslide, windstorm, flood, tidal wave, earthquake and volcanic eruption.

Coverage is triggered by the pool itself for minor events but major events must be certified by the Norwegian authorities before Naturskada will respond.

The premium rate of 0.01% is applied to property damage values, but Naturskada coverage is subject to an annual aggregate policy limit of 200 million kroner (\$31.3 million).

These natural catastrophe coverages can provide an effective bargaining point with your worldwide property damage insurer because recovery under a government-sponsored pool removes the U.S. insurer from first-dollar loss recovery. More importantly, if properly negotiated, your worldwide insurer will probably allow any catastrophe fund recovery to reduce the applicable deductible under your master "all-risk" excess/difference-in-conditions property policy.

Why not make sure that your company is gaining the most advantage from the first-dollar catastrophe coverage?

Jerome Karter is senior vp and manager of the New York International Department of Johnson & Higgins. His column appears the first Monday of every month.



# ASK A BENEFITS ACTUARY

## Tax reform re-defines cafeteria benefit plan

### Q

Will the definition of a cafeteria plan be changed?

### A

The Tax Reform Act of 1986 expanded the definition of a cafeteria plan under Internal Revenue Code Section 125. Before tax reform, a cafeteria plan had to include a choice between cash and one or more non-taxable employee benefits.

The expanded definition includes these plans, plus plans that permit a choice between two or more non-taxable employee benefits and do not offer a cash option. The expanded definition of a cafeteria plan would become effective at the earliest for plan years beginning after Dec. 31, 1987.

The April 6 "Ask a Benefits Actuary" column discussed one problem with this new definition: Employers offering a choice between the typical indemnity health insurance plan and a health maintenance organization may have a cafeteria plan under the new definition.

If so, employees might be severely penalized if an employer does not have a written cafeteria plan document. The penalty is that an employee would be subject to income tax on the entire value of the

*Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.*

*Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefits management issues and actuarial problems.*

*This month's column, on actuarial issues in the benefits field, is written by William J. Miner, an actuary with The Wyatt Co. in Chicago. Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field. Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco answers risk management questions. And, Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J., answers benefits management questions.*

*Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Miner's next column will appear in December.*

*Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.*



Mr. Miner

employer-provided health benefit.

It appears likely that this problem will be corrected. The Technical Corrections Bill of 1987, H.R. 2636, would delete from the definition of the cafeteria plan any reference to plans that only offered choices between non-taxable benefits. If this bill is enacted with this deletion, the difficulty cited above would appear to be remedied.

## 'Leased employees' eligible for pensions

### Q

Do independent contractors have to accrue pension benefits?

### A

This question comes from a benefits manager at a company sponsoring a defined benefit pension plan. The company retains consultants (who are independent contractors) and pays them on a fee-for-service basis. Some of these consultants

have no other clients and work for the company on substantially a full-time basis; a few of these consultants were previously employed by the company, have taken early retirement and resumed some of their prior duties with the company on a consulting basis.

The benefits manager is now questioning whether these consultants should be accruing a pension under the company's pension plan.

Proposed regulations recently issued under Internal Revenue Code Section 414(n) indicate that the company's pension plan might be required to provide pension accruals for an independent contractor if he or she is a "leased employee."

Most people do not consider an independent contractor to be a leased employee. We typically think of a leased employee as someone who is employed by a third-party "leasing organization," which leases employees to a company. The leased employee renders services to the company, but the company does not pay the leased employee. Rather, the company pays the third-party leasing organization and that organization provides wages and benefits to the leased employee.

However, the proposed regulations specifically provide that an individual need not be an employee of a third-party leasing organization to be a leased employee. They provide that an independent contractor can, at the same time, be considered to be both a "leased employee" and a "leasing organization."

Three conditions must be met for the independent contractor to be considered a leased employee:

- The services provided to the company by the

independent contractor must be pursuant to one or more agreements.

- The independent contractor must render services to the company on a substantially full-time basis for a period of one year.

- The services provided by the independent contractor must be of the type historically performed by employees of the company.

The benefits manager should review his company's relationship with each independent contractor to determine if these three conditions are met. There need not be a written contract for there to be an agreement between the independent contractor and the company. The proposed regulations provide that an agreement will exist if the independent contractor receives or is entitled to receive payment from the company for services rendered to it. It seems likely that most independent contractors would be considered to have an agreement under the broad definition.

The independent contractor would be considered to have performed services on a substantially full-time basis for one year if the independent contractor either works at least 1,500 hours for the company in a year, or at least 501 hours for the company in a year and works essentially on at least a three-quarters time basis. There are some exceptions to these general rules dealing with substantially full-time work.

The independent contractor will be considered to have performed services historically performed by an employee if "it was not unusual for services of such type to be performed by persons in the particular business field, in the U.S., on Sept. 3, 1982." Furthermore, if the independent contractor's particular service was ever performed by an employee of the company, then the independent contractor's service will be deemed to have been historically performed by an employee for the period beginning on the date that this service was first performed by an employee of the company and ending on the date five years after this service was last performed by an employee of the company. The benefits manager also should review the company's pension plan document to determine how the plan treats leased employees. Many plan documents exclude leased employees from participation under the pension plan. If the plan document contains such a provision, it may be that the independent contractor will not accrue any benefits. However, the benefits manager should be careful to check that this exclusion of leased employees does not cause the plan to fail the coverage tests under IRC Section 410.

As you can see from the above description, the proposed regulations on leased employees are quite broad. The proposed regulations would seem to define a leased employee to include some individuals not generally considered to be leased employees—particularly retirees who work for their prior employer as independent contractors on a substantially full-time basis for at least one year. If these independent contractors are considered to be leased employees, they may earn pension benefits.

## Tornado victim entitled workers comp

The Supreme Court of Nebraska ruled that an employee whose employment required him to be in an area when a tornado struck was entitled to recover workers compensation benefits.

On Oct. 18, 1979, Dennis Nippert other workers were erecting a hog shed on a Kansas farm. The workers were inside the building when a tornado approached the area. The building collapsed and the roof fell to the ground intact. No one was injured.

### Legal briefs

However, a minute later the tornado picked Mr. Nippert up and hurled him 30 feet away. His leg was fractured and he later developed back problems. Mr. Nippert filed for workers compensation benefits. His claim was denied based upon the increased risk doctrine in the state compensation code, which requires an employee to demonstrate that his duties exposed

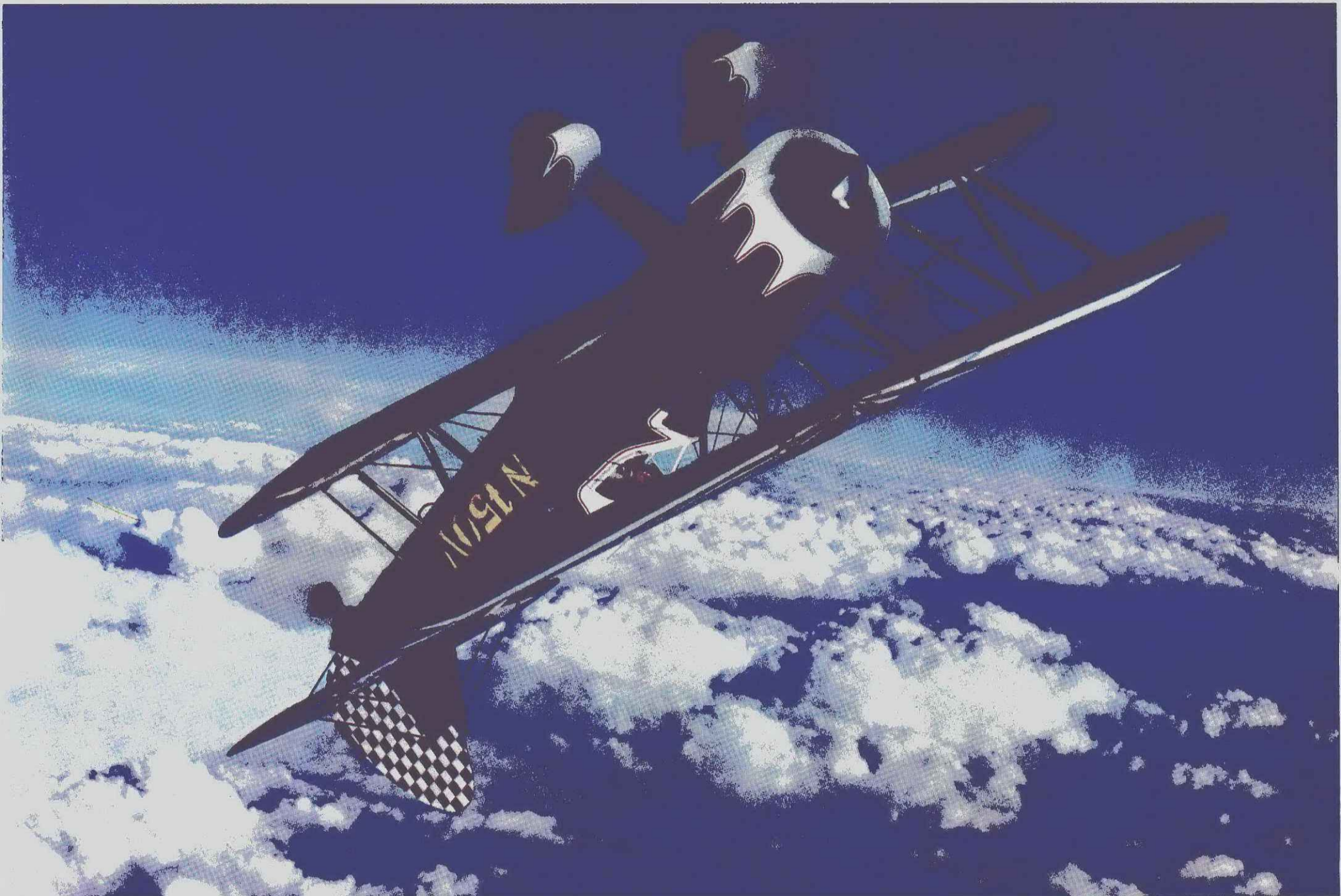
him to greater risk than that to which the general public was exposed.

The state Supreme Court concluded that the better rule was the positional test, under which an employee's injuries are compensable as long as his employment puts him in a position that he might not otherwise be in and which exposes him to a risk, even though the risk was not greater than

that of the general public. Applying this test, the court concluded that Mr. Nippert was entitled to compensation. *Nippert vs. Shinn Farm Construction Co.*, Supreme Court of Nebraska, June 20, 1986 (BI/03/May-\$10).

*These abstracts were prepared by Cases Unlimited Inc. Copies of these decisions are available by sending a \$10 check payable to Cases Unlimited to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.*

# WOULD YOU INSURE HIM SOLO?



It's no easy stunt.

Providing coverage for a CEO sounds easy enough. But not if he has a hobby like this.

Unusual, complicated risks pose unusual, complicated questions. How do you design the coverage? Should you set special requirements or exclusions?

How do you price it? Should you turn down the business?

Fortunately, there's a better option. Bring it to CIGNA RE. We're here to help insurers evaluate any risk. No matter how perilous it might seem.

With years of experience and the entire CIGNA organization behind us, we have the knowledge you need to solve the toughest reinsurance problems.

Our underwriting expertise covers the full range of products and situations. The kind you see every day, and the kind you don't. From individual or group life and health, to special risk coverages. And we'll even share our expertise with you through free underwriting seminars.

Challenge us to solve your reinsurance problems. Our innovative solutions can help you compete for risks you might have thought were too difficult to handle. To find out how we can help you, call Gary Wolters at 203-726-4986.

Reinsurance from CIGNA RE. It's the only way to fly and it's one more example of CIGNA's commitment to personalized service to business.

**CIGNA**

# 29% of firms have AIDS policies: Survey

Almost one-third of the employers surveyed by an employee benefit consulting firm say they have developed a corporate policy regarding AIDS and employees with acquired immune deficiency syndrome.

Twenty-nine percent of a group of William M. Mercer-Meidinger-Hansen Inc. clients said they had drafted a corporate AIDS policy, while 37% are considering drafting such a policy and 34% have no plans to do so.

Mercer in June surveyed 68 small, medium and large employers that are clients of the consulting firm to assess what actions they have taken to cope with AIDS.

"Although this survey included only 68 of our clients, together they represented a broad cross-section of different industries, employers

of varying size and all geographic regions of the U.S.," said Larry Gelman, a consultant in Mercer's Detroit office. "Consequently, we believe that the responses to this survey accurately reflect prevailing employer attitudes about AIDS and the workplace."

Larger employers are much more likely to have developed a corporate policy on AIDS and employees with the disease than smaller companies, the survey shows.

For instance, 80% of the employers with more than 10,000 workers already have drafted an AIDS policy, while only 39% of the employers with 1,000 to 10,000 workers have adopted an AIDS policy and just 4% of the companies with fewer than 1,000 workers have an AIDS policy in place.

In addition, half of the small em-

**Larger employers are more likely to have developed an AIDS policy than smaller companies.**

ployers and 32% of the medium-sized companies surveyed said they have no plans to adopt a corporate AIDS policy, while all of the large employers either have or are considering an AIDS policy.

Likewise, employers in the Western and Southwestern states are most likely to have adopted an AIDS policy, while employers in the Midwest are more than likely to be ignoring the issue.

Sixty percent of the Southwestern companies and 55% of the Western employers said they adopted a corporate AIDS policy, compared with 14% of the employers in the Midwest, South and East.

Some 52% of the Midwestern employers said they had no plans to consider an AIDS policy. Forty percent of the employers in the Southwest said they were not considering such a policy, compared with 28% in the East, 15% in the West and 14% in the South.

Very few employers have amended their group health care plans to specifically include AIDS-related medical problems.

Overall, only 16% say they have amended their health care plans to include AIDS treatment, 10% are considering such a change, 71% are

not considering amending their plans and 3% did not respond.

However, 42% of the employers surveyed in the East said they had amended their health care plans to specifically include AIDS treatment, though only seven employers from this region responded to the survey.

None of the employers surveyed by Mercer say they have amended their health care plans to limit payment for AIDS-related medical problems, though 16% say they are considering such limits. Fifteen percent of the small employers and 19% of the medium-sized employers are considering such limits, but only 10% of the large employers are considering such a move.

Furthermore, 43% of the companies in the East and 28% of those in the South are considering capping payments for AIDS-related treatment, while only 17% of the Midwestern employers, 10% of the Western employers and none of the Southwestern companies is considering caps on AIDS treatment.

About 33% of the employers surveyed have instituted employee awareness and/or education programs dealing with AIDS. Another 26% are considering adopting such a program, 38% have no plans to consider such a program and 3% did not respond.

Employers in the West are much more likely to consider such a program. Sixty percent of Western companies surveyed have adopted an AIDS awareness program for employees and another 15% are considering one. However, in the East, none of the surveyed employers has adopted an employee awareness program, with 57% considering one, and 3% not considered the notion.

Forty-three percent of the Southern employers have adopted an employee awareness program and another 14% are considering one, while in the Southwest, 40% have adopted a program and another 40% are considering one. But, only 17% of the Midwestern employers have adopted an AIDS awareness program and only 28% more are considering a program.

Larger employers are more likely to adopt such a program. Half of the large employers have adopted an AIDS awareness program, while another 30% are considering one. Meanwhile, 41% of the medium-sized employers have adopted a program and only 9% are considering one. Finally, just 15% of the small employers have established a program, though 46% are considering the idea.

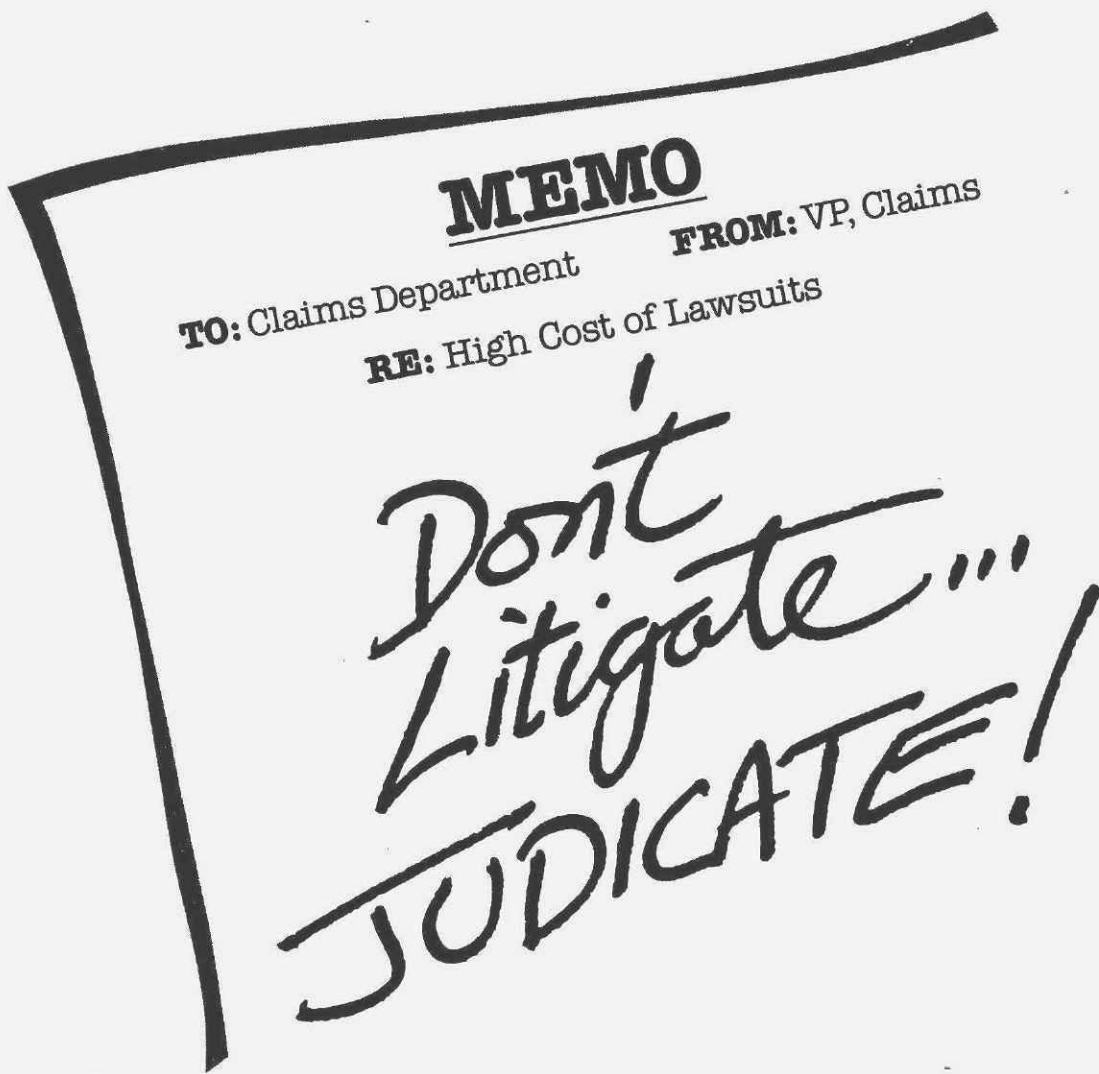
Only two—or 3%—of the responding companies say they are conducting pre-employment physicals to screen job applicants for the AIDS virus—a Southern employer and a Midwestern employer. However, 18% of the respondents say they are considering the idea, while 75% say they are not considering it and 4% did not respond.

Pre-employment physicals are under consideration by 35% of the employers in the West and by 17% of the Midwestern employers.

Twenty-five percent of the medium-size employers are considering pre-employment physicals to screen for the AIDS virus, while only 12% of the small employers and 10% of the large employers are considering the idea.

Finally, none of the employers surveyed are screening their current employees for the AIDS virus, and only 6% of those sampled are considering such tests.

The "1987 Employers AIDS Survey" can be obtained free of charge by contacting Larry Gelman, William M. Mercer-Meidinger-Hansen Inc., 400 Renaissance Center, Detroit, Mich. 48243.



When lawsuits get out of hand, everybody loses. Even the best managed claims departments can—and do—become embroiled in endless litigation that wastes time, money and business energy. Often over the smallest of disputes.

There is an alternative.

Across the country large corporations, major insurance companies, small businesses, leading law firms and individuals are resolving disputes before

they become litigation nightmares. They are turning to JUDICATE, the National Private Court System.

JUDICATE helps manage legal costs by providing predictable, speedy and cost efficient dispute ending services. Arbitrations and mediations are conducted by a growing panel of over 300 former state and federal judges throughout the United States.

Think about what litigation costs you. Then consider the proven alternative, JUDICATE.

For information contact  
William MacQueen, Vice President  
National Administrative Offices  
1608 Walnut Street  
Philadelphia, PA 19103-5406  
1-800-631-9900



# Bermuda MGA appeals dismissal of suit

By ROGER SCOTTON

HAMILTON, Bermuda—A Bermuda-based managing general agent is appealing an appellate court ruling dismissing its breach of contract suit against a captive that fired the MGA because it wasn't told of a commission agreement between the MGA and a reinsurer.

In upholding a lower court ruling to dismiss Bott & Associates' suit against Southern California Recyclers & Processors Assurance Ltd., a scrap metal dealers' association captive, the Bermuda Appeal Court said Bott should have fully disclosed it received 4% commissions on reinsurance it placed on behalf of the captive.

Bott & Associates President Michael Bott said last week he has

retained a London lawyer to prepare an appeal to the British Privy Council.

The litigation began in Bermuda's Supreme Court, the island's trial court, in December 1982 when Bott & Associates sought about \$70,000 from SCRAP for breach of contract.

SCRAP, according to the Appeal Court's unanimous judgment handed down in July, had appointed Bott & Associates as its underwriting manager in 1981. The management contract stated that Bott would provide full underwriting services in conjunction with U.S. issuing insurers in return for a management fee of 6% of annual net written premiums of up to \$1.5 million or a minimum of \$72,000—a fee that was to be shared with producing broker As-

sociation Underwriting Services of Villa Park, Calif.

The agreement also provided that Bott was entitled to commissions on reinsurance placed on behalf of SCRAP, "provided always that Bott shall disclose to SCRAP details of said commission."

Bott, which at that time held binding authority for Kansa General Insurance Co. Ltd. of Helsinki, Finland, placed stop-loss general liability and work comp reinsurance with Kansa on behalf of SCRAP.

According to the appeal judgment, differences later arose between Mr. Bott and producing broker John Corcoran of Association Underwriting Services Inc.

"Corcoran was determined to get the management of SCRAP out of the hands of Bott," says the judg-

ment by Sir Alastair Blair-Kerr, the appeal court's president. The judgment also says that in early 1982, Mr. Corcoran told SCRAP members that he had found "serious defects" in the wording of the reinsurance slip.

After receiving legal advice, SCRAP's board wrote to Bott on April 13, 1982, listing seven complaints and terminating the management contract immediately, although the contract required 90 days' notice of termination that could only become effective on Dec. 31 of each year, according to court papers.

The letter said that Bott had exposed SCRAP to higher underwriting losses than had been set out in Bott's feasibility study and that the excess-of-loss reinsurance did not cover an "uninsured gap."

The letter also said that Bott had never informed SCRAP that it was Kansa's underwriting manager.

"We feel this dual relationship creates severe conflicts of interest that are to the detriment of SCRAP," wrote SCRAP Chairman Richard Nadel.

Bott sued for breach of contract on Dec. 3, 1982, claiming the loss of underwriting fees and saying that, as agent for Kansa, it was entitled to 4% of premiums written.

The court held that the wording of the reinsurance slip did not justify "the drastic step of summary termination" by SCRAP. But it found there had been "insufficient disclosure of the fact that Bott was manager/underwriter for Kansa and would have received 4% underwriting commission if the agreement had run its course." Ruling that there had been "a complete absence of informed consent on the part of SCRAP," the court dismissed Bott's action and said SCRAP was justified in terminating the contract.

On appeal, Bott's lawyer John Riihiluoma argued that because of local circumstances, it was common for companies to act both as broker for a ceding company and as an underwriting manager for a reinsurer.

Mr. Riihiluoma said that Bott's relationship with Kansa pre-dated its relationship with SCRAP. He also maintained Bott had made full disclosure by telling SCRAP members of its relationship with Kansa and that a sign outside Bott's Bermuda office disclosed the fact that the company was a Kansa agent.

In addition, he argued that it must therefore have been obvious to SCRAP that Bott would be paid some commission by Kansa.

SCRAP's lawyer Narinder Hargun referred to testimony in the Supreme Court trial that described the captive manager's dual capacity as "an unfortunate development"—unfortunate because the manager cannot discharge his fiduciary duties to either of his principals. But he stressed that the manager's contractual relationship is with the ceding company. He said that Bott should not have put itself in a position in which it might have faced a conflict of interest.

"It was not open to Bott to act as an agent for any reinsurer unless he made full disclosure of all relevant facts and obtained informed consent from SCRAP," he said.

He claimed that absence of objection on the part of the principal is not the same thing as fully informed consent.

"In addition to a 15% brokerage commission and a 4% commission paid in respect of underwriting, the evidence showed that if the relationship between Bott and Kansa, as regards the SCRAP reinsurance, had continued, Bott would have received from Kansa another 15% profit share. That was never disclosed to SCRAP. The failure to disclose not only the 4% but also the 15% profit share was in breach of the duty to disclose and justified summary dismissal."

In dismissing Bott's appeal in July this year, Sir Alastair said that he supported the Supreme Court's verdict: Although many of SCRAP's reasons for terminating the contract lacked substance, the argument for full disclosure and informed consent is of such importance that the court would do a disservice to the reputation and integrity of Bermuda's insurance industry if it were "to dilute the principal involved."

Appeal Court Judges K.C. Henry and Sir James Smith agreed and held that Bott's "secret commission" from Kansa constituted grounds for the contract to be terminated by SCRAP. ■



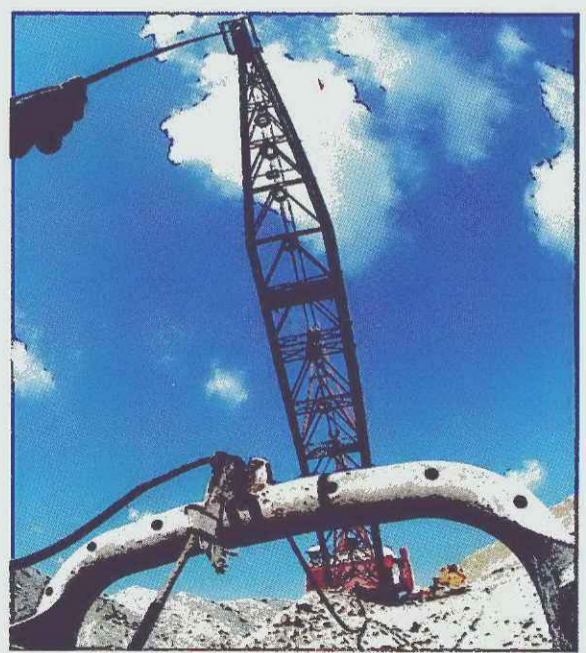
## Companies,

Argonaut looks at the company, not the category. The specifics, not the stereotypes.



Our loss control plan makes your project a safety zone.

Because every customer is unique. And every situation demands the responsiveness and flexibility that a company of our size and resources is ideally equipped to provide.



To get more projects off the ground, we look at your company not your category.

Call (415) 326-0900 and talk to our president, Michael Crall. He just might get you what a quick once-over won't:

The high sign. **Argonaut**

# Sen. Hollings blasts product liability reform

**By DEBORAH SHALOWITZ**

WASHINGTON—Congress' most outspoken opponent of federal product liability legislation is still on the warpath.

At a subcommittee hearing last month, Senate Commerce, Science and Transportation Committee Chairman Ernest "Fritz" Hollings, D-S.C., rejected the idea of a uniform federal product liability law to pre-empt state laws, remarking: "I have worked with small business, I have represented small business and I say thank God for the state laws."

Furthermore, advocates of federal product liability reform legislation would be better off pursuing their agenda in the Senate Judiciary Committee, Sen. Hollings said, reasoning that if people think

the tort system needs federalization, the proper forum would be the Judiciary Committee.

In February, Sen. Mitch McConnell, R-Ky., sponsored a bill, S. 554, proposing comprehensive tort reform at the federal level. It has not been acted upon by the Judiciary Committee.

Two federal product liability bills, S. 687 and S. 688, sponsored by Sen. John C. Danforth, R-Mo., are under consideration by the Judiciary Committee (BI, March 9). However, the committee has not taken action on either one.

Another federal product liability bill, S. 666, co-sponsored by Sen. Danforth and Sen. Robert W. Kasten Jr., R-Wis., was referred to the Senate Commerce Committee in March.

The Sept. 18 hearing by the Con-

**'I have represented small business, and I say thank God for the state laws,' says Sen. Hollings.**

sumer Subcommittee was the first Senate action during this session of Congress on federal product liability legislation.

While Sen. Hollings bashed federal product liability legislation at every opportunity, other senators and business group representatives voiced support for the idea.

Sen. McConnell, Sen. Pete Wilson, R-Calif., and Sen. Larry Pressler, R-S.D., joined Sens. Dan-

forth and Kasten in supporting federal product liability legislation.

Also, Acting Commerce Secretary Bruce Smart testified that it is "a misconception" that businesses and their owners "have deep pockets" to pay large product liability claims. "This is economic nonsense," he said.

Furthermore, the costs associated with product liability are having a "chilling effect" on the development of new products and affecting the international competitiveness of American business, said Mr. Smart.

However, Sen. Hollings criticized the Commerce Department for even getting involved in the product liability issue.

Subcommittee Chairman Albert Gore Jr., D-Tenn., noted that re-

ports say only 1% of product costs are related to product liability.

But "1% of cost is a huge number," responded Mr. Smart. He added that some companies only make a profit of 3% to 4% on sales.

What needs to be done is to tie liability to fault, eliminate or greatly modify joint and several liability, limit non-economic damages, encourage out-of-court settlements and reduce "huge" attorneys' contingency fees, Mr. Smart said.

But Sen. Gore asked Mr. Smart: "Why does the same administration that protects state's rights come now and say the opposite?"

Mr. Smart responded that most manufactured products are distributed throughout the 50 states, so it would be "sensible" to have a basic set of standards applicable nationwide.

Also appearing in support of the issue were: William A. Dreier, a judge on the Superior Court of New Jersey, appellate division; Colorado state Sen. John P. Donley, R-Greeley; Jonathan Reynolds, general counsel for Cosco Inc., a Columbus, Ind., manufacturer of household goods and children's car seats; and Victor E. Schwartz, an attorney representing the Product Liability Alliance in Washington, D.C.

Mr. Schwartz, acknowledging the obstacles facing federal product liability reform legislation, said after the subcommittee hearing that "it is significant" that the hearing was held.

This "could become a viable political issue," especially because of strong support for federal product liability legislation in the House, Mr. Schwartz said.

The leading product liability reform bill now pending in the House, H.R. 1115, introduced by Rep. Bill Richardson, D-N.M., now has more than 80 co-sponsors (BI, March 2).

A House Energy and Commerce subcommittee has held six hearings on it and another is planned this month.

Arguing against federal product liability legislation at the Senate subcommittee hearing were Harry L. Carrico, chief justice of the Supreme Court of Virginia, representing the Conference of Chief Justices; Marshall S. Shapo, a professor at Northwestern University School of Law in Chicago; and Kansas state Sen. Robert G. Frey, R-Liberal, representing the National Conference of State Legislatures.

Critics argued that a federal product liability reform law would not achieve one of the major goals supporters say it would—establishing uniformity in court decisions.

"If we are looking for uniform, settled law, the answer cannot be found in federal legislation," said Mr. Carrico. "We already have a high degree of uniformity on major points of law... achieved over many decades through tens of thousands of cross precedents in case law relied on by the states."

"Federal standards, however well crafted, will be applied in many different contexts," he continued. "Differences are the result of local conditions and conditions are not uniform."

Sen. Hollings asserted that the whole product liability debate "is an assault really on the jury system."

"If you're a plaintiff's lawyer you've got to hustle and have a really good case" to convince 12 jurors of the validity of the lawsuit, Sen. Hollings said in support of the present system.

"This business crowd doesn't understand what's good for them," he concluded.

## Why give your employees 5 sick days a year, when you can give them 365 healthy ones?

When you think about it, allowing employees a certain number of sick days a year is almost like encouraging them to get sick.

When instead, you could be encouraging them to stay well.

We're FHP.® A health maintenance organization with just that goal.

With a wide range of wellness programs that we offer members at no extra cost. We'll even conduct them in your workplace.

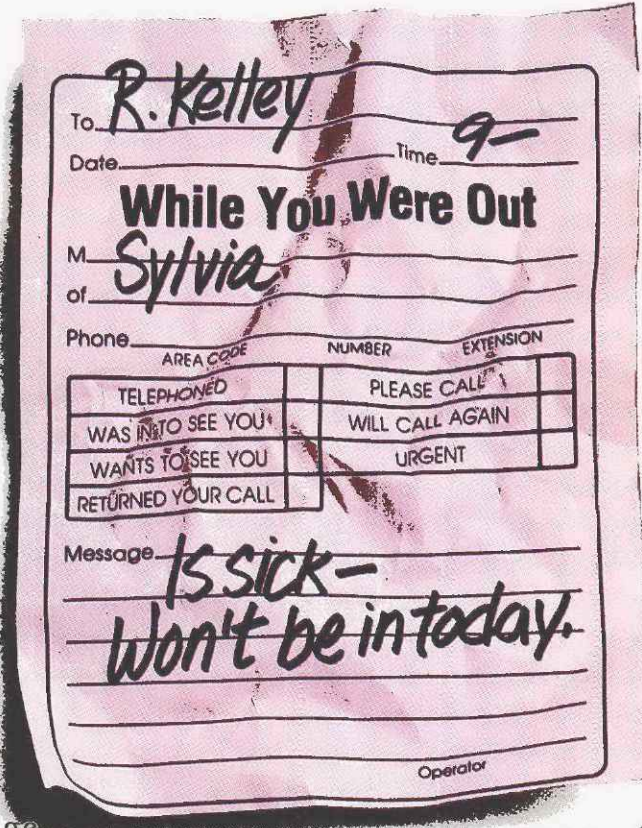
There are programs that can help employees quit smoking,

weight and even deal with modern day stress. In short, programs designed specifically to keep your employees well.

All of which leads to the inevitable conclusion. Why offer your employees a health plan that merely treats them when they're sick, when there's one that helps keep them well in the first place?

In Albuquerque, Salt Lake City & Phoenix call FHP to see if wellness programs are available. In L.A. call:

(213) 493-6531, (714) 952-8706.



OUR GOAL IS TO KEEP YOUR EMPLOYEES WELL.

Operator

© 1987 FHP, Inc.

**FHP** NOT JUST TREAT THEM WHEN THEY'RE SICK.™

# Hoffman named risk manager at Penn

**Kenneth Hoffman**, 36, has been appointed director of risk management at the University of Pennsylvania in Philadelphia. In this position, he oversees property/casualty insurance, loss control and claims management. Mr. Hoffman replaces **Ellen L. Klimon**, who was named president of Neumann Insurance Co. and corporate director of risk management for the Franciscan Health System in Chadds Ford, Pa. Mr. Hoffman reports to Marna C. Whittington, the university's vp for finance. Previously Mr. Hoffman served as director of corporate insurance for Unisys Corp. in Blue Bell, Pa. He received a bachelor of arts degree from Pennsylvania State University in University Park. In addition, Mr. Hoffman is an associate member of the Delaware Valley Chapter of the Risk & Insurance Management Society and holds the Associate in Claims designation.

\*\*\*

**James V. Johnson**, 40, has been named risk manager at Miles Inc. in Elkhart, Ind. In this position, he oversees property/casualty insurance, loss control and claims administration for the pharmaceutical company. Mr. Johnson replaces **Bruce R. Boehmke**, who left the company, and reports to Jay C. Ritchie, the company's assistant treasurer. Prior to joining Miles, Mr. Johnson was director of transportation and risk management for Riblet Products Corp. in Elkhart, Ind. Mr. Johnson received a bachelor of science degree in marketing and advertising and a master of business administration degree from Indiana University in Bloomington.

\*\*\*

**Stephen A. Kanelos**, 41, has been named manager of special risks projects in the treasury department of Monsanto Co. in St. Louis. In this position, Mr. Kanelos manages liability and workers compensation claims and handles excess insurance. He replaces **Bob Ryan**, who left the company, and reports to Robert E. Toth, Monsanto's director of risk management. Prior to joining Monsanto, Mr. Kanelos worked at Zenith Electronics Corp. in Chicago as claims and loss control manager. He received a bachelor of science degree in political science and business and graduated magna cum laude from Western Michigan University in Kalamazoo. In addition, Mr. Kanelos holds the Associate in Risk Management designation.

Also at Monsanto: **Susan Teal**, 33, has been named risk management analyst. In this newly created position, she is responsible for analytical and accounting support for Monsanto's liability and workers compensation claims and the purchase of property/casualty insurance. She also reports to Mr. Toth. Previously, Ms. Teal served in the accounting department of Monsanto Fibers & Intermediates, now a unit of Monsanto Chemical Co. in St. Louis. She joined Monsanto in 1980. She received a bachelor of science degree in business education from the University of Missouri in St. Louis.

\*\*\*

## Storm in Texas costs \$20 million

Insured losses as a result of wind and hail that struck portions of Texas Sept. 7 are estimated at \$20 million, according to the Property Claims Service division of American Insurance Services Group Inc. in New York.

The storm was assigned Catastrophe No. 39.

## Comings & goings: buyers

Several appointments in the risk management department of W.R. Grace & Co. in New York have been announced:

**Jeffrey M. Posner**, 36, has been named assistant director of corporate risk management at W.R. Grace. In this newly created position, he is involved in all risk management functions, including the handling of selected acquisitions/divestments and special projects. In addition, he will have direct responsibility for the company's international property/casualty insurance, directors and officers liability insurance, fiduciary liability insurance and oil and gas well operators extra-expense in-

surance programs. Mr. Posner reports to Charles J. Salek, assistant treasurer and director of risk management. Mr. Posner joined Grace in 1982 as assistant claims manager, his most recent position. Mr. Posner received a bachelor of science degree from Fairleigh Dickinson University in Rutherford, N.J., and holds the Associate in Risk Management designation.

**Patricia R. Pisarski**, 32, has been named property risk manager at W.R. Grace. In this position Ms. Pisarski manages the domestic property and worldwide ocean cargo, crime, surety, aircraft and marine risks of Grace. She reports to Mr. Salek. Ms. Pisarski joined

Grace in 1972 and most recently served as risk analyst. She attended The College of Insurance in New York and holds the Associate in Risk Management designation.

**John J. Lalli**, 38, has been named casualty risk manager at W.R. Grace. In this position he is responsible for the domestic casualty and worldwide excess liability insurance programs of the company. Mr. Lalli assumes responsibilities previously held by former Assistant Risk Manager **William J. Fealey**, who left the company, and reports to Mr. Salek. Previously, Mr. Lalli was assistant risk manager at Ciba-Geigy Corp. in Ardsley, N.Y. He received a bachelor of science degree from Iona College in New Rochelle, N.Y., and holds the Associate in

Risk Management designation.

**William G. Davis** has been named assistant claims manager at W.R. Grace. Mr. Davis is responsible for Grace's insured and self-insured property and casualty claims. He replaces Mr. Posner and reports to Mr. Salek. Previously, Mr. Davis was claims manager for Colt Industries Inc. in New York. He holds a bachelor of science degree from St. Peter's College in Jersey City, N.J.

*We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Paul Winston, assistant copy editor, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photograph, too.*



# To A Lot Of Insurance This Was A Stop Sign.

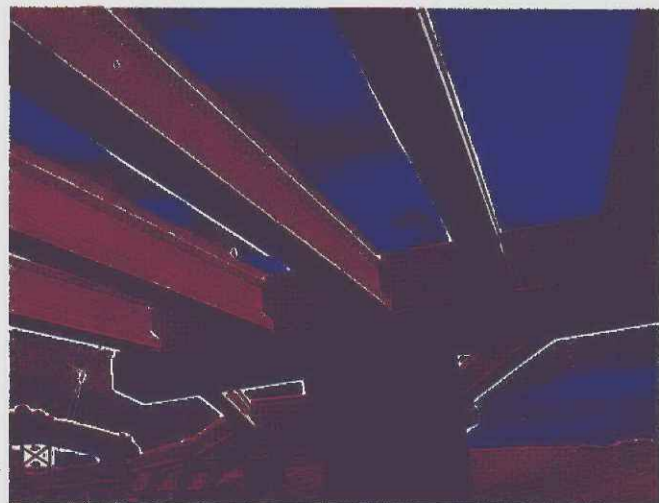
Most insurance companies view heavy construction as a risky business. And when R. E. Hazard Contracting Company applied for liability and workers' compensation coverage three

years ago, insurers saw Hazard the same way. Trouble, waiting to happen.

But Argonaut took a closer look and saw something more.

One of the best safety records in the industry.

And we've been insuring Hazard ever since.



*To provide workers' comp and liability coverage for a construction project that employs dozens of trades takes flexibility and resourcefulness. It takes a company like Argonaut.*

# Build to withstand storms: Experts

By KARI BERMAN

GARDEN CITY, N.Y.—New York state building codes should be improved to reduce structural damage caused by severe windstorms and hurricanes on the Long Island shoreline, property insurance experts say.

The increase in claims resulting from windstorm damage has highlighted the need for changes in building construction standards in the vulnerable areas of the coast, according to Joseph P. Decaminada, chairman of the New York Property Insurance Underwriting Assn.

Mr. Decaminada spoke at an NYPIUA seminar titled "Weathering the Storm: Building for Today and Tomorrow," held last month in Garden City.

"More can, and should, be done to reduce property damage from windstorms," agreed Sen. John R. Dunne, R-Garden City, and deputy majority leader of the New York Senate.

"During the last two years since Hurricane Gloria, New York property has had a threefold increase in the number of policies written for the barrier reef areas off the coast of Long Island," Mr. Decaminada told seminar participants.

Hurricane Gloria, which struck the Atlantic coast from Florida to Maine in September 1985, caused \$1 billion in total damages—\$300 million of it on Long Island alone. But if it had hit during high tide, studies have indicated that losses on Long Island might have exceeded \$1 billion, reports Paul De Cicco, a professor emeritus at Polytechnic University in Brooklyn, N.Y.

"Construction practices and building regulations are not what they should be regarding resistance to wind effects," Mr. De Cicco said. "Insurance may become extremely expensive or entirely unavailable where risks are deemed unreasonable unless corrective actions are taken," he added.

As measures for controlling insurance costs, Mr. De Cicco's recommends:

- Requiring inspection and certification for wind resistance as prerequisites for insurance.
- Requiring buildings to be improved and brought up to standards or be excluded from coverage.

The Texas Catastrophe Property Insurance Assn.—which shares both Long Island's susceptibility to hurricanes as well as concern for building codes, standards and enforcement—has been actively attempting, through legislation, to get changes made in response to damage caused by Hurricane Alicia four years ago, said James Douglass, manager of the Texas association.

Hurricane Alicia struck the Texas coast in August 1983, causing \$1.27 billion in insured property damages.

"Both states (New York and Texas) have a high a concentration of liability in a relatively small area which is vulnerable to storms, and which includes a sizable barrier island," according to Mr. Douglass.

The TCPIA's efforts have not been in vain as, earlier this year, the Texas Legislature passed a bill providing for windstorm inspections of existing structures by the State Board of Insurance, reports Mr. Douglass.

His suggestions for a New York plan include:

- Establish minimum standards for insurability, making them applicable to all structures regardless of construction date or type.

**'Construction practices and building regulations are not what they should be regarding resistance to wind effects,' Paul De Cicco says. 'Insurance may become extremely expensive or entirely unavailable. . . unless corrective actions are taken.'**

"Concentrate on fasteners, wind braces, supports and roof security," Mr. Douglass told the at-

tendees.

- Provide for fast, efficient and impartial inspection, including a

formal certification for each approved structure.

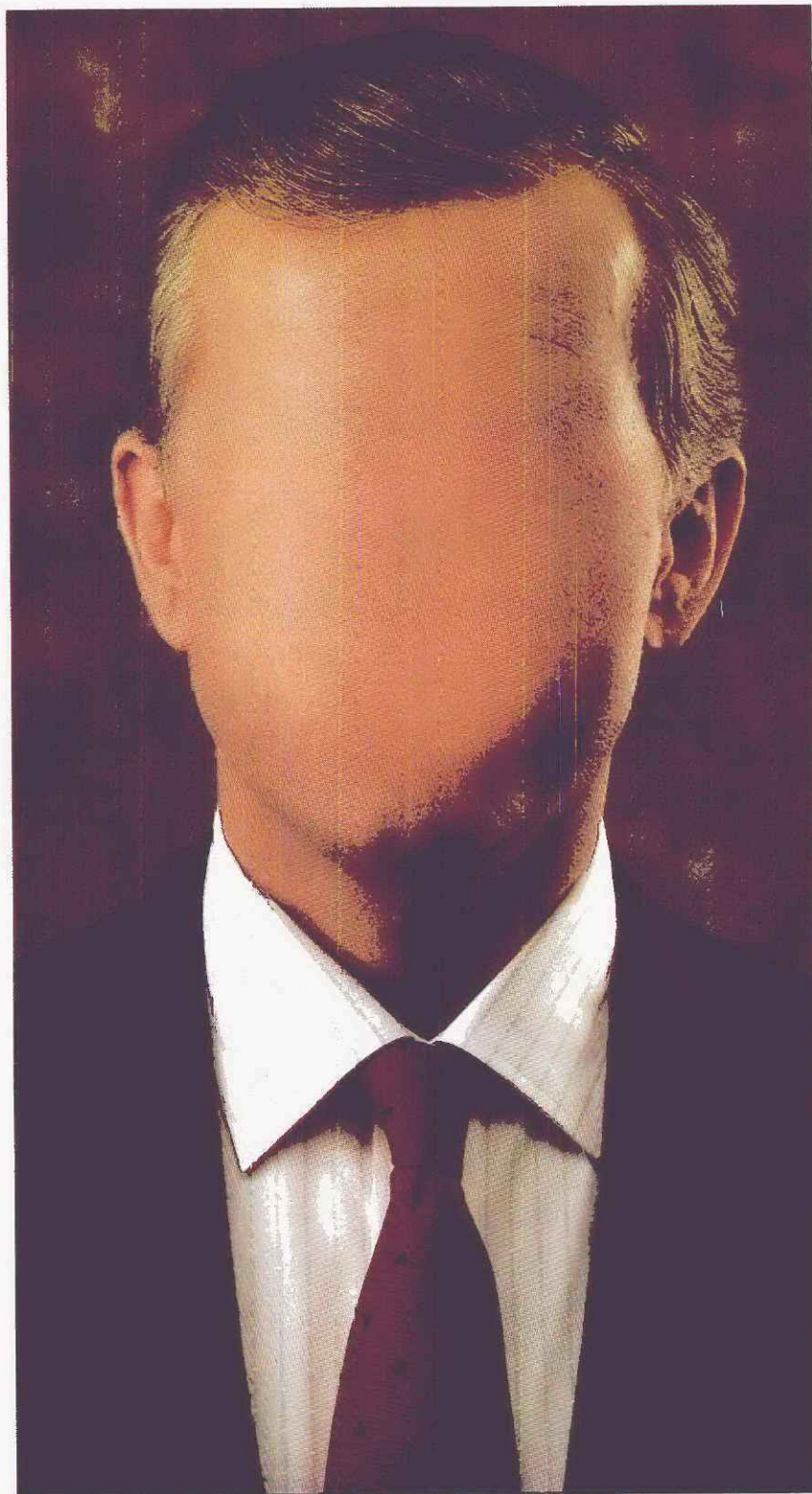
- Offer a rate reduction or credit for structures that substantially exceed the minimum standards.

• If the expense to upgrade an older structure to appropriate standards proves to be unreasonable, alternatives include the removal of porches and stairs, and significantly higher deductibles and lower limits of available coverage.

"New York's Uniform Code, which specifies a design wind velocity of 75 mph, may be inadequate in areas of the state susceptible to high wind," Sen. Dunne said, noting that the recommended minimum wind velocity a structure should withstand is 120 mph.

"Consideration should be given to increasing code requirements for specifications such as roof construction and design and the fastening of cladding and roof coverings," he added.

## Here's What To Look For In A Typical Embezzler.



Short or tall. Old or young. Male or female. Try to draw a portrait of the typical embezzler and you'll probably draw a blank. Because it could be anyone.

And experienced business people know that the only thing harder than spotting an embezzler is repairing the damage he's done.

That's why they rely on Honesty Insurance from F&D.

Shouldn't you find out why F&D's Honesty Insurance is your best policy? Ask your agent or broker, or write: F&D, A. Macdonald Rees, Marketing, P.O. Box 1227, Baltimore, MD 21203.

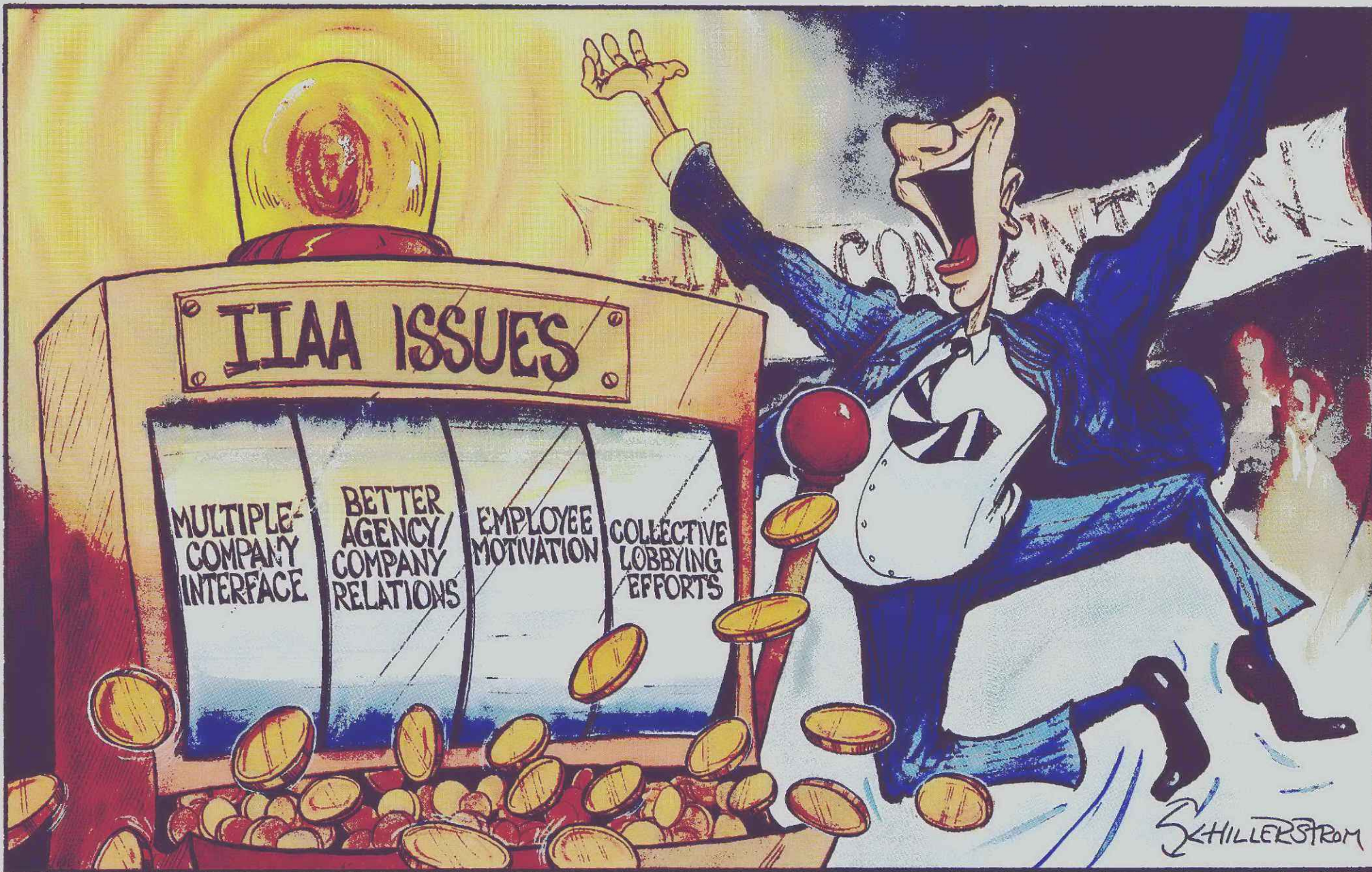


**The Fidelity and Deposit Companies**



# Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers



## Agency/insurer ties

### Three factors help agencies bolster insurer relationships

By LINDA J. COLLINS

LAS VEGAS, Nev.—Three closely interrelated factors—price, capacity and personal relationships—influence the success or failure of an agency/company relationship, a consultant says.

These three factors help an agency "work more effectively with key carriers at the local level," says John H. Jaques, a partner in John H. Jaques Inc. in Novato, Calif.

Mr. Jaques moderated a panel discussion—held during the Independent Insurance Agents of America Inc.'s annual convention in Las Vegas Sept. 14-17—dealing with methods through which agencies and insurance company branch office personnel can build more personal and mutually beneficial relationships.

While most agents say that they do not sell policies to clients based on price, "deep down we know it's not true," Mr. Jaques said. In reality, while the majority of any agency's new business comes into the door based on client referrals, an agency is only successful in writing that business if the premium is competitively priced, he added.

Capacity is also a factor crucial to an agency's success. "Excess commissions do you no good if the carrier does not have the breadth of lines and breadth in the classes of business it is willing to write," Mr. Jaques stressed.

Finally, regardless of what the insurer's top executives say, the company is going to do or what types of business they say it is willing to write, the home office game plan is not always com-

municated to the local branch office with which an agency deals, he said. And, it is also not always applicable to all of the insurer's marketing regions.

Agencies need to find out what the branch office is interested in writing from branch managers, underwriters and underwriting supervisors—"the people who are in the trenches every day," Mr. Jaques recommended.

IIAA panelists—two agency principals and one insurer branch office manager—agreed that personal relationships between agency personnel and insurer branch office personnel are very important both to the ease of doing business and to the quality of the business that is written.

"The main reason that we've grown with (our largest insurer) is that we have had an exceptionally good relationship," said Jeanne M. Heisler, treasurer of The Ronan Agency Inc. in Brick, N.J.

"Our markets coincide...so we are not beating our brains out trying to write things that are just not available in our area, and they are easy to do business with. We also have a good rapport with our front-line underwriter and the underwriting supervisor," Ms. Heisler added, stressing that it is only natural for the people in her office to "use the carrier they feel most comfortable with."

The insurer's branch office staff, underwriting appetite and operational style are the most important considerations to agents who want to develop successful relationships with those branches, said Robert S. Seltzer, president of Cohen-Seltzer Inc. in Philadelphia, Pa.

Agents need to determine exactly where a local branch stands in the company's hierarchy, Mr. Seltzer said. If it is not one of the insurer's top branches, its employees may be working under "a

*Continued on next page*

## IIAA draws 4,300 to Vegas sessions

Nearly 4,300 agents and other attendees flocked to Caesars Palace in Las Vegas, Nev., to attend the Independent Insurance Agents of America's 91st annual convention Sept. 14-17.

Those who were not sidetracked by the sounding of bells and clanking of coins in slot machine trays, the allure of blackjack tables and roulette wheels or the dazzle of the many glitzy Vegas shows up and down the Strip could choose from among a number of general sessions and workshops featured during the convention.

This year's convention theme was "Insuring America," and most sessions focused on improving the future of the independent agency system through better agency/company relationships, more effective lobbying efforts, automation interface advances and retraining and educating agency employees.

Guest speakers during the convention included former President Gerald R. Ford, Nevada Gov. Richard Bryan and former Washington Redskins' quarterback Joe Theisman. And, agents were entertained by Canadian vocalist Anne Murray.

In addition, 118 insurance companies, agency consultants, automation vendors and other agency service providers displayed their wares daily in a specially designated exhibit area.

# Agency/insurer relationships

Continued from previous page  
siege mentality," and might not be able to perform satisfactorily for the agency, he explained.

The "Are we dealing with a company that has the talent and the authority to make decisions at the level at which we discuss them, or must they go through several levels of underwriting management before a decision can be made?" Mr. Seltzer asked.

Other things to look for, he said, are: timeliness of quotes; competitive pricing, but not necessarily the lowest price; whether or not the insurer is willing to meet the agency's program design specifications; whether by issuing endorsements or manuscripting forms, where necessary; the attitude of the claims department and its willingness to pay claims promptly and fairly; the company's reserving practices; and the availability of legible and loss understandable loss reports; and the attitude of the company's underwriter department.

Personal relationships are important, but agents should avoid using those relationships to force insurers to write business they are not interested in. You can't run a business on leveraging and favors, but on the rare, unusual circumstance where the call can go either way, it's nice to have that relationship," Mr. Seltzer explained.

It is important to cultivate personal relationships between not only the principals and the branch managers, but also between the agency employees and the branch office employees with which they deal directly on a regular basis, Ms. Heisler added.

Frequent contact between the agency and the branch, and an agency's commitment to making the relationship work, are essential ingredients to good agency/company relations, agreed Evelyn M. Jackson, vp of Fireman's Fund Insurance Cos.' Phoenix, Ariz., branch office.

She suggested that agency personnel discuss a risk with their branch office underwriters prior to submission if they are uncertain of its acceptability. This type of an effort "goes a long way" towards building a meaningful agency/company relationship, she stressed.

And if an agency is dissatisfied with its relationship with an insurer, the agency may find it to be to its advantage to

"put together an action plan to resolve it. You get a lot more positive reception when you initiate that" move, rather than waiting for the insurance company to contact the agency to discuss the problem, Ms. Jackson suggested.

"We wouldn't even think about having a company relationship without a (business) plan. It should be a planned relationship," Mr. Seltzer said. He added that not "enough agencies spend enough time putting together a believable plan for their carriers. Agencies should share more of their operational planning with their companies."

In forming new relationships with companies, Ms. Heisler urged agents to do their homework on the insurer up-front.

She suggested that agents find out if the insurer writes the types of business the agency specializes in or types of businesses that are not offered by its other insurers. The agency should also ask the insurer for names of other agents in its marketing area that represent the insurer. The agency can then contact those agents to find out how satisfied they are with the quality of service and breadth of products the insurer offers, Ms. Heisler added.

Ms. Jackson suggested that agents pay a personal visit to the branch office of the insurer with which they are contemplating doing business. "Take several of your accounts into the branch with you and sit

down with the underwriters to see what they will and won't write," she said.

This type of an approach will give the insurer a feel for the agency's book of business and will give the agency an indication of the insurer's business appetite, she pointed out.

Above all, it is important to match strengths with the insurer, Mr. Seltzer stressed. "Don't just put a carrier on to have another carrier. There you have the seeds of a failed relationship," he said.

And when the agency finds an insurer that meets its needs, its principals should share their business plans and "sell yourself to the carrier. Flesh out the presentation," Mr. Seltzer added.

This type of planning is now taking place in insurance companies as well, Ms. Jackson said.

She said that the type of things that insurers examine when

selecting or evaluating agencies include:

- The agency's existing premium volume.
- Its growth potential.
- Whether new growth is coming from aggressive new business growth or from other factors.
- Whether or not the agency's book of business is seasoned and stable.
- The amount of information the agency typically furnishes with an application.
- Whether the agency selects the most suitable insurer with which to submit business or simply sends applications at random to all of its insurers.
- The agency's loss history in comparison to the insurer branch's average loss ratio from other agencies in that area.
- The quality of agency management.
- The agency's financial track record.

Mr. Seltzer suggested that agencies evaluate their insurers in a similar fashion and share those evaluations with their insurers.

And although many agents are wary of a recent trend among insurers to identify their key agents and offer them what can be referred to as "preferred agency contract" in return for an annual volume commitment from the agency, the panelists pointed out that these relationships are advantageous to agents.

Insurers frequently offer their preferred agents "better" service, more experienced underwriters and discounted claims, people, and those agents are the last ones who get closed down or have their credits taken away," Ms. Heisler said.

"When you have a preferred agency contract, then you can start believing some of the things you read in the company's advertisements," Mr. Seltzer quipped.

The biggest problem with preferred agency contracts is that the premium volume requirements agencies must meet to qualify with national insurers can be too large for smaller agencies to meet. But smaller agencies have other options, Mr. Jaques pointed out.

He suggested that smaller agencies "seek out the local branch of whom you can be assured that the local branch. It doesn't have to be one of the national stock companies. If it means setting up with a small carrier, that could be the answer," Mr. Jaques said.



Mr. Jaques

# Agents 'concerned' about ties with insurers

By LAURA MAZZUCA

LAS VEGAS, Nev.—Independent agents are "frustrated" by preferred agent programs, commission reductions and the gray-ing of the agency system, says the new president of the Independent Insurance Agents of America.

"We're trying to give the companies some signals that there are agencies out there that are unhappy and are really concerned about the agency/company relationship," said incoming IIAA President Thomas A. Baker Jr.

"They feel like the company is not interested in them anymore. . . There is a feeling of adversity rather than a feeling of partnership," he added.

Mr. Baker, owner of the Tom Baker Insurance Agency in Houston, was a member of a panel of representatives from independent agencies and insurance companies who explored the more controversial facets of the agent/insurer relationship at the IIAA annual convention last month.



Mr. Baker

The panelists looked back on the hard market years of the early 1980s as trying times for both agent and insurer.

"The early '80s were something less than a day at the beach for the companies, too," said Aetna's John J. Martin, executive vp of Aetna Life & Casualty Co. of Hartford, Conn.



Mr. Haugh

"Most of us were paying our dividends out of surplus; a number of us went to the market to borrow money, either by selling stock or by issuing paper. . . and we tend to be bad sports about applying borrowed funds to activities that aren't doing so well."

"Things will never go back to what some refer to as the good old days because there are far better days ahead, both for the agents and the companies," added Robert J. Haugh, chairman, president and chief executive officer of The St. Paul Cos. Inc. of St. Paul, Minn. "But we have to learn to communicate, to reconcile and remember there are trade-offs and there always will be trade-offs."

A favorable sign of improving relationships is the recent proliferation of educa-

tional programs offered by insurers to their agents "to help our agents do the job we want them to do," said Mr. Haugh.

There is now "a greater commitment to professionalism" on both sides, agreed Robert A. Anker, president and chief operation officer of American States Insurance Cos. of Indianapolis.

"This is a people business, and the people relationships are what count," he said.

But Mr. Baker expressed concern about the "unnecessary paperwork and unnecessary requirements" that are accompanying this demand for professionalism. This increase in processing work limits the agents' ability to sell and service their clients, he said, adding, "This is a great worry to us."

Another fear among independent agents perceived by Mr. Baker is the feeling of abandonment on the part of small agencies in the face of the increasing movement of insurers to preferred agent programs. "We have a lot of good agents sitting out there that can't possibly make a commitment to more than one or two companies," he remarked.

Instead of courting big agents, Mr. Baker suggested that insurers encourage the growth of younger and smaller agencies to reverse the rapid aging of the independent agent system.

But most of the insurer officials acknowledged that preferred agent programs were a growing trend among insurers.

Touting Aetna's "Elite" preferred agent program for commercial lines business and its "Prime Agency" program for personal lines business, Mr. Martin said: "These people have made a serious commitment to their relationship with the Aetna. Not all agents treat us alike, and I submit that this company, at least, does not intend to treat all agents alike, but will respond to the quality of the relationship we have with agents."

St. Paul's "Top Brass" program was developed from suggestions submitted by agents themselves and reflects the agent's need to be treated on an individual basis by the company, said Mr. Haugh. "We clearly believe that this is not a world of have and have-nots, but a world of have and have-mores for those agents who are willing to make a commitment to us," he said.

But while those insurers stressed the advantages of preferred agency agreements, an

emphatic statement by Paul Scheel, president and chief operating officer of USF&G Corp. in Baltimore, that USF&G has no intention of adopting a preferred agent program drew a resounding round of applause from agents in the audience.

"We think that preferred agent contracts create . . . second-class citizens," Mr. Scheel said. "You lose the independence that is so important for you as agents."

The panelists generally agreed that efficiency—not size—would determine the success or failure of small agencies with a premium volume of less than \$500,000.

"There's a great future for small agencies that are well-run, just as I think there's a great future for big agencies that are well-run," said Mr. Martin. "I like to have a lot of small, well-run agencies in target market territories and I suspect that my colleagues probably do, too."

If small agencies are efficient and "able to compete with agents in their own territory,"

they "can survive, thrive, and be an integral part of this whole operation," stressed Mr. Scheel. Small agencies have "always been there and they always will be."

Mr. Baker, however, expressed concern about the fate of the small agent. "I travel all around the country, and the only thing I hear from the small agent is, 'We can't get a plant,'" even if the agent has a profitable book of business, he said.

But Mr. Anker stressed the importance of small agencies in the overall independent agent system.

"The vast majority of our agencies are small agencies," he said, noting that of American States' 280 agencies, most are small and "incredibly important to us." He said that in states like Kansas, for example, there are no really large agencies, and thus small agents are vital.

Rather than focusing attention solely on their ability to retain their insurance markets, small agencies should also look over their shoulders at their competition from well-run, mid-sized and large agencies, said Mr. Haugh. To keep from losing their business to their larger competitors, agencies should be dedicated to survival, and prove that dedication by investing in continuing education for staff, adding automation, etc.

"There's something far more important

than size, and that is, who's going to be around?" said Mr. Haugh, adding that an agent can determine that by what the agency has done to ensure its survival. "There are some agents that haven't done as good a job as they could have."

On the subject of automation, the panelists agreed that some form of interactive, multi-carrier interface network is necessary for independent agents to compete with agents of direct writers.

But agents and insurers must agree on a universal system before any automated system can get off the ground, according to Mr. Scheel.

"Unless you get every company to agree that a universal system is

best for the American agency system, then you're not going to accomplish anything very quickly, because you're always going to have holdout companies that believe they have a competitive edge with their own product," Mr. Scheel said.

And although the panelists did see the industry heading toward an increasingly soft insurance market, most remained optimistic about applying the lessons learned from the last hard market to avoid the type of crisis that occurred in the early 1980s.

"We hear a lot about consumer advocates, but not much about customer advocates," said Mr. Baker. "I believe if we do nothing more than focus our efforts on being customer advocates. . . that will get us the bright future that I think is out there."

"Let's hope that we're more responsible this time," said Mr. Scheel. "We can't all be accused of (being responsible for) all the things that have happened over the past five or six years. We're all guilty of something, but we're not all guilty of everything."

"Agents need companies and the companies need agents. We should be working together and not doing anything, anytime that's going to interfere with that relationship," Mr. Scheel concluded.

The panel was moderated by Robert R. Treweek, president of the Florida Assn. of Insurance Agents in Tallahassee, Fla.



Mr. Martin



Mr. Scheel

**'There is a feeling of adversity rather than a feeling of partnership,' says new IIAA President Thomas A. Baker.**

# Industry unity urged in regulatory battles

By LINDA J. COLLINS

LAS VEGAS, Nev.—Independent agents and insurers should take a consistent approach when tackling regulatory issues like modification of the McCarran-Ferguson Act, efforts to reduce insurer insolvencies and bank expansion into insurance, agents and insurers say.

These issues all interrelate, and one legislative change—such as banks' entry into insurance—could set off a chain reaction of increased federal control over the insurance industry, a panel of agent and insurer representatives said at the Independent Insurance Agents of America's annual convention.

Although the property/casualty insurance market is beginning to soften, the industry is still attracting attention from both legislators and regulators, members of the panel warned.

For example, the McCarran-Ferguson Act, which provides the insurance industry with a limited antitrust immunity and places insurance regulatory authority at the state level, will continue to be closely examined by Congress, the panelists agreed.

"While insurance coverage availability and affordability have improved over the past year, it's not going to be enough to get us out from under congressional scrutiny," said Roger N. Levy, vp of government and public affairs for Travelers Insurance Co. in Washington. "There are still too many other themes driving Congress' interest in McCarran-Ferguson to date.

"Consider what's come in over the last year to add fuel to Congress' fight on this whole issue. Company profitability has played right into our opponents' hands on McCarran-Ferguson and tort reform issues," Mr. Levy said.

Many tort reforms were enacted in response to the insurance availability crisis, and now that several states have had tort reforms in place long enough for legislators to discern some kind of a track record, they will be carefully examining how well insurers have responded to those reforms, he said.

According to Mr. Levy and other panelists, Congress is focusing more closely on insurer solvency as well.

A legislative perception that state insurance departments are unable to monitor insurer solvency will fuel proposals to regulate the insurance industry on the federal level, predicted Cecil L. Pearce, director of state government affairs for the IIAA.

Mr. Pearce commended efforts by members of the National Assn. of Insurance Commissioners to meet "eyeball to eyeball with their congressmen and explain how the NAIC works and what they're doing on the insolvency issue to try to communicate the message that...state regulation always has been and continues to be in control of the regulatory process."

He and other panelists recommended that agents take similar actions and meet with legislators to discuss the advantages of state regulation.

But not only should agents meet with their legislators, they should also meet with the constituency groups and organizations that influence those policymakers, Mr. Pearce said.

"We have to learn to go beyond the Capitol and Congress and work with these various groups," he stressed.

Mr. Levy agreed. The industry has some "very firm, persuasive arguments to make" about why the McCarran-Ferguson Act should be preserved, but "unfortunately we are losing the politics of the debate

(because) the industry has lost its credibility on the Hill," he commented.

As an association, the IIAA believes that there "would be a tremendous dislocation in the insurance marketplace if McCarran-Ferguson was repealed," and that insurance agents would feel the repercussions of that dislocation, said William A. Bailey Jr., chairman of the IIAA's Government Affairs Committee and president of the Bailey Insurance Agency in Waco, Texas.

However, Mr. Levy warned that "almost every small business or public constituent group that's ever had to deal with the insurance industry has now picked up this McCarran-Ferguson Act stick and started beating us over the head

with it. Until we can turn the politics of this issue around, we're still going to be vulnerable at some time to federal action."

Mr. Levy pointed out that even though the issue of limited antitrust immunity has been brought up frequently in the debate over federal vs. state regulation, that is not the primary focus of the arguments for repeal or modification of the McCarran-Ferguson Act.

"The McCarran-Ferguson debate is a debate about federal regulation of insurance," Mr. Levy said.

"Congress sees the insurance industry as the only major industry in this country that they don't have their hands on...The debate over McCarran-Ferguson is the debate about wresting regulatory control from the states and putting it at

the federal level," he stressed.

"I think Congress is going to move further toward either repeal or modification of McCarran than it's ever moved before, and if it stops just short of taking that step, it will almost certainly pick up on one of the corollary issues" such as federal data collection, federal product liability legislation or federal trade commission oversight, Mr. Levy predicted.

"One of the results of the insolvency issue is a renewed interest in Washington over the possibility of (establishing) a federal guaranty fund," said Robert A. Rusbult, director of federal affairs for the IIAA. But while he acknowledges that there might be some advantages to a federal guaranty fund, he warned agents not to attempt to

"lobby on Capitol Hill to retain state regulation" of insurance while at the same time lobbying for a federal guaranty fund, because of the inconsistency of this approach.

Mr. Pearce said that an IIAA task force appointed by past association president Dwight L. Dillon has studied the insolvency issue over the past year and recently presented to the NAIC several recommendations for improving state guaranty funds.

However, the IIAA is not just sitting back and waiting for the NAIC to adopt its recommendations, Mr. Pearce said. Instead, it is preparing to present a package to its various state associations in January that those associations can use to push for guaranty fund reforms on a state-by-state basis. ■

IF THE AUTO DEALER MARKET IS CAUSING YOU PROBLEMS...

## RUN FOR COVER

- If you need a product to stand up to competition.
- If you demand quality service and quick turnaround.
- If you want the security of an A + 15 rated carrier.
- If you seek alternative programs for Mega-Dealers.

We are Dealer Cover, the auto dealer insurance specialists for over 16 years. Everyday we work with dealers and independent brokers in 42 states who insist on the best coverage, fastest claim service, and, above all, responsible pricing.

So in these times of instability in the auto dealer insurance market, run for cover. Dealer Cover. We're ready for you right now. Call us TOLL-FREE at 1 800 421-9261 or write for a free broker kit. You can also use our FAX # 1-213-542-6840 or TELEX us at 18-1918.



3424 Carson Street • Suite 400 • Torrance, California 90503-5703

# IIAA boasts accomplishments

LAS VEGAS, Nev.—Membership in the Independent Insurance Agents of America provides independent agents with opportunities to create meaningful changes in the insurance industry, according to an officer of the association.

In addition to offering agents products and services, the IIAA provides leadership opportunities where independent agents can be part of the fabric of change that is taking place around them," commented Jeffrey M. Yates, IIAA executive vp.

Mr. Yates addressed agents attending the IIAA convention held last month in Las Vegas, Nev.

Historically, representatives of the IIAA have been instrumental in securing the ownership of expirations, developing standardized insurance forms and keeping banks from expanding into the insurance industry, Mr.

**The IIAA provides 'leadership opportunities where independent agents can be part of the fabric of change,' says Mr. Yates.**

Yates pointed out.

And, in the past year, IIAA members have directed their efforts toward:

- Maintaining the separation of banks and the insurance industry on both a state and federal level.
- Preserving anti-rebate laws in California.
- Fighting taxation of agents' commissions in Florida.

• Appealing a Texas court decision holding an agent responsible for the unpaid portion of an insured's claim when the admitted insurer became insolvent.

The appeals court reversed the decision (*BI*, Sept. 28).

• Challenging provisions in Missouri's insurer insolvency statutes that hold agents responsible for uncollected unearned premiums to an insolvent insurer's liquidator, but do not hold policyholders responsible for unearned premiums.

These efforts "have changed our business for the better" and demonstrate that the value of IIAA membership "extends to our vigorous representation of the interests of independent agents before government, the courts and with the public, as well as the companies and other industry associations," Mr. Yates said.

# Tort reform among IIAA's top concerns

By LAURA MAZZUCA

LAS VEGAS, Nev.—Ease of entry into the independent agency system and the need for tort reform are two issues of major concern to the Independent Insurance Agents of America.

Dwight L. Dillon, the association's 1986-87 president, discussed these issues and others in an address to agents attending the association's annual convention in Las Vegas, Nev., last month.

"As an agent's association, we are opposed to any activity by agents, companies, legislators or others that could inhibit the ability of new people to enter our independent agency system and compete on an equal basis," Mr. Dillon stressed.

He also said the association believes that tort reform "will improve insurance availability, and the accompanying claim savings will eventually be reflected in consumer insurance cost."

Mr. Dillon said that other pertinent issues addressed by IIAA committees over the past year were:

• Continuing challenges to state regulation as the congressional push for repeal of the McCarran-Ferguson Act, which gives state that authority to regulate the industry, intensifies.

"If it ain't broke, don't fix it" should apply to McCarran-Ferguson," Mr. Dillon said.

"We have, and will continue, to oppose the repeal of McCarran-Ferguson," he added.

He said that repeal of the act would ultimately result in the elimination of state regulation and the demise of regional insurance companies.

• A revamping of state insolvency and guaranty fund laws. The IIAA's Independent Insurance Fund Committee submitted several recommendations on this issue to the National Assn. of Insurance Commissioners during their fall zone meeting in Pittsburgh last month.

• The eventual impact of the 1986 amendments to the Risk Retention Act on independent agents. Mr. Dillon noted that an IIAA committee had been established as an insurance clearinghouse for agents needing advice on the act.

• The introduction of underwriting guidelines and agency procedures to control losses in the association's errors and omissions insurance program, and the addition of an excess E&O program offering limits of \$5 million excess of \$5 million.

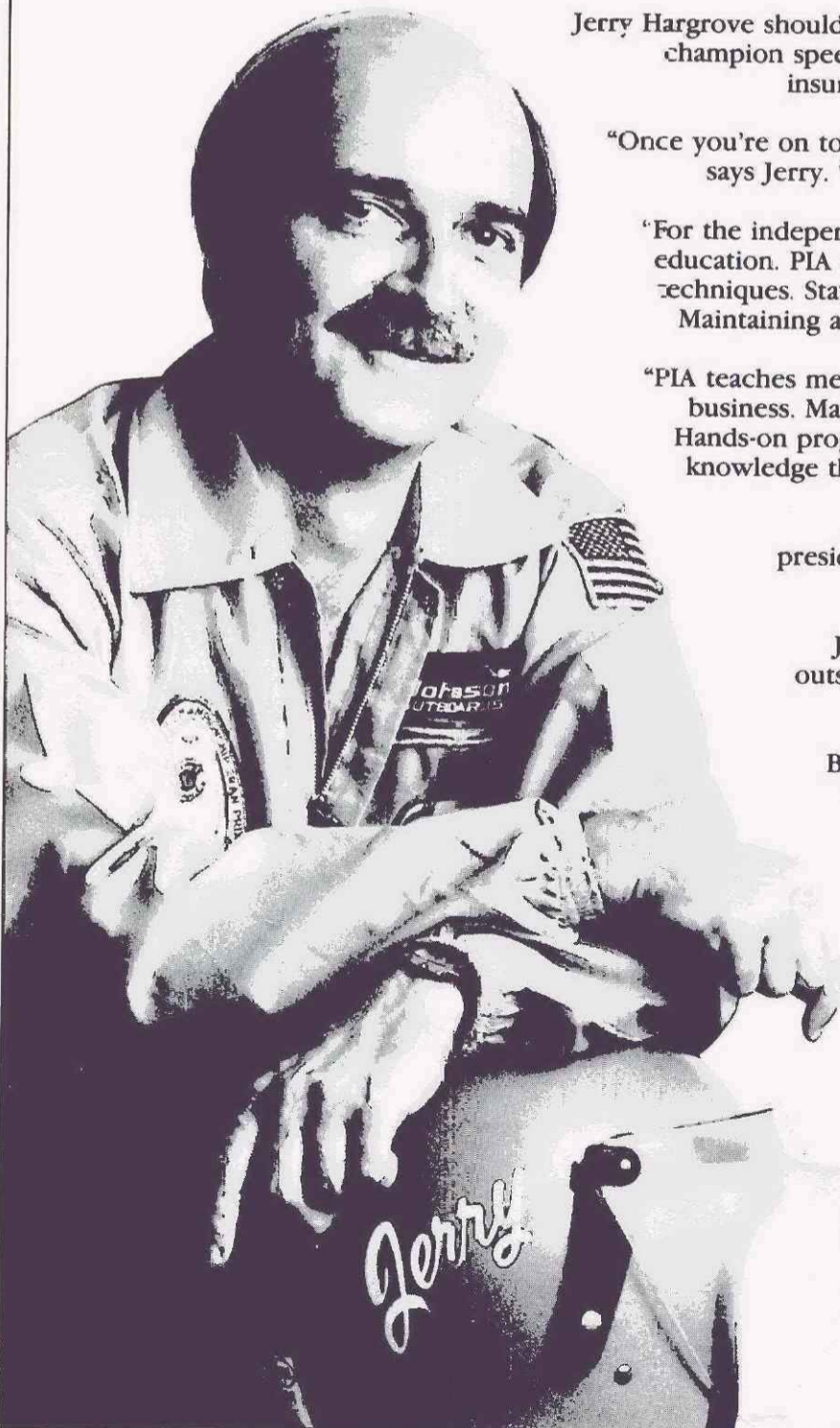
• Adequate rates for earthquake insurance. Mr. Dillon said the solvency of the entire insurance industry would be endangered if a major earthquake occurs either on the West Coast or in the Midwest. Mr. Dillon reported that the IIAA has nearly completed a working document addressing this problem.

"You should support adequate insurance rates for the risks assumed by your companies. You are encouraged to oppose rates by companies that are inadequate by informing your state insurance commissioner and the company involved," he told the agents.

"The legacy of our past association leaders, combined with the salesmanship of these people and their associates, leaves us with a challenge and a corresponding responsibility to enhance their efforts," Mr. Dillon stressed.

He ended by asking agents: "Will you acknowledge your responsibility? I encourage you to be involved; you can make a difference."

# Winners Never Quit.



Jerry Hargrove should know. He's a former international champion speedboat driver. He's an independent insurance agent. And a member of PIA.

"Once you're on top, you have to fight to stay there," says Jerry. "You can't let up on training, ever."

"For the independent agent, this means continuing education. PIA education. Learning new skills and techniques. Staying abreast of the latest products. Maintaining a steady lead over the competition."

"PIA teaches me what I need to know to build my business. Marketing. Management. Networking. Hands-on programs no one can match. Practical knowledge that keeps me in front of the field."

Jerry is a winner. That's why he's president of his own successful agency. That's why he joined PIA.

Join PIA and take advantage of our outstanding professional development programs. We won't make you a champion speedboat driver. But you'll be a stronger and bolder competitor in the insurance race.

## PIA. YOU SPEAK. WE ACT.

Please send me PIA membership information.

Name \_\_\_\_\_  
 Agency \_\_\_\_\_  
 Address \_\_\_\_\_  
 City \_\_\_\_\_ State \_\_\_\_\_  
 Zip \_\_\_\_\_ Phone \_\_\_\_\_

NATIONAL ASSOCIATION OF PROFESSIONAL INSURANCE AGENTS  
400 N. Washington St., Alexandria, VA 22314  
703/836-9340



bi

# New president outlines future IAA challenges

By LINDA J. COLLINS

LAS VEGAS, Nev.—Independent agents face significant challenges in the areas of automation, small agency survival and compensation for additional services, says the new president of the Independent Insurance Agents of America Inc.

Both the national IAA and its state affiliates are prepared to face these issues and "re-establish the partnership that should and could exist between independent agents and the companies," asserted Thomas J. Baker Jr., who assumed the IAA presidency at the association's annual convention last month in Las Vegas.

Automation interface is essential to reducing insurance distribution expenses and providing better service to customers within the independent agency system, stressed Mr. Baker, owner of the Tom Baker Insurance Agency in Houston.

But while the technology needed to achieve this goal "has been in existence for years," progress in this area has been slow, he added.

According to Mr. Baker, multi-company interface will benefit insurers—as well as agencies and their customers—by allowing them "to review more business to determine if it fits their market."

However, unless agents continue to pressure their insurers to assist them in these automation efforts, it will be several years before effective electronic communication is achieved, according to Mr. Baker.

Effective planning also is essential to agency survival, and in planning for the future, agents should identify those insurers that accentuate their own strengths and provide the best service to their customers, he advised.

Agents should then attempt to submit to their insurers the types of business that fit their individual marketing niches, being careful to furnish all of the necessary information with applications, he pointed out.

Mr. Baker said he is troubled by the recent trend among insurers to abandon relationships with smaller agencies and to discontinue writing small commercial accounts, regardless of their profitability.

He urged insurers to recognize "that these small agencies traditionally produce better-than-average loss experience for the companies," and that both small agents and small commercial accounts can be profitable.

The IAA will work to "make sure that the legal and business climate is favorable for growth and for the availability of insurance" through small agencies, Mr. Baker said.

He warned agents that at the same time independent agency system insurers have turned away from the small business market because of the small premiums it generates, direct writers have begun to step in to write this business.

"With the softening of the insurance market, our competitors will escalate their efforts to capture the small business insurance customers," further eroding the market share of independent agents, Mr. Baker stressed.

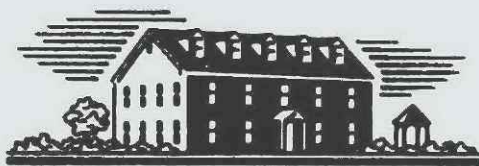
The new IAA president also is concerned that agents are not adequately compensated by insurers for the increasing workload they are assuming.

"We just cannot afford to meet the increasing demands from our companies for automation, claims handling and underwriting with

only the dollars available from commission," Mr. Baker said.

Agencies are finding it necessary to hire additional personnel to comply with these increasing insurer demands, he pointed out, adding: "We need to negotiate for additional compensation from companies, above commission, for the extra work we are being asked to do."

"We must recapture the spirit of partnership (with insurers) rather than being divided into two separate camps. . . . Companies and agents must unite to provide agency customers with the needed financial protection for tomorrow that is so necessary for our economy," Mr. Baker concluded. ■



## Gresham & Associates

### INSURANCE BROKERS

MORROW, GA  
(404) 961-8810

PALM BEACH GARDENS, FL  
(305) 694-6800

NASHVILLE, TN  
(615) 366-7450

OUR 13 UNDERWRITERS  
AND BROKERS HAVE 180  
YEARS COMBINED  
EXPERIENCE IN  
HANDLING YOUR EXCESS  
AND SURPLUS LINES  
BUSINESS.

Put This Experience  
To Work For You.

# Introducing State Mutual's 401(k) Hit Kit.



You'll be a sure-fire hit with your clients when you show them State Mutual's new 401(k) portfolio. Not only that, you'll hit your own sales goals faster, too, because this kit has everything you need to take advantage of 401(k)'s continued popularity under the new tax law.

Designed to add real power to any sales presentation, the portfolio includes samples of posters, tent-cards and other promotional items. And it comes with State Mutual's long-standing commitment to quality sales support. Our own trained group sales representatives are always ready to assist in employer and employee meetings.

We have a comprehensive array of employer-employee communications pieces that make case set-up and maintenance a breeze. And of course we follow up on every sale with State Mutual's superior brand of service and administration.

Combine all this with our five highly competitive investment accounts and you have just what your clients are looking for—A Monumental Salary Savings Opportunity. It's just what you're looking for, too: a way to sell your share of America's most popular employee savings plan.

Return the coupon now  
and receive your own  
401(k) HIT KIT.

Send me my 401(k) HIT KIT, "A Monumental Salary Savings Opportunity."

Name \_\_\_\_\_

Firm \_\_\_\_\_

Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

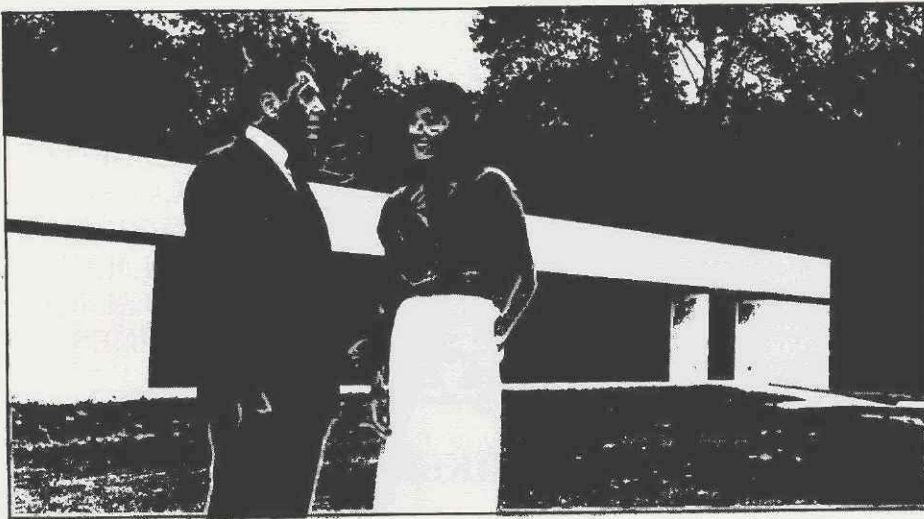
Phone ( ) \_\_\_\_\_

Mail to: Bruce B. Crawford  
Vice President, Group Marketing  
State Mutual Companies, Dept. D9-B1  
440 Lincoln Street, Worcester, MA 01605

## State Mutual Companies

State Mutual Life Assurance Company of America • SMA Life Assurance Company  
SMA Equities, Inc. • SMA Financial Advisory Services, Inc. • SMA Investment Trust  
440 Lincoln Street, Worcester, MA 01605

Ideas worth quoting.



Personalities play a major part in a successful agency, according to Herb and Jeanne Greenberg.

## Consultants urge matching personality to job in agency

By LAURA MAZZUCA

LAS VEGAS, Nev.—“Building a winning team” for an independent agency begins with selecting the right person—and personality—for the right job, stress human resource consultants Jeanne and Herb Greenberg.

After working with independent agents for more than 25 years, the Greenbergs have discovered that finding an employee whose personality is well-suited for his position with an agency is even more essential than the employee's skills and background.

But gauging a job applicant's personality is also the hardest factor to measure, the consultants told agents at the 91st annual Independent Insurance Agents of America convention held last month in Las Vegas.

The Greenbergs are co-chairmen and principals of Caliper Corp., a Princeton, N.J.-based human resources consulting and psychological testing firm.

“Personality is the driving, inner motivation of an individual, and personality is what we have found will make a difference between a successful and unsuccessful employee,” Ms. Greenberg said.

When hiring personnel, many agencies overlook what Ms. Greenberg calls “human strategy”—closely examining an applicant's personality and inner motivation and then matching that personality with “the psychology” of the position to be filled.

“Over the last 25 years, we have assessed more than 750,000 people and have found that 80% of them are in the wrong job,” Ms. Greenberg asserted.

“That's very tragic, because they were good people and had strengths,” but not for the job they were in, she said.

“Winners are the people who are fortunate enough to get into the right job to begin with, the job that plays to their strengths.”

Ms. Greenberg presented a psychological profile of the successful producer in an agency: immense confidence; a strong sense of self; and the ability to deal with rejection. She described the latter factor as “ego strength.”

A producer must be able to empathize with clients and have enough ego drive to aggressively pursue sales, Ms. Greenberg said. A producer also must have an inner desire to serve his clients.

However, the personality profile of a successful manager is different, according to Mr. Greenberg. Because there are so many different levels of management, it is

more difficult to define the required personality attributes for a manager than it is for a producer.

Attributes needed by a successful manager include:

- Leadership ability. Managers must be assertive, yet sensitive, to motivate their staffs; simply barking orders is not enough.
- The ability to make decisions. A good manager is neither impulsive nor over-cautious.
- The ability to delegate authority.
- Personal organization and detail ability.
- A willingness and ability to grow into more responsible positions.

When recruiting new employees, Mr. Greenberg offered these tips:

- Don't steal experienced people from your competitors.
- Don't rule out candidates because they do not have experience in the position sought. They can always grow into the position.
- The best way to form a good initial impression when screening job candidates is to conduct an initial five or 10-minute in-person interview. Ask candidates to bring in their resumes.
- Request at least two business references from candidates prior to the first interview. During the initial interview, ask for two more references. Always call the references yourself.
- Before conducting a subsequent interview, always conduct a psychological test on the candidate to help ascertain the basic motivation of the individual.
- Keep in mind that an interview is a “theater” experience; both you and the candidate will be putting on a show.

Mr. Greenberg suggests that during an interview, the interviewer ask “open-ended” questions: What was your favorite job? Why did you like it? These questions will help bring out the candidate's personality.

Personality assessments also are a good tool when planning an agency's future, Ms. Greenberg pointed out. She said that in analyzing the agency's needs and growth potential, the principals should first examine their own strengths and weaknesses.

Ms. Greenberg said that employee analysis should be done annually. She also suggested that the entire staff be included in the evaluation process to provide shared feedback.

## ESOP can be important tool for agency: Expert

By LAURA MAZZUCA

LAS VEGAS, Nev.—Employee stock ownership plans—which can aid employee motivation, agency perpetuation and agency valuation during a sale—are one of the few tax shelters unaffected by the 1986 tax reform law, says an industry lecturer.

However, without careful planning, an ESOP is merely “a financing vehicle without a driver,” according to Robert K. Nein, who addressed agents at the 91st annual Independent Insurance Agents of America convention last month in Las Vegas.

Mr. Nein, a retired agent, set up an ESOP at his agency in 1974. He said that although ESOPs are believed to be most effective for large agencies, smaller agencies can benefit from them as well if their total annual payroll is at least \$300,000.

While only about 2% of the independent agencies in the United States currently have ESOPs, that percentage is expected to jump to more than 25% by 1990 if tax laws remain unchanged, he said.

Mr. Nein believes that an ESOP can benefit an agency—as well as its stockholders and employees—in many ways.

For employees, an ESOP is an enhanced profit-sharing plan in which they hold a vested interest in the agency, he said.

“When you put in an ESOP plan, you make capitalists out of every member of your agency,” Mr. Nein stressed. “It is very rewarding to you and to the employee.”

And agency principals benefit when selling their agency's stock—such as at retirement—because they pay no income tax or capital gains tax on the ESOP proceeds if they are subsequently invested in any other corporate stock or bond.

In addition, if an agency sets up an ESOP, the stock can be paid for with pretax dollars. If the agency already has profit-sharing or 401(k) plans, up to 25% of the assets in those benefit plans can be rolled over into an ESOP.

However, defined benefit pension plan funds cannot become part of an ESOP.

And any corporate stock or bond (except mutual funds or government obligation bonds) can be rolled over into an ESOP without being taxed if at least 30% of the agency's stock is held by the ESOP, he said.

But Mr. Nein again cautioned that careful advance planning is imperative in setting up an ESOP.

The first step an agency should take when contemplating setting up an ESOP is arranging a feasibility study, he said. Because most accountants and lawyers are unfamiliar with the details of ESOP, Mr. Nein recommended that agents contact a financial consultant knowledgeable in the area.

Such a feasibility study will probably cost an agency about \$5,000, he said. But with a concrete plan in hand, an agency principal can better present the idea of an ESOP to the agency.

The total cost of setting up an ESOP is about \$20,000, Mr. Nein said, and fiduciary liability insurance is needed to implement the plan.

Many insurance companies now are expressing interest in providing loans for ESOPs to agents representing them, because only 50% of the interest insurers receive on such loans is taxable, Mr. Nein said.

He also suggested that if smaller agencies want to form an ESOP for their employees, they should seek out other compatible agencies within their marketing area to form a holding company with the express purpose of forming an ESOP. The agencies would otherwise remain autonomous, he suggested.

## Producer groups fight banking ruling

WASHINGTON—Five national producer associations are challenging a Federal Reserve Board decision permitting an Indianapolis bank holding company to sell insurance through two state-chartered bank subsidiaries.

On behalf of the producer groups, the Independent Insurance Agents of America Inc. is suing on grounds that federal restrictions bar such insurance activity by bank holding companies.

On Sept. 10, the Federal Reserve Board gave Merchants National Corp. permission to sell insurance through its subsidiaries. The Fed cited a state law loophole—commonly referred to as the “South Dakota loophole”—that circumvents restrictions on bank holding company insurance activity by allowing holding companies to sell insurance through state-chartered bank subsidiaries in states, like Indiana, that permit such banks to sell insurance.

The IIAA filed suit Sept. 17 in the 2nd U.S. Circuit Court of Appeals in New York. The suit was filed on behalf of the Alliance for Separation of Banking and Insurance, a coalition of five producer trade associations that also represents the National Assn. of Professional Insurance Agents, the National Assn. of Casualty & Surety Agents, the National Assn. of Life Underwriters and the National Assn. of Surety Bond Producers.

“We are in total disagreement with the decision. We believe it is in violation of both the intent and the letter of the law,” said Patricia A. Borowski, vp—government/industry affairs

### A/BT briefs

for the PIA.

The alliance also cites in its challenge a congressional moratorium prohibiting any further expansions of bank activity in the insurance industry until March 1, 1988.

“We think the moratorium bars the issuance of this order and that the board did not have the authority to make the decision,” said Jonathan B. Sallet, a partner in Miller, Cassidy, Larroca & Levin in Washington, D.C., and counsel to the IIAA.

In related news, the Federal Reserve Board rejected an application by an Ohio bank holding company to acquire the grandfathered right of an Indiana bank holding company to sell and service insurance. The Alliance for Separation of Banking and Insurance opposed the application.

In its decision, the Fed ruled that grandfathered rights could not be transferred by acquisition from one bank holding company to another.

### NAIC plan endorsed

LAS VEGAS, Nev.—During its annual convention in Las Vegas, the Independent Insurance Agents of America Inc. en-

dorsed a six-point plan designed to improve the National Assn. of Insurance Commissioners Liquidation and Guaranty Fund Model Acts.

The plan, which was formulated by a special IIAA task force, was approved by the IIAA's National Board of State Directors on Sept. 13 and presented to the NAIC during its fall zone meeting held last month in Pittsburgh.

IIAA recommendations include:

- The responsibility of the agent to render accounts to the liquidator should be determined based on the law of the individual state and the terms of the agency agreement, and also should be based on a pro-rata cancellation rule application.
- Insurance policies of insolvent insurers should be extended for 60 days from the day of insolvency.
- An agent should be appointed to the guaranty fund's board of directors to provide advice and counsel.
- A guaranty fund limit of at least \$300,000 should be instituted for covered claims and paid-in-full workers compensation, with no deductible applicable to covered claims.
- Incurred-but-not-reported claims should be included in the guaranty fund as of the closing date for submission of claims, extended reporting coverage should be made available and claims payment should be required within 90 days.
- A mechanism should be established to allow insurers to recoup money assessed against them and paid into guaranty funds, and a premium tax offset should be provided for building assessments into future rates.

# Wasting time wastes money, expert says

By LAURA MAZZUCA

LAS VEGAS, Nev.—A close analysis of how agents utilize their time is the first step in eliminating agency inefficiency, says time management expert Rick Barrera.

Procrastination, management by crisis and poor scheduling are just a few of the causes of agency inefficiency, Mr. Barrera pointed out during a three-hour interactive workshop at the 91st annual Independent Insurance Agents of America convention held last month in Las Vegas.

To avoid wasting time, agents need to "work smarter," said Mr. Barrera, president of Rick Barrera & Associates, a management and sales training and marketing consulting firm in La Jolla, Calif.

"But that requires something of you: change," he said.

Agents should first closely analyze how they spend their work time, Mr. Barrera suggested.

According to figures compiled by Mr. Barrera's firm, the average worker wastes 45% of the work day. That adds up to more than 20 wasted weeks each year.

A good start to eliminating wasted time is keeping a log, broken down into quarter-hour increments, to indicate exactly how time is spent, he said.

After analyzing how they spend a typical work day, agents should re-prioritize and focus their efforts on "key result areas," Mr. Barrera explained.

He suggested that agents group their work into "to do" categories—such as daily, weekly, monthly and annual tasks—to help organize time.

Agents can control wasted time using a four-point system of "drop, delay, delegate and do," according to Mr. Barrera.

"Drop" means eliminating all unnecessary tasks, including enjoyable ones, like opening personal mail.

"Delay" means thinking about a problem and analyzing it instead of acting blindly just to get something done.

"Delegate" means giving staffers more responsibility rather than attempting to handle every piece of business personally.

And, agents should "do" whatever needs immediate attention.

Mr. Barrera suggested that agents schedule only 40% of their day, predominantly in the morning and late afternoon.

He pointed out that studies show people are potentially more productive in the morning but often waste time because they have not scheduled their work.

And, time wasted at the end of the day by, for example, leaving work early, can be eliminated by scheduling certain activities during that time.

Agents should schedule a minimum of two hours "slop time" in the middle of to handle any crises that occur, he said.

Many agents attending the session cited excessive phone calls and overflowing paperwork as major problems in time management.

Mr. Barrera suggested that outgoing calls be grouped by category—such as calls regarding renewal business or calls soliciting new business—to maximize efficiency.

Agents should set aside a specific time of day to make calls, and when leaving messages should specify when they will be able to be

reached. And, during busy times, agents should use an answering machine or turn the phone off, Mr. Barrera advised.

For the paperwork problem, Mr. Barrera suggested color coding files by topic, thereby eliminating desk-top clutter. When doing paperwork, agents should set aside a special time and place and use the most efficient medium—such as a computer or dictation—to get it done.

Mr. Barrera warned that office automation is not a panacea for agency office chaos. If an agency's paperwork is bad, a computerized system will make it worse, he said.

Office automation should be tailored to meet the needs of each agency, Mr. Barrera said. ■

## AUTO INSURANCE RENTAL and LEASING

Leading Underwriting Manager in the Industry.

1-800-722-3229

Providing Primary Coverage in all States.

Gmi

GROUP MANAGEMENT & MERCHANDISING INT'L  
ONE W.T.C., SUITE 10215, NEW YORK, NY 10048 212-466-0440



Mr. Barrera

## Actual unretouched photo of Nolan Fisher selling our Payroll Life Program.

What a salesman!

Notice the clear, all-seeing eyes.

The fertile brain, eager and bright. And the body English: sell, sell, sell.

Nolan is actually in a great position to make money. Very good money. He's selling a new program in his sleep. Hundreds of universal life policies. To basically one client. One time. And it works like this:

You get to offer something very attractive to many of your existing clients, people whose doors are already open to you. It's a way for their employees, maybe for the first time, to buy life insurance (*universal life*, with its cash buildup and tax-deferred advantages) on a payroll deduction plan, perhaps even on a before-taxes basis. With little or no cost to your client.

We make it—for them and for you—as simple as possible. To start, you don't have to be the experts on this. We are. We explain the whole program to your client, complete with audio/visuals and leave-behinds. We can even bring in enrollment specialists to handle the paperwork connected with signing so many cases in such a short period.

So, with virtually no investment on your part in time or overhead, your clients can make an outstanding life insurance program available to their employees. And it's from Transamerica, one of the best-known names in the business.

For the rest of the story, call Ms. Carol Clements, Director of Marketing Services, at 1-800-223-6980. (In California: 1-800-621-9950.)

Then puff up a pillow, lower those lids, and nap your way to prosperity.



**Transamerica**  
Life Companies  
Transamerica Assurance Company

Working together is the best policy.

# TAX REFORM

## 1986 law changes rules affecting agency sales

This article originally appeared in the Sept. 7 issue of A/BT. However, because of production errors, that article was incomplete and inaccurate. The article is reprinted in its correct form below.

By Carla G. Addicks

**M**ANY AGENCY OWNERS have dedicated their working lives to developing a lasting base of clients with the plan of someday selling their books of business, freeing up locked-in capital and retiring in prosperity.

Buyers are still out there, but changes in tax laws introduced by the Tax Reform Act of 1986 have altered some of the rules. Thus, agency owners need to rethink how to structure the deal and how much they will net after taxes.

Prior to last year's tax law, probably the most important part of an agent's plan to sell expirations was the knowledge the seller could report the proceeds as a capital gain, while the buyer could amortize the acquired asset against ordinary taxable income. This still holds true, though the 1986 Tax Reform Act has altered the tax rate differences between capital gains and ordinary income. And, the new tax law has reduced the aftertax funds available to the seller in several ways.

The most publicized change has been the elimination of the large difference between the tax rates on capital gains and ordinary income. In the past, acquisitions were structured to allow sellers to be taxed at the 20% capital gain rate rather than the ordinary income rates, which could be as high as 50%.

Clearly, this difference in tax rates led to the best structure in which to make a deal. While the seller and buyer may have had differing objectives, the seller's tax savings forced most taxable transactions to take the form of the sale of capital assets.

However, under the 1986 Tax Reform Act, the difference between the capital gains and the ordinary income tax rates are narrowed this year and eliminated in 1988 (see chart).

Obviously, a seller paying capital gains taxes in 1987 and 1988 will pay 40% more taxes than the prior 20% rate. Probably more important is the fact that a seller's savings over ordinary income rates have been greatly reduced in 1987 and eliminated in 1988. The former 30% tax rate differential created a situation where the seller may have accepted fewer total, pretax dollars for an agency provided he moved the price from ordinary income items to capital gains items.

By 1988, sellers will be indifferent to the allocation of the selling price between capital assets and ordinary income items. However, consider the impact of the allocation of the purchase price on the buyer. If the seller is indifferent, the buyer will hope to shape the deal to maximize the buyer's benefit. Consider the differences in the treatment for the buying corporation's

### Tax treatment for agency buyers

Payments allocated to:	Tax treatment
Salary to seller during phase-out	Deduct as paid
Covenant not to compete	Amortize over term
Tangible assets	Depreciation deduction
Expirations	Amortize over useful life <sup>1</sup>
Goodwill growing concern value	Non-deductible

<sup>1</sup> Assuming that buyer can show an accurately determinable useful life for each account and a value which is separate and distinct from goodwill.

Source: Russell Miller Inc.

### Tax rate changes made by 1986 tax law

	1986	Maximum rate 1987	1988 & later
Ordinary income	50.0%	38.5%	28.0%
Capital gains	20.0	28.0	28.0
Difference	30.0	10.5	0.0

tax return (see chart).

The selling price allocation differences to the buyer are still very important. The buyer's concern is whether any deduction is allowable, whereas the seller's concern is which rate to apply to the proceeds. Proper structuring can cut the actual cost of the purchased agency by 34% (the current corporate tax rate) assuming a corporate buyer.

In one extreme, if no part of the purchase was tax-deductible, the buyer would have to pay the total purchase price with aftertax dollars. In the other extreme, if the total purchase price was deductible, the buyer could pay the total purchase price with pretax dollars. Thus, the totally deductible purchase price gives the buyer an aftertax purchase price that is 34% less than the totally non-deductible purchase price.

Because of the repeal of the General Utilities Doctrine, the seller of a large agency—valued at \$5 million or more—has to deal with another change prompted by the 1986 tax law that may reduce his net proceeds. Prior transactions involving the sale of corporate assets could be structured to allow the liquidation of the corporation, as part of the sale, with the sale proceeds distributed to the shareholders, but with no tax at the corporate level other than certain depreciation and investment credit recapture.

Now, in the case of a sale of corporate assets where the selling price exceeds \$10 million, the selling corporation must first pay taxes on any gain and then distribute the aftertax sale proceeds to the shareholders, who also will be taxed on the proceeds. However, until Jan. 1, 1989, the change caused by the repeal of the doctrine does not affect smaller corporations, those selling for less than \$5 million, and offers some relief to those selling for between \$5 million and \$10 million, by taxing only the increasing portion of the total gain as the selling price of the assets increases from \$5 million to \$10 million.

For example, in a \$7 million transaction, two-fifths of the total gain is taxed, whereas in a \$9 million transaction, four-fifths of the total

gain would be taxed. After Jan. 1, 1989, every transaction—regardless of selling price—will be treated identically to those currently selling for more than \$10 million. This tax would be applied at the selling company's corporate rate of 34%.

In those instances where the selling agency's stock is sold or traded for stock of the buying company and where the buyer makes a tax election to step up the basis of the purchased corporation's assets, taxes will be paid at the corporate level based on the "deemed sale" of the underlying assets. This election of a stepped-up basis is usually made so that the buyer can amortize the expirations, etc., thus lowering the buyer's future tax liability and increasing future cash flow.

In this situation, the seller receives the sale proceeds (cash or stock) and does not participate in any corporate tax paid. However, the tax will be a cost to the buyer (paid out the newly purchased company), so it might affect the total amount that the buyer is willing to pay the seller for the agency.

The new tax law causes still more changes by requiring the use of the residual allocation method for allocating the total purchase price for an agency.

For instance, the buyer and seller formerly could negotiate the allocation of the purchase price between the various assets and other components of the deal and include those negotiated amounts in their buy/sell contract. They were even able to each adopt a different allocation based upon methods that differed but that had been ruled to be allowable under the law. This would have allowed each to report different allocation amounts regarding the same transaction.

However, under the new tax law, there is only one allowable method for allocating the purchase/sale price: the residual method. In this method, all identifiable assets are to be valued at their "fair market value" and the residual price assigned to goodwill.

Under tax law "fair market value" for the buyer will be the same as for the seller, since there can only be one "fair market value." More importantly, the values allocated to the different purchased assets will not

stand up to a challenge by the Internal Revenue Service unless a study of fair market value has been made and evidence is available to prove the validity of the methodology used for valuation.

Congress has again ensured that independent valuation consulting firms will have continuing prosperity. In fact, the deal could be negotiated better if the values of the components involved are independently valued in advance, since the seller's tax and the buyer's future tax deductions, which now must be based on identical values, are interrelated.

A seller considering the sale of an agency should begin the process with plenty of lead time, so that a proper independent expiration study and other needed asset appraisals can be secured. The temptation to structure a transaction primarily as the sale of a not-to-compete covenant involves the very real risk that the courts will not accept the high values involved as the true "fair market value" of this type of asset.

If a challenge by the IRS is successful, the downside risk to the buyer is a finding of goodwill, as the residual. Obviously, any value then assigned to goodwill would not be tax-deductible. Therefore, it is strongly recommended that any value assigned to not-to-compete covenants be carefully thought out and reasonably structured to be defensible.

A safer tactic would involve allocating the purchase price to assets, like expirations, where there are existing cases to support "fair market value" findings. Buyers would then be assured a tax-deductible write-off with a reduced chance of a successful IRS challenge. However, an expiration study must be properly completed and documented with individual accounts being valued and their useful life determined based upon the actual historical experience of the selling agency.

It will be some time before the actual impact of the residual allocation method rules are known. As deals are structured with allocation to items based on their "fair market values," which in the past have not been subject to valuation, we will see what the rules really mean.

The prudent businessperson should avoid uncertainty as much as possible. If the economics of the transaction allow fair market valuation allocations to those types of assets where current case law provides tested and acceptable methods of valuation, the buyer will have fewer costly surprises in the event of an IRS examination.

Carla G. Addicks, CPCU, is executive vp and managing partner of consultant Russell Miller Inc., based in San Francisco.



## International Bar Assn.

## British version of EC directive may be challenged: Lawyer

By CAROLYN ALDRED

LONDON—The British law implementing the European Community's product liability directive could be challenged in the European Court of Justice if its section on state-of-the-art defense is not reworded, a EC lawyer says.

EC member countries not implementing the directive "correctly" or on time could be sued by the EC, warned Sidney Freedman, head of the EC Commission's consumer department in Brussels, Belgium, at a meeting of the International Bar Assn.'s consumer affairs section at the IBA conference last month in London.

The product liability directive, which imposes strict liability on consumer product manufacturers in the Common Market, must be incorporated into member states' national legislation by July 30, 1988.

So far, the United Kingdom is the only country that has passed enabling legislation.

However, the British Consumer Assn. already has challenged the wording of the section in the British law concerning the state-of-the-art—or "developmental risk"—defense. The wording also has angered EC officials, who believe it "has undermined the objectives of the directive," observers say (BI, June 15).

The defense as included in the EC directive states that a producer of a defective product shall not be liable if "the state of scientific and technical knowledge at the relevant time was not such as to enable the existence of the defect to be discovered."

This means that the producer is liable if anyone could have realized the existence of the defect, including all scientists and technicians as well as manufacturers of the same or similar products.

However, Britain's Consumer Protection Act, which was passed by Parliament on May 15, says the producer is liable only if it was possible for another manufacturer of the same product to have detected the defect.

The British Consumers' Assn. in August called on the EC Commission to force the British government to change the wording of the clause, which confers on producers "a broader exemption from liability than is permitted under the terms of the directive," according to David Trench, legal officer for the consumer group.

"If the government does not correct the error by new legislation, the consumers association will press for the U.K. government to be taken to the European Court of Justice," the organization said.

"In Brussels, we intended that the producer should only be exempt from liability if nobody, anywhere, could have foreseen the product (defect). I am not sure how well the implementing legislation, particularly in the U.K., measures up to that," Mr. Freedman told lawyers at the IBA conference.

"However, we (the commission) would have to send a written and reasoned statement as to why we think implementation is incorrect," if the commission decided to challenge the British legislation, added Mr. Freeman.

Britain could be taken to the European Court of Justice if it refused a request from the commission to change the clause, Mr. Freeman said after the meeting.

Commission officials are expected to press for talks with officials from the British Department

of Trade and Industry in the next few weeks regarding the developmental risks defense.

A spokeswoman from the department said the DTI so far has received no official approach from the EC regarding the Consumer Protection Act.

"There are no plans for any talks and the commission was consulted about the act at the time it was drafted," she said, adding that the wording of the clause was changed for reasons of clarity. "The government is quite happy with the legislation as it stands."

Any wording change would involve an amendment that would

have to be passed by both houses of Parliament, she said.

The state-of-the-art defense clause, as worded in the British law, was changed back to the wording contained in the directive by the House of Lords, the upper house of Parliament, but it was changed back again to the current wording by the House of Commons on the bill's second reading, despite pressure from consumer groups to drop the state-of-the-art defense completely.

John Law, professor of law at Warwick University in Great Britain, agreed that the version of the

*Continued on next page*

**DENTAFITS, INC.**

Reinsurance manager for

▶Dental ▶Vision

▶Prescription Drug

Group Insurance Programs



For quotes or information call:  
**Renny Thomas** Executive Vice President  
 Managing Underwriter  
 P.O. Box 3209, 527 E. Rowland Ave.  
 Covina, CA 91722 (818) 967-2878



## Crum &amp; Forster Managers Corporation (Ill.)

*A Commitment to Innovation and Excellence.*

Directors & Officers Liability  
 Professional Liability  
 Excess Casualty  
 Primary and Excess Property



**Crum & Forster  
 Managers Corporation (Ill.)**

Chicago • Los Angeles • Miami

## EC directive

*Continued from previous page*  
developmental risk defense in the British law "was of doubtful consistency with the terms of the directive itself."

"The British version benefits industry to the detriment of the consumer and might have to be settled by the European Court of Justice," he said.

Meanwhile, Mr. Freedman admitted that the EC directive, which was first proposed more than 10 years ago, was "shaped around a compromise package" so it could win approval from the European Council of Ministers.

"When the directive was finally adopted by ministers in 1985, it had to be adopted by a unanimous vote. That has since been changed so that directives may be passed by a qualified majority," he said.

Because a compromise has led to the inclusion of two important options that EC member nations could adopt or reject—caps on damages and the developmental risks defense—it "is conceivable that the existence of different standards may lead to forum shopping" by European claimants, Mr. Freedman admitted.

"France, in draft legislation not yet made public, has elected not to adopt the defense, and I expect Belgium and Luxembourg to follow suit," he said.

However, West Germany in its draft legislation has decided to adopt both the developmental risks defense and a damage cap of 70 million European Currency Units (\$79.7 million), said Mr. Freedman (*BI*, Aug. 17).

The German draft legislation is currently being submitted to manufacturers for consultation and is expected to be adopted "satisfactorily" next year, said Klaus Gunther, a lawyer with the firm of Baden Oppenhoff & Schneider in Cologne, West Germany.

"A financial ceiling on each defective product was insisted on by the German insurance industry, which claimed they couldn't otherwise provide product liability insurance cover," Mr. Gunther said.

The directive is expected to increase product costs by 0.2% in West Germany, he added.

Product liability insurance rate increases will vary across the European Community, according to the type of product insured, lawyers at the meeting pointed out.

"British exporters have lived with product liability in the U.S. for many years although some have been forced to pull out," said one attorney attending the meeting.

But, "when the aerospace industry found its premiums being jacked up, it got together and formed a group to negotiate rates for the whole industry, which shows it is possible not to be held up at gunpoint or menaced by insurers," he added.

However, in a separate meeting organized by the IBA's aeronautical law committee, Brian Cookson, corporate secretary for British Aerospace, warned that the EC directive will cause more problems for the aerospace industry.

At a time when the design and manufacture of aircraft is increasingly subject to international cooperation, it is "extraordinary that the governments of the Community have frankly failed to get their act together," Mr. Cookson said.

"It is equally extraordinary that aircraft should be treated on a par with aspirin and washing machines," he said, adding that the implementation of the directive will "increase claims, encourage forum shopping and exacerbate the severe insurance problems the (aviation) industry has suffered."

Also, the refusal of member states to adopt caps on financial liability "will put an incalculable burden of risk on the producer," particularly for the aviation indus-

try, Mr. Cookson noted.

While Britain's new product liability law is due to take effect on March 1, Mr. Cookson urged the government to "wait a little" to achieve harmonization within Europe. However, he also noted the British government "was anxious" to be the first EC government to implement the directive.

Meanwhile, one lawyer questioned whether there was suffi-

cient reinsurance capacity in Europe to cope with the use of strict product liability standards throughout the EC.

"The insurance crisis in the U.S. is absorbing much of the world's reinsurance, and we're only just beginning to see the impact of what is happening in the U.S.," said John Butler, a lawyer with Mercantile & General Reinsurance Co. P.L.C. in London.

U.S. asbestos claims are concerning reinsurers in the London market, and these claims are now just starting to be presented to retrocessionaires, he said.

"The reinsurers and retrocessionaires are not very pleased with the size of the claims coming through and argue that they should not have to pay for the defects of the U.S. Social Security system," he said.

However, "asbestos is only the beginning. Wait until we get the pollution claims," Mr. Butler said, adding that worldwide reinsurance reserves are "all going into a black hole that is the U.S."

As a result, "the availability of reinsurance cover in Europe remains extremely light and it's not going to be easy for manufacturers to get more insurance cover," he concluded. ■

# Bring your Workers' Comp medical costs into FOCUS... and save tens of thousands of dollars



# Bhopal ruling to affect multinationals

By CAROLYN ALDRED

LONDON—Future operations of U.S. multinationals' Third World subsidiaries could be threatened if an Indian court finds Union Car-

bide Corp. liable for the 1984 poisonous gas leak in Bhopal, India, a Canadian lawyer says.

The Bhopal disaster has raised a "myriad set of legal, social, political and economic issues" concern-

ing the export of hazardous technologies to Third World nations by multinational corporations, says Shelly P. Battram, an attorney with the Toronto firm of Osler, Hoskin & Harcourt.

Ms. Battram spoke at the International Bar Assn. conference in London last month.

More than 2,000 people were killed in Bhopal in December 1984 when poisonous gas leaked from a

pesticide manufacturing plant owned by Union Carbide India Ltd. In addition, an estimated 300,000 people may be suffering latent injuries, the effects of which may not be known for several years, said Ms. Battram.

Shortly after the disaster, the Indian government began making compensatory payments of 10,000 rupees (\$765 at current exchange rates) to each family that experienced a death and 2,000 rupees (\$153) to every person who had been seriously affected.

However, payments were suspended a few days after approximately 5,800 payments had been made, and litigation against Union Carbide is now pending in the Indian courts, said Ms. Battram.

The Indian government, acting on behalf of victims of the disaster, last year rejected Union Carbide's proposed settlement of \$350 million.

After a U.S. District Court judge dismissed from U.S. courts all litigation stemming from the disaster (BI, May 19, 1986), the Indian government filed suit Sept. 5, 1986, against Union Carbide in Bhopal District Court seeking \$3.12 billion



Workers' Compensation costs are increasing dramatically. Some companies have seen their costs double, and even triple during the last four years. Prudent managers are looking for ways to control their costs. But, until now, there haven't been many tools available. Catastrophic case management. Vocational rehabilitation. Retrospective review of medical claims. Services that may help, but that lack the fundamental controls that have proven so demonstrably effective in the Group Health area.

Now, a growing number of employers are discovering a *new* approach — a program offered by FOCUS that can reduce Workers' Compensation medical costs by as much as 25%. FOCUS is an independent company working with employers, third party administrators and insurance carriers to help reduce Group Health and Workers' Compensation costs. FOCUS offers two Workers' Compensation programs that are available *now* — COMP-VIEW and COMP-NET.

### COMP-VIEW

An innovative cost containment program designed for employers with multiple locations across the country. COMP-VIEW introduces a carefully-selected team of physicians and nurses who monitor the medical care employees receive for work-related illnesses and injuries.

Major cost-saving features include:

- The FOCUS medical team gets involved immediately, *at the first report of injury.*
- FOCUS medical professionals review all "first reports" and identify potential problem cases. They contact the employee, and, when necessary, the treating physician to assess the appropriateness of the treatment plan, to evaluate whether the injury is work-related, and to determine whether a pre-existing condition is involved.
- COMP-VIEW monitors all surgical procedures and hospital admissions, as well as costly outpatient care.
- Cases that warrant independent medical exams are identified early, *before* bills mount up.

### COMP-NET

Workers' Compensation statutes in many states permit employers to designate the medical providers their employees must see for a work-related injury. Careful selection of providers can have significant impact on reducing costs. FOCUS has developed a "Select Network" of occupational medicine providers,

consulting specialists and hospitals in Atlanta, and is developing additional networks in nine other states. Major cost-saving features include:

- Negotiated discounts with occupational medicine providers, consulting specialists and hospitals.
- Careful screening and selection of high quality, cost-effective providers.
- Medical management protocols that require contracted providers to notify FOCUS medical reviewers whenever surgery, hospitalization or extended outpatient care is anticipated, and whenever lost time is expected to exceed two weeks.

FOCUS invites employers, insurance carriers, associations, TPAs and brokers to learn more about COMP-VIEW and COMP-NET, as well as other FOCUS services that are helping employers reduce their Workers' Comp and Group Health expenditures. Complete the coupon below and send it today for a free, no-obligation video cassette that will show you how FOCUS can help control Workers' Compensation medical costs. Or, if you prefer, phone FOCUS collect at 615-377-9936.

**Bhopal has raised a 'myriad set of legal, social, political and economic issues,' Ms. Battram says.**

in compensation for the Union Carbide's failure "to provide the required standard of safety" at the Bhopal plant.

"If the government of India is successful in imposing liability on UCC (in India) by reason of its multinational corporate relationship with the Indian subsidiary, traditional international legal relationships and investment patterns by multinational enterprises will alter," Ms. Battram said.

Multinationals' investments in less developed countries would fall, and "there would be a corresponding decrease in export and trading by multinationals with those countries," she added.

Also, "American-based multinationals and their subsidiaries will not be cost-competitive in the world market," she continued.

Union Carbide Corp. has a 50.9% stake in Union Carbide India, with the Indian government having a 20% share and the remaining stock traded publicly on the Bombay Stock Exchange, according to Ms. Battram.

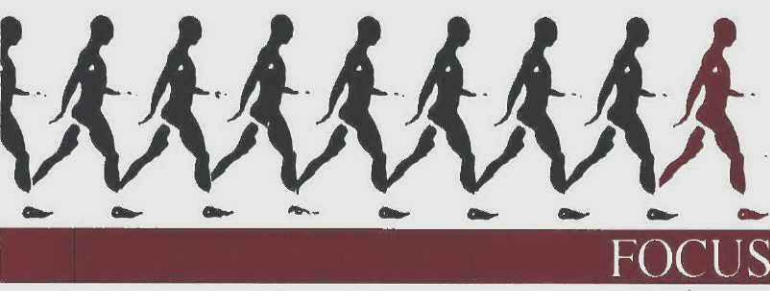
However, "the Indian subsidiary is managed and operated entirely by Indians in India," she pointed out.

In the lawsuit filed in Bhopal, the Indian government alleges that Union Carbide Corp., as the parent of Union Carbide India Ltd., was responsible for the accident because it had "the means to know and guard against hazards likely to be caused by the operation of the said plant... and to provide warnings of danger."

The Indian government is demanding compensation for about 500,000 citizens and punitive damages "in an amount sufficient" as a deterrent to both Union Carbide and other multinational entities "from willful, malicious and wanton disregard of the rights and safety" of Indian citizens, according to Ms. Battram.

A countersuit filed by Union Carbide alleges that the Indian government was responsible for the disaster because, among other

*Continued on next page*



Stepping Forward in Medical Risk Management

Please send me more information on FOCUS Workers' Comp cost-containment programs.

Check appropriate block:  
 1/2" VHS Cassette     3/4" Beta Cassette

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Company: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Phone: \_\_\_\_\_  
If you prefer, call collect to 615-377-9936 to request your video cassette today.

Send coupon to:  
FOCUS HEALTHCARE MANAGEMENT ASSOCIATES  
7101 Executive Center Drive, Suite 160  
Brentwood, TN 37027

## The \$100,000 Baby.

Don't let low frequency fool you...high risk pregnancies are costing you over \$100,000 per infant—and that adds up fast. Not to mention the "hidden" costs stemming from the lost productivity and mental anguish involved in complicated deliveries.

The problem is identifying risk factors early enough to make a difference. The answer is **MaterniCall**—Cost Care's High Risk Pregnancy Identification and Management Program. Improve maternity care and reduce costs...  
**MaterniCall.**

**COST CARE™**

Call:  
Ray Foose, Director Marketing  
1-800-762-3029 Nationwide



Find out about it.

HIGH RISK PREGNANCY  
IDENTIFICATION AND MANAGEMENT

## Bhopal's impact

Continued from previous page  
things, it:

- Encouraged the existence of an illegal slum in the area.
- Insisted that certain products be manufactured in India.
- Restricted the involvement of Union Carbide in the activities of the Indian subsidiary.

The legal issues raised by the disaster affect forum, corporate responsibility, corporate liability and individual rights in an international economic framework, said Ms. Battram.

"Many of the concerns and issues raised in relation to a Bhopal-type accident do not reflect the current state of the law but are ones which will arise in one form or another in the future," she pointed out.

If the Indian government had been successful in bringing action in the United States, "it would have imposed American tort liability and resulting damage award

levels upon American businesses when operating abroad," she said.

Also, if the U.S. court had accepted jurisdiction for Bhopal, "it would have led to an unprecedented amount of litigation by foreign nationals based on claims occurring abroad," she said.

The U.S. legal system is "probably the most benevolent in the world in its measure of damages awarded and the level of liability imposed on manufacturers. The attempt to export American standards... has raised concern among American-based multinational enterprises that they would be placed at a competitive disadvantage as compared to European and Japanese multinationals," she added.

If international investment is to continue, "the legal concept of limited enterprise liability will have to remain intact," she said.

Exceptions to limited liability usually fall into two categories, she said: whether there was a significant or unreasonable undercapitalization of the subsidiary; or, when the separate corporate entity was an agent of the parent.

However, "the extensive and often complex jurisprudence providing for exceptions to the limited liability enterprise doctrine has resulted in unreconcilable case law in the U.S., (which) undermines the utility of the multinational corporate structure and provides a disincentive to foreign investment," she added.

Meanwhile, K.N. Bhat, a senior advocate for the Supreme Court of India, questioned whether Union Carbide's "corporate veil will be strong enough" to avoid liability in the Indian courts.

A recent case tried in India's Supreme Court had imposed strict liability on the Delhi-based Shriram chemical plant, owned by Delhi Cloth Mills Ltd., following a leak of chlorine gas in December 1985.

The court ruled that "in the escape of toxic gas, the enterprise is strictly and absolutely liable to compensate all those who are affected by the accident," said Mr. Bhat. The court also ruled that the company alone had the resource to discover and guard against hazards or dangers and to provide warning against potential hazards, he said.

In addition, the larger and more prosperous the enterprise, the greater the amount of compensation it must pay, the judges ruled.

Since the Supreme Court has jurisdiction over all other courts in India, any decision by that court has "the same effect as statutory law," said Mr. Bhat.

Thus, because the Supreme Court has removed the necessity for plaintiffs to prove negligence, "a major hurdle has been removed" in the Bhopal case, he said.

Meanwhile, the Shriram verdict already has affected multinational companies considering establishing operations in India, he said.

However, Mr. Bhat said it was "disgusting" that multinationals continued to dump lower standard products and technology on developing countries while hiding behind corporate veils.

Industrialized countries should introduce laws requiring a parent company to inform all of its subsidiaries if there are any doubts about particular products being manufactured or a particular manufacturing technique.

"If we choose in India to continue manufacturing, then that's our responsibility. But we have a right to be warned," he said.

However, he said a parent company that recently formed an Indian subsidiary had signed a contract—"although somewhat reluctantly"—making the parent company liable for any claims against the subsidiary if the parent failed to inform the subsidiary of any product defect within one month of receiving knowledge of the defect.

# Announcing something between COBRA and nothing

COBRA requires employees or dependents separating from an employer's group health plan to make a choice. They can choose either high-cost COBRA continuation coverage or no benefits at all.


But now employers can offer something between COBRA and nothing. It's called **Transition Coverage**. And it's quality medical insurance designed specifically for anyone in between medical coverages.

Employees and dependents like **Transition Coverage** because it costs from one-third to one-half less than the typical premiums for continuation coverage. (It doesn't cover any pre-existing medical conditions or expenses resulting from normal pregnancy, so it may not be right for everyone.)

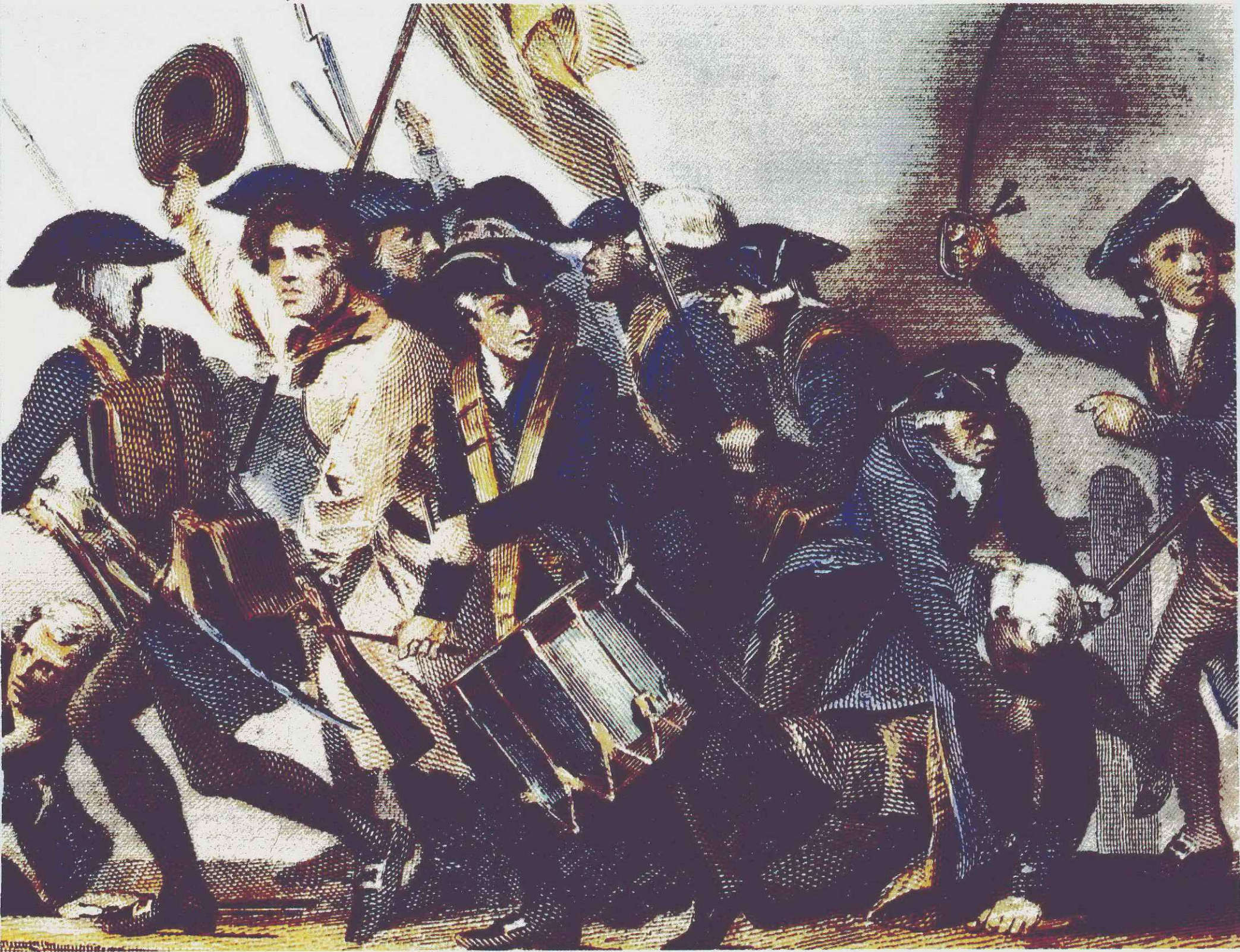
Employers like it because it requires a person making this choice to *opt out of COBRA*. That means an employer can eliminate some of its risk from COBRA claims liability. Plus all administration and claims are handled by Celtic.

If you'd like more information about this innovative coverage that fills a need for both employees and employers, send your business card to Jim Daly at Celtic Life.

# Transition<sup>SM</sup> Coverage

Underwritten by  Celtic Life Insurance Co., 208 S. LaSalle St.,  
Chicago, IL 60604, (312) 332-5401  
Celtic is A rated by A.M. Best Company

# Our Approach To Difficult Insurance Risks Can Be Just As Revolutionary.



The Battle of Lexington touched off the American Revolution. At the Lexington Insurance Company, we've taken part in an insurance revolution, with new and innovative ways to handle extraordinary risks.

This explains why we're the largest Excess and Surplus lines insurer in the U.S., offering more types of protection than anyone else in the country.

It also explains our willingness to *create* a policy, if that's

what it takes to get your business.

To learn more, call (617) 330-1100. Or write Lexington Insurance Co., 200 State St., Boston, Mass. 02109.

We'll get right back to you. After all, it's what you'd expect of a minuteman.

**Lexington Insurance Company**

# Nuclear liability standards under review

By CAROLYN ALDRED

LONDON—Nuclear power experts meeting this month in Vienna will discuss the draft of a proposal that could standardize international third-party nuclear liability standards, a West German lawyer says.

A joint working group of the Organization for Economic Cooperation and Development's Nuclear Energy Agency and the International Atomic Energy Agency will meet in Vienna on Oct. 27-30, said Norbert Pelzer of the University of Göttingen in West Germany.

The group will compare notes on a draft protocol that will bridge a gap between the two main international treaties on civil nuclear liability: the Paris Convention and the Vienna Convention.

"Provided the outcome of this conference is successful and provided all contracting parties to the Paris and the Vienna conventions accept the joint protocol, 24 (countries) will form a nucleus of internationally harmonized nuclear third-party liability law which hopefully will attract as many other (countries) as possible to accede," Mr. Pelzer said.

A uniform standard would better enable nations to cope with major nuclear accidents like last year's accident at the Chernobyl nuclear power plant in the Soviet Union, Mr. Pelzer told lawyers attending the International Bar Assn. conference last month in London.

However, both the Paris and Vienna conventions are based on a premise of limited liability and "in view of the Chernobyl experience,

(this) needs re-examination urgently," Mr. Pelzer said.

"I want to stress that it is high time to increase the amounts of nuclear liability substantially, either by fixing very high amounts—as is planned in the United States—or by canceling any limitation in amount," he said.

The Paris Convention on Third Party Liability in the Field of Nuclear Energy, established by OECD's Nuclear Energy Agency, was first signed in July 1960. It has been revised several times and is expanded by the Brussels Supplementary Convention of 1963.

The Paris Convention has been ratified by 14 nations: Belgium, Denmark, Finland, France, West Germany, Greece, Great Britain, Italy, Netherlands, Norway, Portugal, Spain, Sweden and Turkey. All

except Greece, Portugal and Turkey also signed the Brussels Supplementary Convention.

The Vienna Convention, drafted under the auspices of the IAEA, was first signed in May 1963 and has been ratified by 11 nations: Argentina, Bolivia, Cameroon, Cuba, Egypt, Niger, Peru, Philippines, Trinidad and Tobago and Yugoslavia.

Both conventions impose strict liability on operators of nuclear installations. Other principles laid down by both conventions include:

- Placing liability exclusively on the nuclear plant operator.
- Limiting liability in terms of monetary amount and length of time in which claims can be filed.
- Free transfer of compensation between the contracting countries.
- Exclusive jurisdiction of the

courts of the contracting country where the nuclear incident occurred.

• Enforcement of judgments of courts in other contracting countries.

However, although the conventions establish strict liability and grant the victims means to sue, "the conventions provide for a bundle of measures to limit the operator's liability in order to protect him," Mr. Pelzer said.

For example, the Paris Convention stresses the necessity to protect the operator and the suppliers against "the heavy financial burden which could result from unlimited liability."

However, "today—especially after Chernobyl—the approach to nuclear liability law has changed. Although it is still correct that there ought to be a reasonable balance between the interests of the potential victims and the interests of the operator liable, it has to be emphasized that the protection of the victims has priority over that of the operator," Mr. Pelzer said.

An operator's current maximum liability under the Paris Convention is 15 million Special Drawing Rights (\$19.3 million), a monetary unit created by the International Monetary Fund. Nations signing the convention, however, may establish by legislation a greater or reduced liability limit, provided there is insurance coverage available for an increased liability limit and provided the lower liability limit is not less than 5 million SDRs (\$6.4 million).

The Vienna Convention maintains that "the liability of the operator may be limited by the installation state to not less than \$5 million for any one nuclear incident."

Under the Brussels Supplementary Convention for damages exceeding the operator's liability limit, 70 million SDRs (\$90.2 million) will be provided from public funds made available by the country in which the nuclear plant is located.

Compensation totaling between 70 million SDRs (\$90.2 million) and 120 million SDRs (\$154.6 million) will be provided from public funds made available by affected contracting parties.

The Brussels protocol was amended in 1982, raising the maximum compensation levels to 175 million SDRs (\$225.4 million) to 300 million SDRs (\$386.4 million) from 70 million SDRs to 120 million SDRs. But this amendment has yet to be ratified in all nations that have signed the Brussels protocol.

In addition, the operator's liability in each convention is limited in terms of length of time. Claims under both conventions are barred 10 years after the date of the nuclear incident, Mr. Pelzer said.

Unlimited nuclear liability is only found in Bulgaria, East Germany, Hungary, Japan, Poland and Switzerland, he added.

"The aftermath of Chernobyl gives evidence that the potential extent of damage caused by a nuclear incident is very large. Considering this, the liability ceiling of 15 million SDRs fixed in the Paris Convention is just ridiculous, and even the increase of the compensation provided by the Brussels Supplementary Convention results in an amount which certainly will not cover the claims for compensation following a major nuclear accident," he said.

"The solution of the conventions to fix a small liability amount and a short period of extinction (is in line with) the principle of congruence between liability and (available) coverage. . . . This principle renders liability dependent on the insurance industry," he said. ■

## Over 3800 Businesses Have Chosen Health Benefits Research Corporation to Reduce Costs and Improve Quality of Care.



Since Eugene McCarthy, M.D., M.P.H. pioneered the original second opinion concept over 16 years ago at New York Hospital-Cornell Medical Center, HBRC has continued its research into controlling health care costs while improving quality of care. After a quarter of a million patient consultations, our results speak for themselves—four innovative programs with proven results:

**Second Opinion** Our Second Opinion Program is the original and largest panel of over 28,000 board certified surgeons in the U.S. and Europe.

**Ambulatory Surgery** Allows employers, insurers and joint trust funds to take advantage of shifting confirmed surgeries to an ambulatory setting.

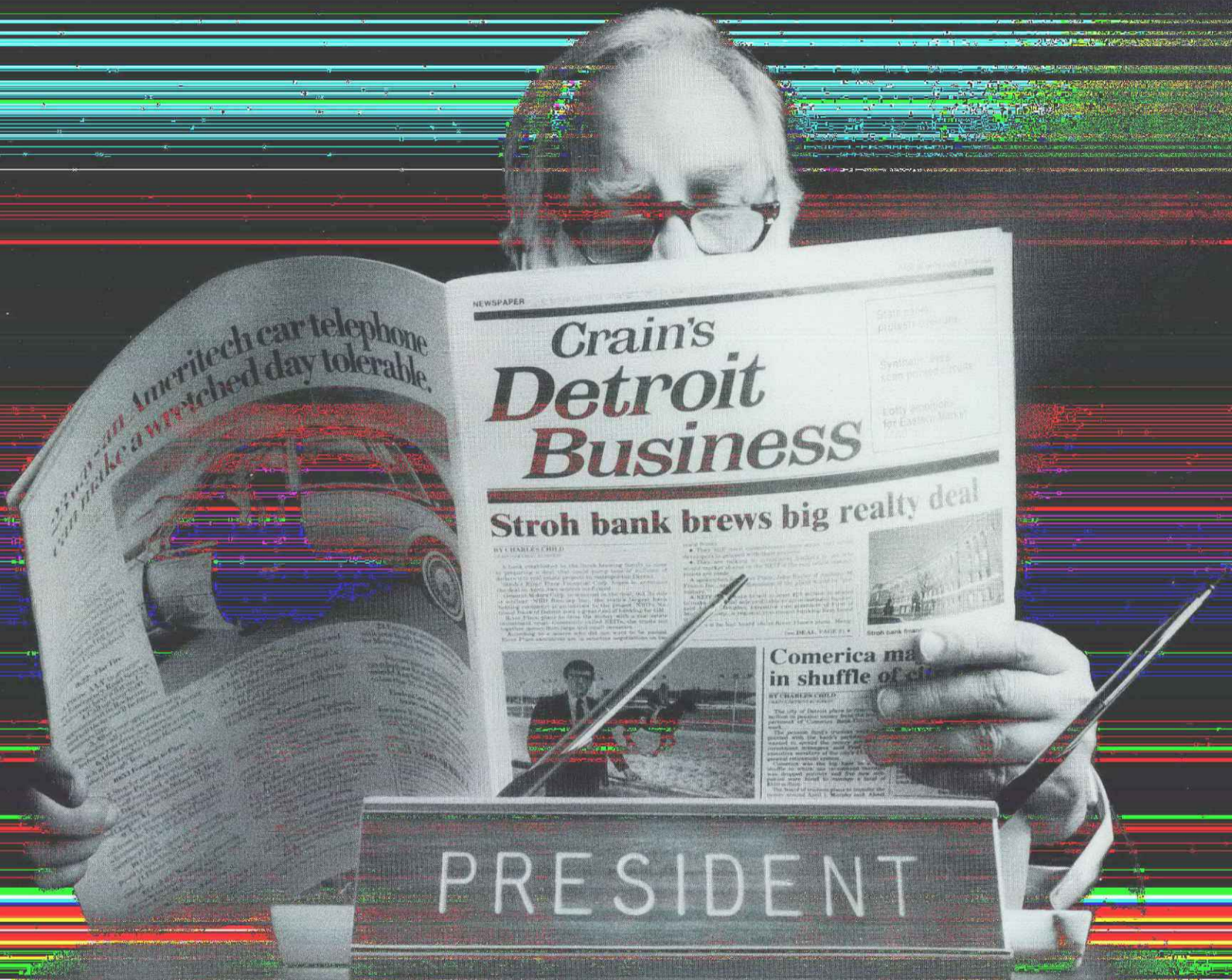
**Pre-Estimate** Informs the patient and insurer of actual surgical costs and reimbursement before surgery occurs. Fee negotiation or referral to our nationwide panel of surgeons who have agreed to accept allowable reimbursement is also available.

**Disability Review** Reconfirms a long-term disability before the claim is approved.

Use our 16 years of research and experience by contacting:

Health Benefits Research Corporation  
235 East 67th Street, New York, NY 10021  
In NY State: 800-631-1220  
Outside NY: 800-522-0036

# IF YOU WANT TO SELL INSURANCE IN DETROIT, MAKE A POLICY OF GOING STRAIGHT TO THE BOSS.



With over 33,000 subscribers, Crain's has Detroit business covered. If your insurance company wants to up its coverage in the Motor City, an ad in Crain's can help insure your success. Because Crain's delivers a premium business audience, 55% of Crain's subscribers have a say in their employee benefit programs and 42.9% help decide on their companies' insurance and risk management. With an average net worth of \$630,900, their personal finances aren't a bad risk either. And because our readers are

top executives with busy schedules, they put a premium on their time; and surprisingly enough, they don't spend that time reading national general business publications that you usually advertise in.\* So if you want to underwrite Detroit business, you can't afford to overlook Crain's. If you'd like to claim more of Detroit's insurance market, just call (313) 446-6032 for more information, a complete media kit or to place an ad. This time, you'll be the beneficiary.

**Crain's**  
**Detroit**  
**Business**  
 CRAIN'S MEANS BUSINESS

\*Source - Crain and Morgan, Inc. Subscriber Survey, 1994.

# Product liability claims surge seen

By CAROLYN ALDRED

LONDON—British manufacturers will face increased product liability litigation and will have to fight harder to defend product liability claims, a London lawyer predicts.

"There will be more (product liability) claims following the Consumer Protection Act," David McIntosh, a lawyer with the London law firm of Davis Arnold & Cooper, warned fellow attorneys attending the International Bar Assn. conference, held in London last month.

The Consumer Protection Act, which was passed by the British Parliament in May, introduces strict liability into British law in accordance with the European Community's controversial product liability directive (see story, page 53).

Differences in how EC member nations will implement the product liability directive will mean that European product manufacturers will fall victim to forum shopping by plaintiffs looking for the best jurisdiction in which to bring a claim—a phenomenon that previously has been confined only to the United States, Mr. McIntosh predicted.

In addition, product manufacturers—particularly in the United Kingdom—are becoming increasingly pressured by consumer activists acting "under the cloak of action groups," Mr. McIntosh pointed out.

"Action groups formed to represent the interest of groups of injured people are becoming more prevalent. Pressures are not confined to litigation. The action groups are adept at lobbying Parliament and the media," he explained.

And, directors, officers and employees of companies can no longer rest easy either because "individu-

**'Action groups formed to represent the interest of groups of injured people are becoming more prevalent. Pressures are not confined to litigation. The action groups are adept at lobbying Parliament and the media,' says Mr. McIntosh.**

als have also become a target" of the action groups, Mr. McIntosh said.

In particular, Mr. McIntosh singled out the Opren Action Group, formed to represent alleged British victims of Opren, an anti-arthritis drug manufactured by U.S. pharmaceutical corporation Eli Lilly & Co. of Indianapolis.

Mr. McIntosh's law firm is repre-

sending Eli Lilly in legal action pending in London's High Court (BI, June 15).

As part of a publicity campaign launched in July in an effort to recover damages from Eli Lilly, the group purchased a full-page advertisement in The Times of London, urging British and U.S. directors of the company—whose names and addresses appeared in the adver-

tisement—to compensate the claimants.

However, a London High Court judge later warned the group that the advertising campaign could be held in contempt of court (BI, Aug. 3).

This type of campaign "has made the British public more aware of the possibility of suing and this, in combination with the move toward strict liability, will lead to many more" product liability claims, Mr. McIntosh said.

However, manufacturers can take certain actions to avoid claims and escalating product liability insurance premiums, he noted. These include:

- Improving internal practices and procedures to minimize the risk of being sued.

- Paying closer attention to effective public relations and marketing.

- Conducting regular risk management audits.

- Keeping abreast with the state of the art and competitors' developments.

- Defining job specifications as tightly as possible.

- Using outside lawyers to screen the company's product warning literature.

- Using expert advice to obtain the best possible product liability insurance coverage.

Up until now, damage awards in the United Kingdom have been low, Mr. McIntosh pointed out. However, awards are now rising faster than the rate of inflation, he said. ■



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<sup>00</sup> 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.

## Benefit networks

Continued from page 3  
and information services of networks, as they strive to consolidate and more effectively manage all of the benefit plans offered to all of their employees, some consultants and network officials point out.

"Overall, the financing of benefit plans, such as the selection of investment managers for their pension plans, and achieving a better use of cash is an issue with benefit managers," said David H. Healy, a vp in the New York international office of benefit consultant Towers, Perrin, Forster & Crosby.

"On the risk benefits side, benefit managers have become clearly more aggressive in monitoring multinational pooling mechanisms," Mr. Healy said, referring to health insurance, short-term and long-term disability insurance and life insurance.

Mr. Healy and other experts point out that one of the greatest

**'Before, foreign pension plan numbers were only a footnote on a company's balance sheet. Now, they must be fully noted, and this has caused corporations to sit up and take notice of overseas pension costs,' says Jerry Long.**

concerns of benefit managers regarding the management of benefit plans for U.S. and overseas employees is the Financial Accounting Standards Board's accounting standard No. 87.

FASB 87, which will be effective for all employers by 1989, will, among other things, require full disclosure of pension plan expenses in companies' financial statements.

"I think we're seeing a more than moderate trend toward a centralization of management of benefits on a global scale, and this has been accelerated by FASB 87," con-

cluded Jerry Long, a managing director for Alexander Consulting Group's international consulting service in New York.

"Before, foreign pension plan numbers were only a footnote on a company's balance sheet. Now, they must be fully noted, and this has caused the treasury departments of corporations to sit up and take notice of overseas pension costs," he explained.

Network officials say that they also have noticed an increased interest in pension plan funding and accounting as a result of FASB 87.

"FASB 87 has sunk in in the

minds of many clients. We know it's on their minds because we polled clients for an international benefits seminar, and this was the most popular issue they wanted more information about," said Michael J. Allan, second vp at John Hancock International Group Program, a Boston-based international benefits network.

"Clients are interested in this not only from the standpoint of what it takes and the the problems involved in getting subsidiaries to comply, but also from the point that now they must review their funding vehicles overseas and how they have performed investment-wise," explained George G. Smyth, a vp in the New York office of Winterthur International Network.

But, some experts contend there has been little action by networks regarding FASB 87.

"We very rarely become involved with FASB work, since a great deal of our clients utilize their consultants for this," explained Robert

Pickrell, a managing director in the South Norwalk, Conn., office of Insurope/The Multinational Benefits Associates.

"Insurance companies really have not been going all out to address this issue yet. Consultants have, but on a multinational level we haven't seen that," said Ross Pollack, a consultant with Lincolnshire, Ill.-based Hewitt Associates.

However, one expert predicts that as a result of FASB 87, many multinationals will turn to networks not only to ensure that overseas pension costs are reasonable and well-managed, but also to receive information about the management of their overseas pension plans.

"FASB 87 will create a beneficial fallout for networks. Beginning in 1989, it will be a real big era for interest in international benefits and pooling these benefits," said Paul M. Shimer, assistant secretary at Hartford, Conn.-based Multinational Insurance Arrangement, a network established by Travelers Insurance Co.

Along with FASB 87, experts note that a decrease in the amount of social security benefits paid by the governments of several countries is a major issue for U.S. multinationals, especially since many multinationals offer defined benefit pension plans that are integrated with, or are offset by, foreign government social security benefits.

Because of this, many employers could find their pension plan expenses increasing as the social security portion of employees' pension benefit decreases.

To ward off increased pension benefit liabilities, many benefit experts also say there is a growing trend toward the implementation of defined contribution pension plans by multinationals for their overseas employees.

"Multinationals are very carefully making sure that their plans are not left holding the bag if state programs go under. The old days of social security integration are slipping away, and some employers are switching to defined contribution pension plans," noted Mr. Healy of TPF&C.

"The biggest problem here is that if companies have a defined benefit formula integrated with social security, if they aren't careful, they can end up paying what the government isn't paying. Our clients don't want to pick that up by default," said Mr. Allen of Hancock.

Gianni Ban, a senior vp in the New York office of Aetna-General International Benefits Network, agreed. "As the social security benefits paid by governments are being reduced, more companies don't want to see their pension plans integrated with social security. Many are moving to defined contribution plans," Mr. Ban said.

"In Italy and Spain, where the governments have cut back on social security, companies are really wondering whether defined benefit pension plans are the best designs for the future. Many are looking at defined contribution plans," observed George G. Smyth, a vp in the New York office of Winterthur International Network.

"Especially in Spain and Italy, where defined benefit plans are integrated with social security, we're going to see a lot more decoupling and more interest in defined contribution plans," predicted Paul M. Shimer, assistant secretary in the international employee benefits and pension division of the Travelers Corp.'s Multinational Insurance Arrangement.

"Social security isn't going to be able to sustain the needs of employees, and companies are going to be obliged to provide a plan to fill in the gaps left by the decrease in social security benefits," said

Continued on next page

# Underwriting is more than taking orders.

It's understanding risk. At American Re, our underwriters are experienced professionals, not just ordertakers. They're knowledgeable. Dedicated. Responsive.

They're backed by innovative services like Client Teams. Planning Table® Underwriting Audits. Claims programs in Arson Prevention; Massive Injury, Litigation and Catastrophe Management. With a policy of prompt claims payment.

For reinsurance coverage that really serves your needs, talk to the professionals at American Re. Where underwriting is understood.



**American Re-Insurance Company**

One Liberty Plaza, 91 Liberty Street, New York, NY 10006 (212) 618-7000

Atlanta • Boston • Chicago • Columbus • Dallas

Hartford • Kansas City • Los Angeles • Minneapolis • New York • Philadelphia • San Francisco

Bogota • Cairo • London • Melbourne • Montreal • Santiago • Singapore • Sydney • Tokyo • Toronto

# Benefit networks

Continued from previous page  
Giles Archibald, head of International Consulting in the United States for New York-based William M. Mercer-Meidinger-Hansen Inc.

Because of the changes in the social security programs of foreign countries, there is an increased pressure on insurers to develop new pension and investment management products, experts say.

"Many multinationals are turning to the insurance market for new insured pension products. In Italy, for example, there is tremendous pressure on insurers to develop competitive products. Many of the products they now offer are products more than 30 years old in the U.S. market," explained Burt Murdoch, a vp in the Stamford, Conn., office of The Wyatt Co.

"The traditional methods of pension funding are being looked at with close scrutiny. Benefit man-

**'Many multinationals are turning to the insurance market for new insured pension products. Many of the products they now offer are products more than 30 years old in the U.S. market,' explains Burt Murdoch, a vp with The Wyatt Co.**

agers want greater returns and more flexibility. Larger clients are not going to accept the old ways. This will move insurers to be more flexible in developing pension funding vehicles," explained Mr. Pickrell of Insurope.

"In the future, there should be more sophisticated funding and more funding alternatives available to multinationals," predicted Cecil C. Gamwell, vp and director in the New York office of American International Group's Group Management Division.

Some networks are actively seeking pension-related business

in some countries. For example, "In Italy, particularly, the government has cut back on social security, and Generali has gone after pension business in that market," noted Elaine B. McDonald, director of international marketing for Aetna-Generali.

In addition to these issues, multinationals are becoming increasingly interested in providing private health insurance for their overseas employees, either as a supplement or replacement for government-provided health coverage, some benefit experts say.

"In many countries that have na-

tional health insurance, the quality and waiting time for health care delivery have become terrible," said Mr. Long of the Alexander Consulting Group. "But, even in the face of higher premium costs, added to the taxes that go toward the national health system, a lot of companies still think it's more cost-effective to pay for this than to have sick employees and lost productivity."

"In midwestern Europe and South America, because of the time lag in receiving health care, employers are providing supplemental plans. This is an added cost, but governments are looking to shift more of this to the private sector anyway," said Hewitt's Mr. Pollack.

"In the United Kingdom, we are seeing more employers wishing to take out private coverage for employees. The other country where we've seen this increase is Belgium," said Mr. Pickrell of Insurope.

"There is more interest in supplementing government-sponsored plans because of delays in treatments and the poor quality of care in some countries. This goes hand-in-hand with the difficulty some governments are having in meeting their pension promises," said Mr. Shimer of Travelers' Multinational Insurance Arrangement.

Along with the interest in providing private health insurance is an interest to manage health care costs and quality. So, some networks have begun developing managed care plans similar to the health maintenance organizations and preferred provider organizations in the United States.

"The degree of the health care cost problem is much lower overseas, but it is still a problem U.S.-based multinationals have not paid enough attention to. We have established PPOs in Brazil, Mexico and Venezuela and are looking at developing them in other countries," noted Mr. Allan of Hancock.

Insurope also has developed a PPO in Venezuela through Pan American Life Insurance Co., according to Mr. Pickrell.

Multinational benefit managers are also interested in getting a handle on benefit assets and expenses before, during and after a merger or acquisition, consultants and network officials say.

"Employee benefit plans and pension plans are becoming more sizable because of currency values and interest" rates, so these plans are becoming an important factor in mergers and acquisitions, noted Mr. Archibald of Mercer.

"Because of the current merger and acquisition climate and FASB 87, multinationals are finding that they have to look more closely at their assets," said Mr. Smyth of Winterthur.

Benefit experts also have observed multinational benefit managers' increased quest for information about their overseas benefit plans from networks.

"Clients are looking at pooling reports as a financial planning tool, like an annual report," said Hewitt's Mr. Pollack. "There is more pressure on insurers to deliver these reports on a timely basis. Clients are looking more to networks as a resource and information tool, and the quality of information coming from networks has improved."

"Employers are looking at networks more for services now. They want information so they know what is going on in local offices," agreed Mr. Ban of Aetna-Generali.

Networks can help multinationals to more effectively administer their overseas benefit plans, according to one consultant.

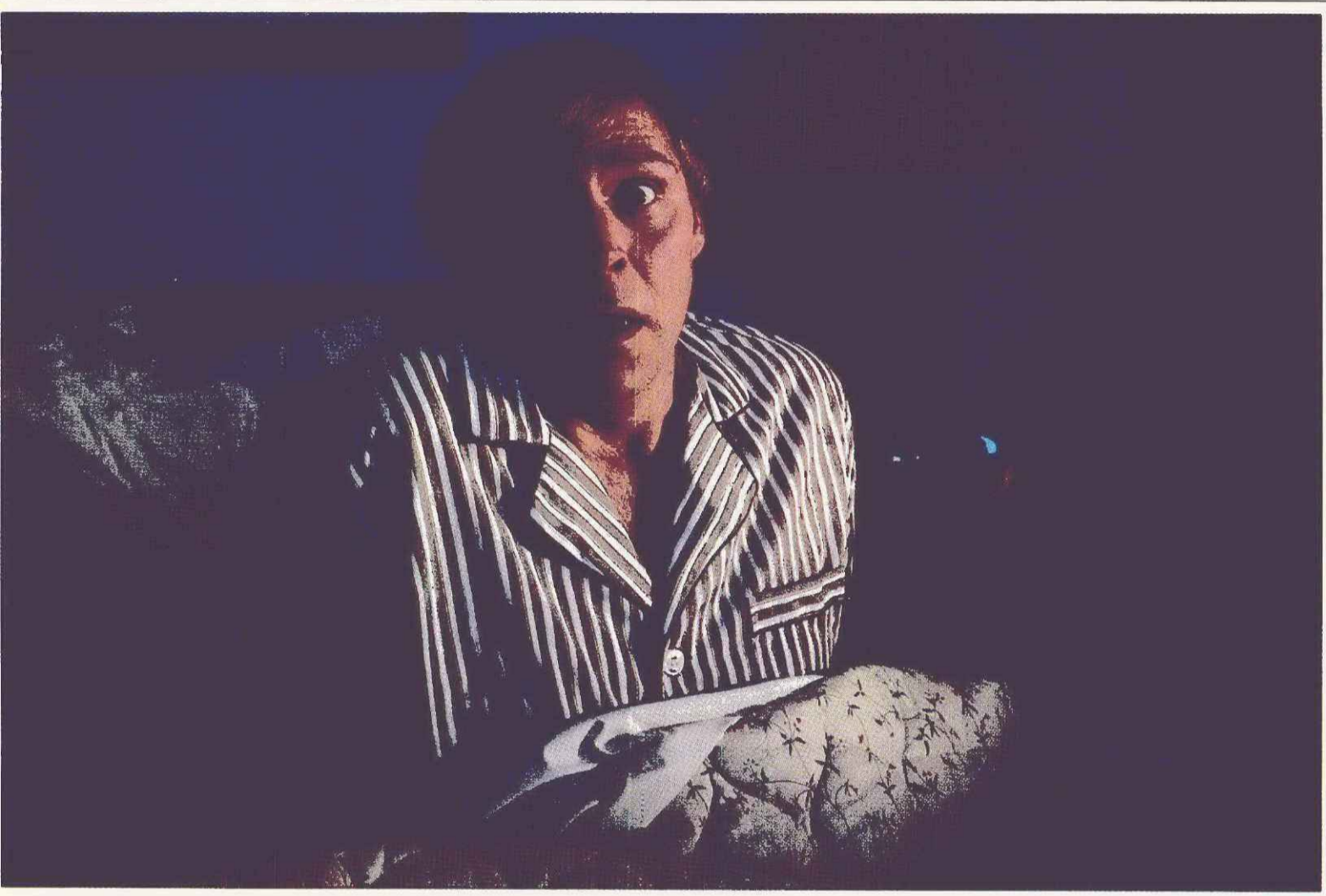
"A lot of countries are hopelessly behind the U.S. in record keeping and administration. By automating the whole salary administration system, companies are able to perform this on a more consistent basis," explained Mr. Long of the Alexander Consulting Group.

While the network market has remained stable and consistent over the last several years, network officials predict steady growth from U.S.-based multinationals over the next year.

But, some networks predict that their greatest growth will come from foreign-based multinationals with U.S. operations.

"What's changing is the whole concept of multinational. In the past, the focus has been on the U.S.-based multinational. But, Aetna-Generali is really taking a look at European, Canadian, and in time Korean and Japanese multinationals," said Ms. McDonald.

Mr. Allan noted that "our fastest growth is coming from overseas or foreign-based multinationals. The expansion of Japanese and European multinationals in the United States is incredible. It's very inexpensive for them to invest in the U.S."



## The nightmare of rising healthcare costs... (and what you can do to manage your company's group benefits plan to sleep better at night)

Losing sleep over your company's medical bills?  
Tense from worrying about the effects of a catastrophic illness or accident?  
Frustrated by traditional benefits plan designs?  
At General American we recognize the symptoms caused by uncontrolled healthcare expenses. And we prescribe healthcare plans that help treat the causes of these costs.

For information about how General American can help you manage healthcare costs for your group, contact your consultant, broker, agent or local General American group sales office, mail the coupon... or take two aspirin and call Marketing Director John Behl in the morning (314) 525-3600.

**General American**  
products to value,  
people to trust

BI-3  
**Rx** Please send me information about:  
 Your PPO  
 Catastrophic Case Management  
 Utilization Review  
 Cost Containment  
 FLEXTRA Flexible Benefits  
 Alternate Funding Mechanisms  
Mail to: John Behl  
Marketing Director—Large Group  
13045 Tesson Ferry Rd.  
St. Louis, MO 63128  
Name \_\_\_\_\_  
Company \_\_\_\_\_  
Address \_\_\_\_\_  
City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_  
Phone \_\_\_\_\_

# HOW DO YOU MEASURE A MILESTONE...

For 20 years Business Insurance has provided its readers with landmark issues. They have covered a broad range of important topics. And all have had industry-wide impact.

In keeping with this tradition, the editors of Business Insurance are pleased to announce publication of two special historical and informative issues.

## OR TWO ?

Each surveys and details, in great depth, the significant points, events and changes that have acted to shape the evolution, development and growth of a major sector of the insurance industry.

**October 26, 1987**

### **20 YEARS OF RISK MANAGEMENT INNOVATIONS**

**Ad closing: October 13, 1987**

**November 2, 1987**

### **20 YEARS OF EMPLOYEE BENEFITS INNOVATIONS**

**Ad closing: October 20, 1987**

Both will enjoy longevity. Both will be valuable, permanent additions to the most complete and enduring history of the past 20 years.

As a leader in this field, can you afford not to have your organization represented in these two lasting, milestone issues of Business Insurance? Think about it.

**For 20 Years The Choice Has Been Crystal Clear**

# **Business Insurance**

a publication of Crain Communications Inc.

**NEW YORK**  
220 East 42nd Street, New York, NY 10017  
(212)210-0133

**CHICAGO**  
740 Rush Street, Chicago, IL 60611  
(312)649-5275

**LOS ANGELES**  
6404 Wilshire Boulevard, Los Angeles, CA 90048  
(213)651-3710

**BI's Complimentary 20th Anniversary Copies**  
To make certain these two important issues of Business Insurance don't "get lost" in routing, you can request an extra copy, to keep for your own personal reference file. Simply complete the coupon, return it before October 9, clipped to your letterhead—we'll do the rest.

Mail to: Business Insurance/Promotion  
220 East 42nd St./Suite 930  
New York, NY 10017

20 years of Risk Management  20 years of Employee Benefits

NAME \_\_\_\_\_

TITLE \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_

CITY \_\_\_\_\_ STATE \_\_\_\_\_ ZIP \_\_\_\_\_

offer expires October 9, 1987

BI 10/5

## IS IT REALLY A DRUG PROBLEM?

Mental Health and Substance Abuse problems are delicate and require a special kind of case management.

But the first step is knowing *exactly* what to treat. Only Cost Care utilizes:

- ✓ Over 270 clinical indicators to unmask hidden personal problems.
- ✓ Staff physicians and psychiatrists reviewing every case.
- ✓ Review of both physical and mental health related admissions.

We treat your employees the way their doctors do—case by case.

**COST CARE™**

Call:  
Ray Foose, Director Marketing  
1-800-762-3029 Nationwide



MENTAL HEALTH/SUBSTANCE ABUSE  
CASE MANAGEMENT

# First BI directory of benefit networks

## The Aetna/Generali International Benefits Network

151 Farmington Ave., Hartford, Conn. 06457; 203-636-6829

	1986	1985
Gross premiums...	\$152,000,000	\$125,000,000
Pension funds...	\$750,000,000	\$625,000,000
Employees.....	90	85
Master contracts..	90	80
Countries.....	45	45
Offices.....	51	50
U.S. based.....	100%	100%

**Year formed:** 1966.

**Member companies:** Assicurazioni Generali, Argentina; Aetna Life & Casualty, Australia; Generali-Allgemeine Lebensversicherung A.G., Austria; Generali Belgium S.A., Belgium; Generali do Brasil, Brazil; Aetna Canada/Excelsior Life Insur-

ance Co., Canada; Aetna Chile S.A., Chile; Cia. Granadina de Seguros, Colombia; Baltica-Skandinavia Insurance Co., Denmark; La Nacional Cia. de Seguros, Ecuador; Misr Insurance Co., Egypt; Generali France S.A., France; Generali Lebensversicherung A.G., West Germany; Generali Life A.E., Greece; Aseguradora General S.A., Guatemala; East Asia Aetna Insurance Co. Ltd. and Blue Cross (Asia-Pacific) Insurance Ltd., Hong Kong; Irish Life Assurance Co., Ireland; Assicurazioni Generali S.p.A., Italy; Mitsui Mutual Life Insurance Co., Japan; Daehan Kyoyuk Life Insurance Co., South Korea; Le Foyer Cie. Luxembourgeoise d'Assurances, Luxembourg; Universal Life & General Insurance Co., Malaysia; Seguros America S.A., Mexico; De Nederlanden van 1870, Netherlands; Aetna Life & Casualty, New Zealand; Forenede Liv A/S, Norway; Cia. Internacional de Seguros de Vida S.A., Panama; Cia. de Seguros ATLAS, Peru; Insular Life Assurance Co., Philippines; Tranquilidade Seguros E.P., Portugal; Insurance Corp. of Singapore, Singapore; Standard General Insurance Co., Republic of South Africa; Assicurazioni Generali, Spain; Skandia International Insurance Co., Sweden; Geneva Life Insurance Co., Switzerland; Cathay Life Insurance Co., Taiwan; China Union Life Insurance Co., Thailand; Assicurazioni Generali, Turkey; Aetna Life Insurance Co. Ltd., United Kingdom; Aetna Life & Casualty/Employee Benefits Division, San Francisco, Chicago, New York and Hartford, Conn.; Seguros Nuevo Mundo, S.A., Venezuela; Aetna Life & Casualty, Bermuda; Assicurazioni Generali, Channel Islands; Generali/London; Aetna marketing office, Belgium, London; Aetna/Generali International Office, New York.

**New participants:** East Asia Aetna/Blue Cross (Asia Pacific) Ltd., Hong Kong.

**Minimum requirements:** No minimum requirement for participation in network; two countries and 100 lives for participation in multinational pooling arrangements.

**Business:** 52% pensions, 24% life, 12% long-term disability, 7% medical, 5% accidental death.

**International dividends:** Loss carryforward system; stop-loss system and loss carryforward system with contingency fund are available.

**Principal officers:** Robert V. Lyle, assistant vp; Giorgio Fanin, manager-group division.

**Contact:** Elaine B. McDonald, director-international marketing, 203-636-6806.

## Strength and security in a changing world.



**Strength in our capital and surplus. Strength in our service to both treaty and facultative clients. And security in knowing that Skandia, serving clients since 1900, is the oldest operating reinsurance company in the U.S.**

Headquarters: 280 Park Avenue, New York  
Atlanta, Chicago, New York, San Francisco



SKANDIA AMERICA GROUP

## American International Group Inc.-Group Management Division

70 Pine St., New York, N.Y. 10270; 212-770-5060

	1986	1985
Gross premiums...	\$278,587,000	\$216,689,000
Pension funds....	\$532,200,000	\$182,300,000
Employees.....	24,000	21,000
Lives covered.....	210,000*	179,000*
Master contracts..	150	120
Countries.....	140	135
U.S. based.....	8%	8%
Foreign based....	92%	92%

\* Foreign lives covered under pooling agreements only.

**Year formed:** First pooling agreement effective in 1952.

**Member companies:** Wholly owned companies and subsidiaries located in more than 140 countries.

**New participants:** ALICO, Korea.

**Minimum requirements:** Local currency contracts require a minimum of three covered lives, pooling agreements require employees in two countries and \$75,000 annualized premium.

**Business:** 41% life; 20% medical; 19% pensions; 11% credit life, mortgage life and disability; 8% accidental death; 0.8% long-term disability; 0.2% short-term disability.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** G.A. Abouzeid, executive vp; A.R. Williams, chairman-domestic life companies; R.R.

Continued on facing page

Continued from facing page  
Collins, president-ALICO; C.C. Gamwell III, vp/director.  
**Contact:** C.C. Gamwell III, vp/director, 212-770-5060.

**AREA Benefits Network**

Avenue de Beaulieu 25, BTE 7,  
B-1160, Brussels, Belgium;  
322-672-2279

	1986	1985
Gross premiums...	NA	NA
Pension funds...	NA	NA
Lives covered...	27,000	20,000
Master contracts...	50	30
Countries...	37	37
U.S. based...	8%	8%
Foreign based...	92%	92%

pinas Life Assurance Co., Philippines; Fidelidade Grupo Segurador, Portugal; Credit & Commerce Insurance Co., Qatar; Insurance Corp. of Singapore, Singapore; Catalana Occidente, Spain; Pax Leben, Switzerland; T. Genel, Turkey; Credit & Commerce Insurance Co., United Arab Emirates; Eagle Star Insurance Co., United Kingdom; Equicor, U.S.

**Affiliates:** Skandia International Insurance Corp., Sweden.

**New participants:** Filipinas Life, Philippines; Interamerican, Greece.

**Minimum requirements:** Two countries, 100 lives; 25 lives for small group pooling arrangements.

**Business:** 55% pensions, 35% life, 6% long-term disability, 3% short-term disability, 1% medical.

**International dividends:** Stop-

loss system, loss carryforward system and loss carryforward system with contingency fund.

**Principal officers:** J.W. Broekhuizen, chairman/general manager-Amev Leven; Hugo Clemeur, secretary general.

**Contact:** T. Herdina, 212-566-7744; U. Petersen, 516-734-6574.

**CIGNA Worldwide International Life & Group**  
1600 Arch St., 9JFK,  
Philadelphia, Pa. 19103;  
215-569-5300

	1986	1985
Gross premiums...	\$222,550,000	\$147,791,000
Pension funds...	\$230,400,000	\$194,900,000
Employees...	1,550	1,500

Lives covered...	727,339	654,000
Master contracts...	4,474	4,000
Countries...	16	15
Offices...	62	60
U.S. based...	28%	27%
Foreign based...	72%	73%

**Year formed:** 1980.

**Member companies:** Crusader Insurance Co. of Australia Ltd., Australia; Colina Insurance Co. Ltd., Bahamas; CIGNA Seguradora S.A., Brazil; CIGNA Compania de Seguros de Vida (Chile) S.A., Chile; La Continental Cia de Seguros Generales S.A., Colombia; CIGNA Hellas S.A., Greece; Seguros Cruz Azul S.A., Guatemala; INA International Insurance Co. Ltd., Haiti; Insurance Co. of North America, Hong Kong; INA Life

Insurance Co. Ltd., Japan; Life Insurance of North America-Korean Branch, South Korea; CIGNA Worldwide Insurance Co., Liberia; CIGNA Worldwide Insurance Co., locations in the Middle East; CIGNA Life Insurance New Zealand Ltd., New Zealand; Crusader Insurance P.L.C., United Kingdom; CIGNA Worldwide Inc., United States.

**New participants:** Life Insurance of North America, South Korea.

**Minimum requirements:** 200 lives in two countries.

**Business:** 67% life and accidental death, 24% pensions, 9% medical and disability.

**International dividends:** Stop-loss system, loss carryforward system  
*Continued on next page*

**Year formed:** 1979.

**Member companies:** Plus Ultra, Argentina; Amev Life and Australian Eagle, Australia; Wiener Allianz Leben, Austria; Credit Andtoe Insurance Co., Bahrain; Royale Belge, Belgium; Grupo Bradesco Seguros, Brazil; Londonlife, Canada; Eagle Star, Cyprus; Tryg Pension A/S (PLI), Denmark; Suomi-Salama (Pohjola Group), Finland; Groupe de Paris (La Paternelle Vie), France; Allianz Leben, West Germany; Interamerican Life, Greece; Eagle Star Insurance Co., Hong Kong; Shield Life, Ireland; Milano Assicurazioni, Italy; The Meiji, Japan; Jordan Eagle, Jordan; Credit & Commerce Insurance Co., Kuwait; Societe Nationale d'Assurances, Lebanon; La Luxembourggeoise, Luxembourg; Eagle Star Malta, Malta; La Comercial, Mexico; Amev Leven, Netherlands; Amev Life, New Zealand; African Alliance, Nigeria; Gjensidige Liv., Norway; Credit & Commerce Insurance Co., Oman; Metropolitana, Panama; Fili-

**How to use directory**

The *Business Insurance* directory of international benefit networks lists networks that responded to a *BI* questionnaire.

Networks are listed as an editorial service; there is no charge for inclusion in the directory.

Listings begin with the network name and address.

If supplied by the network, financial and operational information for 1985 and 1986 is given. Foreign gross premiums for medical, life, accidental death and short- and long-term disability insurance; funds under management for foreign pension plans; the number of foreign-based employees; and foreign lives covered are listed. Also, the number of master contracts, the number of foreign countries represented, and the number of foreign offices of the network are provided. Business the network conducts with foreign operations of U.S.-based employers vs. indigenous foreign-based employers is provided as a percent of premium volume.

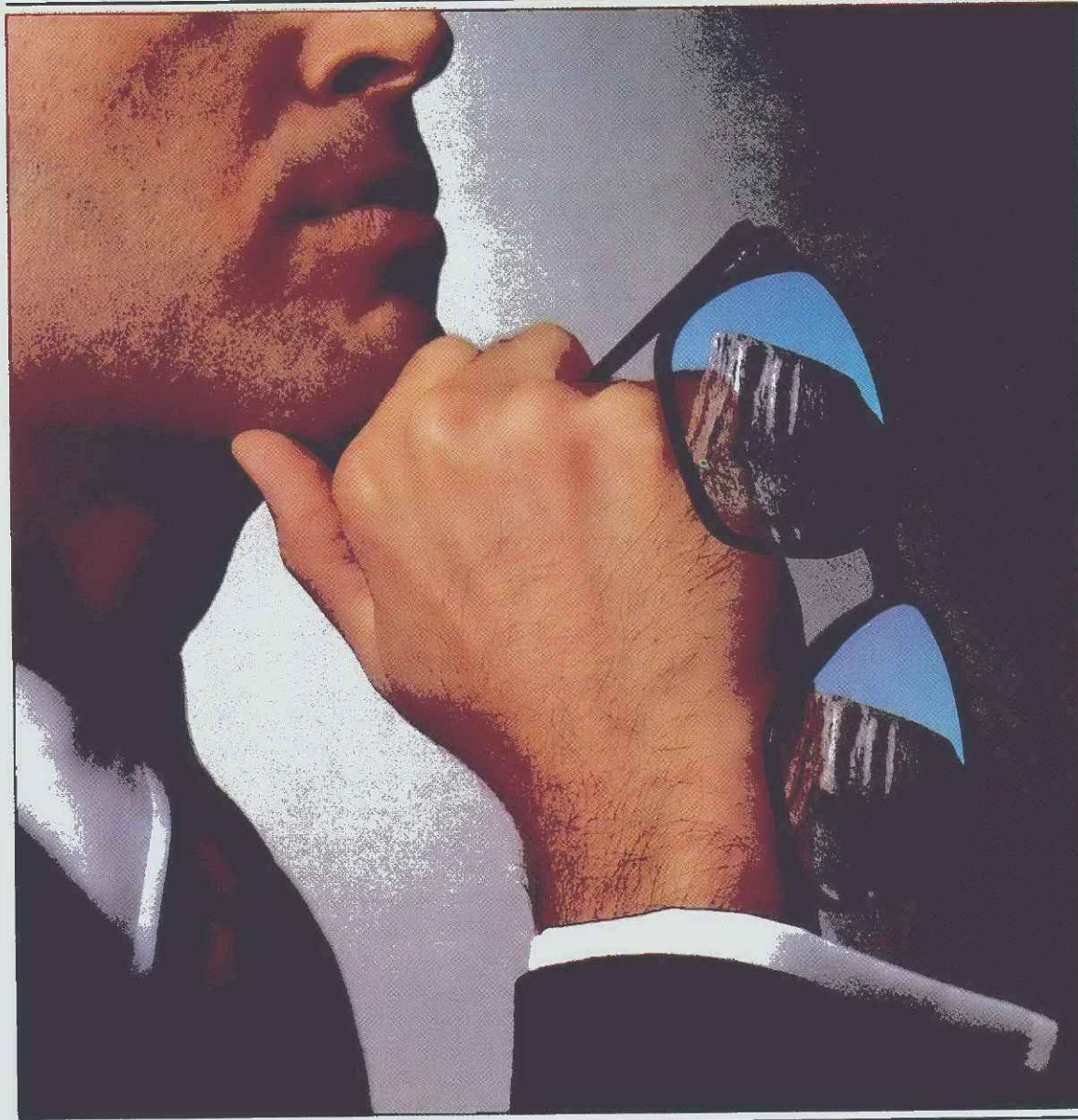
(*Business Insurance* defines "foreign" as all countries other than the United States and its territories.)

Next, the year the network was formed, insurers participating in the network, insurers new to the network in 1987, and minimum requirements for employers' participation in the network are provided. A percentage breakdown of business the network conducts in medical, life, accidental death, short- and long-term disability insurance, pensions and other benefits is given, as are methods in which the network handles worldwide losses in determining international dividends.

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

Listings are based on each network's response to the questionnaire; *Business Insurance* is unable to verify the information supplied.

**The Rock® or a hard place.  
The choice is yours.**



You could find out you chose the wrong reinsurance company the hard way: when it's too late. Or you could be farsighted enough to choose The Rock from the beginning. Prudential Re has the rock-solid® resources you can count on.

Our expertise and creativity in underwriting let us analyze and define risks precisely. Your rates

reflect only true exposure.

Prudential Re is the choice for service, too. The same underwriter who first gets to know you and your business is the one who'll be there over the long haul.

It's not hard to see why The Rock is the right place to be.

The Rock in Reinsurance  
**Prudential Re** 

**Principal officers:** Ernest S. Auerbach, president-International Life & Group operations; William M. Clowes, senior vp-product management/development; Geoffrey R. Sagers; vp-life operations.  
**Contact:** Dave Ten Eyck, general manager-U.S. region, 212-306-9063

**GAIN-Group Assurance International Network**  
1 Groveland Court, Bow Lane, London EC4M 9EH; 01-489-0214

	1986	1985
Gross premiums...	NA	NA
Pension funds...	NA	NA
Employees...	NA	NA
Lives covered...	NA	NA
Clients*	65**	50
Countries...	24	24
Offices...	NA	NA
U.S. based...	NA	NA
Foreign based...	NA	NA

\* Figures represent number of international clients.  
\*\* Estimate.  
**Year formed:** 1984.

**Member companies:** Legal & General Life of Australia Ltd., Australia; Colonia Versicherung A.G., Austria; Assubel-Vie S.A., Belgium; Brasil Companhia de Seguros Gerais, Brazil; Mutual Life of Canada, Canada; Tryg Forsikring Pensjons-Forsikringselskab, Denmark; Legal & General Assurance Society Ltd., United Kingdom; Assurances Generales de France, France; Colonia Lebensversicherung A.G., West Germany; AGF Hellas, Greece; Irish Life Assurance P.L.C., Ireland; Societa Reale Mutua di Assicurazioni, Italy; Toho Mutual Life Insurance Co., Japan; Pan-American de Mexico Compania de Seguros S.A., Mexico; AEGON Verzekeringen, Netherlands; UNI Insurance, Norway; Sociedade Portuguesa de Seguros, Portugal; Lifegro Assurance Ltd., Republic of South Africa; AGF Seguros S.A., Spain; SPP Konsultab, Sweden; Waadt Versicherungen, Switzerland; The Principal Financial Group, United States; Legal & General Assurance of Zimbabwe Ltd., Zimbabwe.

**Minimum requirements:** Two countries, 250 total employees (may be fewer in some circumstances), minimum of 10 employees in any one country.

**Business:** Medical, life, accidental death, short- and long-term disability, pensions.

**International dividends:** Stop-loss system, loss carryforward system with contingency fund.

**Principal officers:** G. David Hurd, chairman-GAIN/president-The Principal Financial Group; K.G.T. Stuart, secretary.

**Contact:** William G. Steinmetz, senior consultant, The Principal Financial Group, 515-247-5425.

**Gerling-Konzern**  
717 Fifth Ave., 18th Floor, New York, N.Y. 10022; 212-759-8900

	1986	1985
Gross premiums...	\$3,000,000	\$2,000,000
Pension funds...	\$6,200,000	\$2,400,000
Employees...	175,000	170,000
Lives covered...	5,600	4,200
Master contracts...	8	6
Countries...	29	19
Offices...	1,300	1,100
U.S. based...	13%	14%
Foreign based...	87%	86%

**Year formed:** 1982.

**Minimum requirements:** Participation in the network is through the Captive-Network Pool and COMP (Company's Own Multinational Benefit/Insurer Pool); 250 policyholders in two countries for COMP, one group insured plan for a collective multinational pool.

**Business:** 31.5% life, 30.5% pensions, 16.2% long-term disability, 10.5% accidental death and dismemberment, 6.2% other types of coverage, 3.2% medical, 1.9% short-term disability.

**International dividends:** Stop-loss system.

**Principal officers:** Bernhard Fink, managing director; Kim J. Singh, director-International Employee Benefits Division, Gerling-Konzern World Service.

**Contact:** Wolfgang Schlaeger, president, and F.W. Sens, 212-752-8900.

**Insurope/The Multinational Benefits Assn.**

Boulevard Bisschoffscheim 45, Box 7, 1000 Brussels, Belgium; 322-217-8163

	1986	1985
Gross premiums...	\$60,000,000	\$45,000,000
Pension funds...	\$3 billion	\$2.8 billion
Employees...	10,000	10,000
Lives covered...	150,000	150,000
Master contracts...	185	150
Countries...	39	38
Offices...	85	85
U.S. based...	60%	62%
Foreign based...	40%	38%

**Year formed:** 1966.

**Member companies:** Equitativa del Plata, Argentina; National Mutual, Australia; Bundeslander Austria; A.G. de 1324 Belgium; Bracresco Seguros, Brazil; Standard Alliance Services, Canada; CIGNA Chile; Chile; CIGNA Colombia, Colombia; Statsanstalten, Denmark; Ecuatoriano-Suiza, Ecuador; Pensionvarma, Finland; A.G. de 1824 and GAN, France; A.le Leipziger, West Germany; CIGNA Hellas, Greece; Manulife and BUPA, Hong Kong;

Jiwasraya, Indonesia; Standard Life, Ireland; Fondiaria, Italy; Jamaica Mutual, Jamaica; Nippon Dantai and Asahi Mutual, Japan; A.G. de 1824, Luxembourg; Great Eastern, Malaysia; Seguros de Mexico, Mexico; Delta Lloyd, Netherlands; National Mutual Life, New Zealand; Storebrand, Norway; Peruano-Suiza, Peru; Manulife, Philippines; Tranquilidade, Portugal; Great Eastern, Singapore; SANLAM, Republic of South Africa; Espana, Spain; Baloise/Basler, Switzerland; CITC Life, Taiwan; Guardian Life of the Caribbean, Trinidad; Standard Life and BUPA, United Kingdom; The Equitable Life Assurance Society of the United States, Metropolitan Life Insurance Co., Principal Financial Group, Provident Life & Accident Insurance Co. and Prudential Insurance Co. of America, United States; Pan American, Venezuela.

**New participants:** Guardian Life of the Caribbean, Trinidad; Manulife, Philippines.

**Minimum requirements:** Insured employee benefit contracts in two countries, no minimum premium or number of lives.

**Business:** 58% life, 20% pensions, 10% long-term disability, 10% survivors benefits, 1% accidental death.

**International dividends:** Stop-loss system, loss carryforward system.

**Principal officers:** Frank Smolar, network manager; Marcel Devoshel, office systems manager; Jim Wallace, actuary; Hugh Gallagher, marketing coordinator.

**Contact:** Robert Pickerell, managing director and Mike Stapleton, director, 203-854-9411; Suzanne Rogers Moore, director, 408-727-9322.

**John Hancock International Group Program**

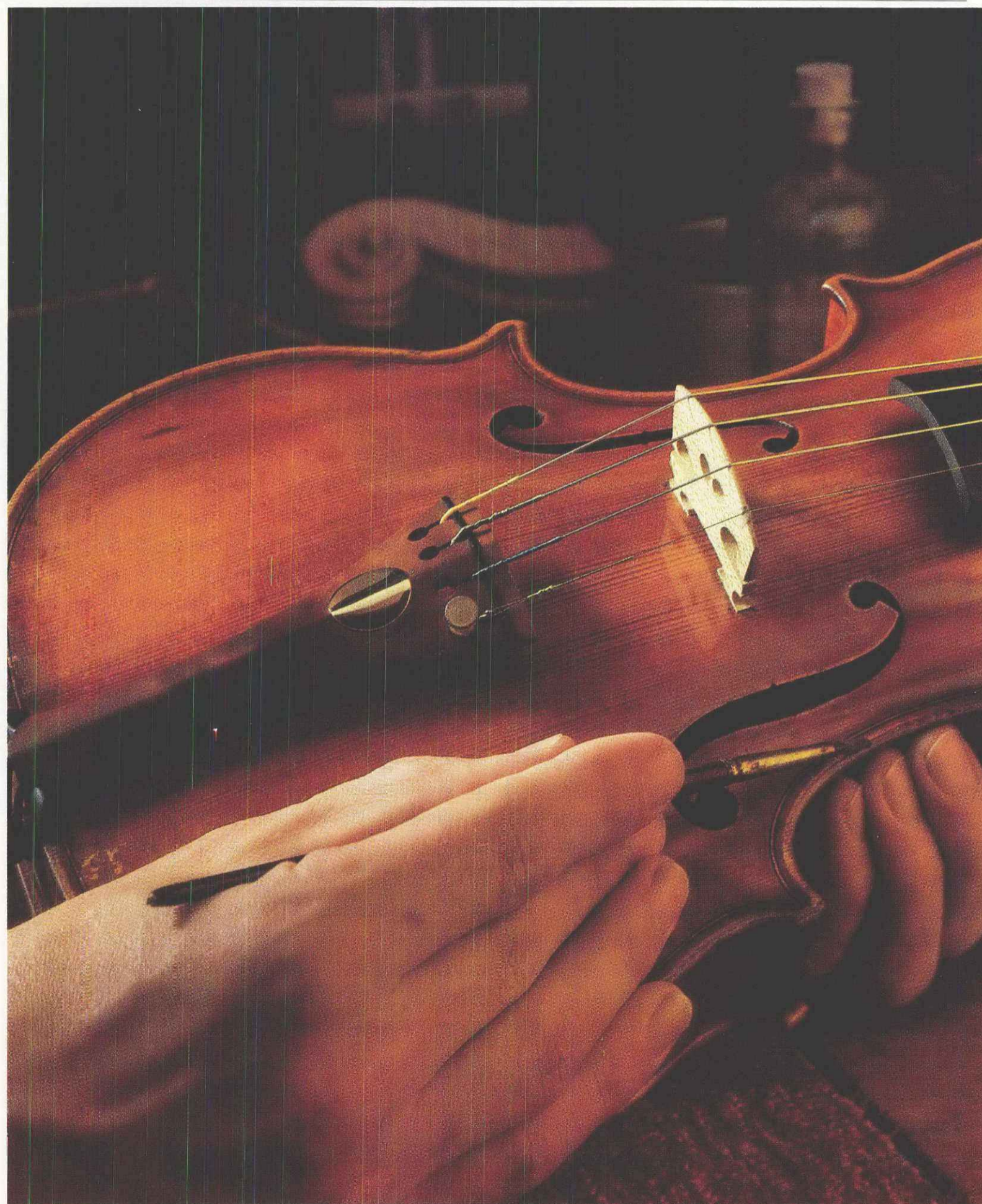
John Hancock Place, P.O. Box 111, Boston, Mass. 02117; 617-421-2548

	1986	1985
Gross premiums...	NA	NA
Pension funds...	NA	NA
Employees...	11	11
Master contracts...	382	385
Countries...	42	42
Offices...	2	2

**Year formed:** 1967.

**Member companies:** Assurances Generales (A.G.), Belgium and Luxembourg; Australian Mutual Provident Society, Australia and New Zealand; Bumiputera Group, Indonesia; Consorcio Nacional de Seguros, Chile; Dai-ichi Mutual Life Insurance Co., Japan; Dongbang Life Insurance Co. Ltd., South Korea; Drouot Assurances France; Ethniki-Hellenic General Insurance Co., Greece; Insular Life Assurance Co., Philippines; Insurance Corp. of Singapore Ltd., Singapore; Irish Life Assurance P.L.C., Ireland; La Suisse Societe d'Assurances sur la Vie, Switzerland; Maritime Life Assurance Co., Canada; Muang Thai Life Insurance Co. Ltd., Thailand; National Mutual Insurance Co. Ltd., Hong Kong; Old Mutual Life Assurance Society, Zimbabwe; Pan American Life Insurance Co., Central America, Colombia, Dominican Republic and Ecuador; Pensjonsforsikringsanstalten (PFA), Denmark; Pictet & Cie, Switzerland; Private Patients Plan (PPP) and Prudential

*Continued on facing page*



Continued from facing page

Assurance Co. Ltd., United Kingdom; RVS Levensverzekering N.V., Netherlands; Seguros La Seguridad C.A., Venezuela; Seguros Monterrey S.A., Mexico; Shin Kong Life Insurance Co. Ltd., Taiwan; Societa Assicuratrice Industriale (S.A.I.), Italy; South African Mutual Life Assurance Society, Republic of South Africa; Sud America Compania de Seguros de Vida y Patrimoniales S.A., Argentina; Sud America Compania de Seguros sobre la Vida, Spain; Sul America Companhia Nacional Seguros, Brazil; Trygg-Hansa Group, Sweden; Universal Life and General Insurance Sdn. Bhd., Malaysia; Vesta Hygea, Norway; Victoria Lebensversicherung A.G., West Germany.

**Business:** 47% pensions, 35% life and accidental death, 17% medical and short-term disability, 1% long-term disability.

**International dividends:** Loss carryforward system.

**Principal officers:** Michael J. Allan, second vp.

**Contact:** Michael J. Allan, 617-421-2548.

**Swiss Life**

General Guisan-Quai 40, Ch-8002, Zurich, Switzerland; 411-206-3311

	1986	1985
Gross premiums...	\$120,000,000	\$100,000,000
Pension funds...	\$230,000,000	\$200,000,000
Master contracts...	450	400
Countries.....	80	80
Offices.....	8	7
U.S. based.....	50%	50%
Foreign based....	50%	50%

**Year formed:** 1960.

**Member companies:** Colonial Mutual, Australia; Wiener Stadtische, Austria; Iochpe Seguradora S.A., Brazil; Canada Life, Canada; PFA and Statsanstalten, Denmark; Ilmarinen, Finland; RAS, Greece; Irish Life, Ireland; RAS, Italy; Meiji Mutual, Japan; Daehan Life, South Korea; La Comercial, Mexico; Colonial Mutual, New Zealand; NKP, Norway; Victoria, Portugal; Southern Life, Republic of South Africa; Skandia, Sweden; Equitable, United States; Swiss Life (Head Office), Switzerland; Zwitserleven-A.G. Suisses, Belgium; Societe Suisse, France; Schweizerische Rentenanstalt, West Germany; Swiss Life,

Luxembourg; Zwitserleven, Netherlands; Swiss Life, Spain; Swiss Life, United Kingdom; Swiss Life North American Services, United States.

**New participants:** Daehan Life, South Korea and Ilmarinen, Finland.

**Minimum requirements:** Two countries, 100 lives.

**Business:** 60% pensions, 15% life, 10% long-term disability, 7% short-term disability, 6% medical, 2% accidental death.

**International dividends:** Stop-loss system, loss carryforward system and loss carryforward system with contingency fund.

**Principal officers:** W. Diener, W. Frauenfelder and K. Muehlebach.

**Contact:** Philipp Frei, 201-670-1515.

**The Travelers Insurance Co.-Multinational Insurance Arrangement**

1 Tower Square, Hartford, Conn. 06183; 203-954-3784

	1986	1985
Gross premiums...	NA	NA
Pension funds....	NA	NA
Employees.....	44	44

Lives covered.....	153,653	148,082
Master contracts..	156	133
Countries.....	52	52
Offices.....	39	39
U.S. based.....	100%	100%

**Year formed:** 1967.

**Member companies:** Compania la Buenos Aires, Argentina; Guardian Assurance P.L.C., Australia; RAS Osterreich, Adriaatische Versicherung A.G., Internationale Unfall-und Schadenversicherung and Aktiengesellschaft, Austria; The Travelers Insurance Cos., Bahamas; Patriotique S.A. Compagnie d'Assurances, Belgium; L'Union des Assurances de Paris, Burkina Faso; Compagnie Camerounaise d'Assurances, Cameroon; Travelers Life Insurance Co. of Canada, Canada; L'Union des Assurances de Paris, Central African Republic; La Star Nationale Societe Tchadienne d'Assurances, Chad; La Chilena Consolidada S.A., Chile; Skandia de Colombia, Colombia; Tryg Forsikring, Denmark; Compania Nacional de Seguros, C. por A., Domini-

can Republic; L'Union des Assurances de Paris, France; L'Union des Assurances de Paris, Gabon; Munchener Lebensversicherung, Aktiengesellschaft and NOVA Krankenversicherung A.G., West Germany; Riunione Adriatica di Sicurtà, Greece; Guardian Assurance P.L.C. and Union Insurance Society of Canton Ltd., Hong Kong; Bumi Asih Jaya, Indonesia; Caledonian Insurance Co., Ireland; Riunione Adriatica de Sicurtà, Italy; L'Union des Assurances de Paris, Ivory Coast; Nippon Life Insurance Co., Japan; Great Eastern Life Assurance Co., Malaysia; Grupo Nacional Provincial, Mexico; Al Amane, Morocco; Nationale-Nederlanden Levensverzekering Maatschappij N.V., Netherlands; Guardian Assurance P.L.C., New Zealand; L'Union des Assurances de Paris, Niger; Royal Exchange Assurance (Nigeria) Ltd., Nigeria; UNI Mutual Life Insurance Co., Norway; Compania Internacional de Seguros de Vida, Panama; El Sol, Compania de Seguros Generales, Peru; Great Pacific Life Assurance Co., Philippines; Portugal Previdente Companhia de Seguros, Portugal; The Travelers Insurance Cos., Puerto Rico; L'Union des Assurances de Paris, Senegal; Great Eastern Life Assurance Co., Singapore; Liberty Life Assn. of Africa Ltd., Republic of South Africa; Compania Adriatica de Seguros, Spain; VITA Life Insurance Company Ltd., Switzerland; Cathay Life Insurance Co. Ltd. and The First Life Insurance Co. Ltd., Taiwan; The South East Insurance Co. Ltd., Thailand; L'Union des Assurances de Paris, Togo; Dhamen Union d'Assurance et de Prevoyance, Tunisia; Sark Sigorta T.A.S., Turkey; Guardian Royal Exchange Assurance, United Kingdom; The Travelers Insurance Cos., United States; The Travelers Insurance Cos., U.S. Virgin Islands; Adriatica Venezolana de Seguros C.A., Venezuela.

**Minimum requirements:** 100 employees covered by MIA insurers in at least two countries.

**Business:** Life, medical, accidental death, short-term disability, long-term disability and pensions.

**International dividends:** Loss carryforward system and loss carryforward system with contingency fund.

**Principal officers:** Bruce S. MacMillian, vp; Michael G. Sandmann, second vp.

**Contact:** Michael G. Sandmann, 203-954-3784

**VITA Life (Zurich Insurance Group)**

Austrasse 46, Ch-8022, Zurich, Switzerland; 411-465-6565

	1986	1985
Gross premiums...	\$1.4 billion	\$1.3 billion
Pension funds....	\$7.1 billion	\$6.3 billion
Employees.....	2,000	1,900
Lives covered.....	1,751,838	1,725,791
Master contracts..	NA	NA
Countries.....	17	15
Offices.....	20	16
U.S. based.....	NA	NA
Foreign based....	NA	NA

**Year formed:** 1976.

**Member companies:** VITA Compagnie d'Assurances Sur la Vie, Belgium; VITA Lebensversicherung-Gesellschaft, West Germany; VITA Livsforsikring, Denmark; VITA Compagnie d'Assurances Sur la Vie, France; VITA Compagnia di Assicurazioni Sulla Vita, Italy; VITA Compagnie d'Assurances Sur la Vie, Luxembourg; VITA Levensverzekering-Maatschappij, Netherlands; Vita Compania de Seguros sobre la Vida, Spain; VITA Life Insurance Co. Ltd. and VITASIA Ltd., Hong Kong; Agrippina Lebensversicherung Aktiengesellschaft, West Germany; Zurich Life Assurance Co. Ltd., United Kingdom; La Minerva Vita e Rami Diversi and Vita Domani, Italy; Zurich Kosmos Versicherungen A.G., Austria; Hispania Compania General de Seguros, Spain; Universal Underwriters Life Insurance Co. and Zurich American Life Insurance Co., United States; Zurich Life Insurance Co. of Canada, Canada; Iguazu Compania de Seguros, Argentina; Zurich International Ltd., Bermuda; Zurich Australian Life Insurance Ltd., Australia; La Garantie Benereale Marocaine G.G.M., Morocco.

Continued on next page

# The art of restoration.

To the master violin craftsman, there is no room for mediocrity. The restoration of a fine instrument is an art that demands experience, hard work, and an unwavering commitment to excellence.

IRA has a 15-year experience base and the rehabilitation expertise to restore disabled people to the most productive levels achievable. After 230,000 cases of managing medical service delivery and providing vocational rehabilitation services, IRA has proven its commitment to excellence.

Today, we're building on that commitment. Our goals are to assure the provision of quality care, to manage medical costs and to return disabled people to work. IRA offers an unmatched range of rehabilitation services. With over 135 offices coast to coast, we provide local service, nationwide.

When it comes to the art of restoration, IRA agrees with the master craftsman. There is no room for mediocrity.

For more information, contact your local International Rehabilitation Associates office or call toll-free 800-IRA-HELP. In Alaska or Hawaii, call collect 215-687-9450. Or write: Intracorp/IRA, Mr. Daniel H. Davis, Senior Vice President, 701 Lee Road, Wayne, PA 19087.

*IRA. Rehabilitation that works.*



**international rehabilitation associates inc.**  
An Intracorp Company

*Continued from previous page*  
**Minimum requirements:** Two countries, 100 lives.  
**Business:** 80% pensions, 10% life, 6% long-term disability, 2% short-term disability, 1% accidental death, 1% medical.  
**International dividends:** Stop-loss system, loss carryforward system and loss carryforward system with contingency fund.  
**Principal officers:** J.N. Plattner, vp; E. Hufschmid, assistant vp; R.N. Balsiger and D. Cleuvenot, senior consultants.  
**Contact:** Roger N. Balsiger, 411-465-6696.

**Winterthur International Network**  
 Rudolfstrasse 1, 8401 Winterthur, Switzerland 05-285-5343

	1986	1985
Gross premiums...	\$51,000,000	\$42,000,000
Pension funds...	\$160,000,000	\$135,000,000
Employees...	NA	NA
Lives covered...	47,000	39,000
Master contracts...	66	57
Countries...	19	17

**Offices:** NA 24%, U.S. based 25%, Foreign based 75% NA 76%

**Year formed:** 1969.  
**Member companies:** Located in Switzerland, Austria, Belgium, Canada, Denmark, France, West Germany, Holland, Italy, Liechtenstein, Luxembourg, Portugal, Spain, United Kingdom.  
**New participants:** New Ireland Life, Ireland.  
**Minimum requirements:** Two countries, 100 insured lives.  
**Business:** 50% pensions, 18% life, 14% long-term disability, 6% accidental death, 6% medical, 6% short-term disability.  
**International dividends:** Stop-loss system, loss carryforward system and loss carryforward system with contingency fund.  
**Principal officers:** Kees van der Ploeg, senior vp-International Division; Thomas K. Erny, head-International Employee Benefits/vp-International Division.  
**Contact:** George G. Smyth and James G. Long, vps, 212-466-0777. ■

## Global coverage

*Continued from page 3*  
 Some insurers, however, say rates will not decline.  
 "We don't anticipate softening of the market overseas," said Stewart Steffey, senior vp at CIGNA Worldwide Inc., a unit of CIGNA Corp. in New York. However, buyers generally can expect to see stability in rates and capacity with only minor adjustments for local conditions, he said.  
 Although demands for capacity continue to grow, particularly in some regions such as the Pacific Rim supply seems to be keeping pace, Mr. Steffey said.  
 "We have not had any great problems in finding coverage," said Kenneth Seward, senior vp of the international division of Johnson & Higgins in New York.  
 However, that does not necessarily mean lower rates will follow as international programs are renewed later this year, he added.

"We are not looking for any major surprises as we go in for our year-end renewals," he said.  
 Coverage restrictions and capacity shortages for some lines of liability insurance remain a problem, brokers say. Financing pollution coverage for chemical, petroleum and other high-risk operations has been especially troublesome.  
 "We're still hard put to find homes for the difficult classes of pollution risks," Mr. Van Hook said.  
 Property/casualty insurance rates in the United Kingdom, a major market for Hartford Fire International, Hartford Insurance Group's international unit, rose last year, but prices now are steady, said Lawrence S. Doyle, president of Hartford Fire International.  
 "We expect the situation to become competitive. We don't expect the rates to increase much as we go into 1988," Mr. Doyle said.  
 While stability is the order of the

day for international property/casualty coverages, it does not mark a major shift from market conditions in previous years, said Jim Webb, international director for Travelers Insurance Cos. in Hartford, Conn.  
 "We really haven't seen anything that is remarkable," Mr. Webb said. "It seems like business as usual for a while."  
 Insurers and brokers emphasized that cyclical variations in overseas markets have been much less severe than the highs and lows that have rocked the domestic market. In fact, insurance buyers for U.S. multinationals have been so busy coping with increasing rates and capacity limitations for their domestic insurance programs that they have had little time to consider options for non-U.S. coverages, Mr. Van Hook said.  
 Now, as the domestic insurance market softens, many U.S. multinationals may soon look to re-market their programs for overseas risks, he said.

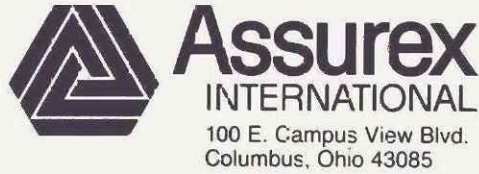
# SETTING THE STANDARDS

**CPCU... CLU.** Only top insurance professionals earn these industry designations signifying competence and achievement. For independently owned insurance agencies, acceptance into Assurex International marks their highest level of accomplishment. In both cases, it is the client who benefits.

Currently, only 66 independent insurance agencies in the United States and Canada are Assurex partners. Each agency must:

- commit its total resources to clients and employees.
- demonstrate state-of-the-art achievement in insurance and risk management.
- offer a full range of commercial and individual products and services.
- have solid relationships with leading insurance companies.
- be recognized as an industry leader by peers.

Assurex International... we're tough on ourselves to make it easier for you.



100 E. Campus View Blvd.  
 Columbus, Ohio 43085

<b>ALABAMA</b> McGRIFF, SLIBETS & WILLIAMS, INC. THAMES BATHRE MATHE	<b>MAINE</b> MORSE, PAVSON & ROYE'S INSURANCE	<b>ONTARIO, CANADA</b> LOWE, RICHMOND, MEE, RIGGSON LIMITED
<b>ALASKA</b> HOME STATE INSURANCE BROKERS OF ALASKA, INC.	<b>MANITOBA, CANADA</b> RYAN AGENCY LIMITED	<b>OREGON</b> JEWETT, BARTON, LEAVY & KERN, INC.
<b>ALBERTA, CANADA</b> ROY HENRY INSURANCE LTD.	<b>MARYLAND</b> FARLY, CANNADY & SCHAFFLING, INC. RIGGS, COUNTELMAN, MICHAELS & DOWNS, INC.	<b>PENNSYLVANIA</b> THE FRANKEL COMPANY H.C. KNIGHT & CO.
<b>ARIZONA</b> DEAN S. DAVIDSON INSURANCE AGENCY, INC.	<b>MASSACHUSETTS</b> FRIDG, CHURCH, INC.	<b>QUEBEC, CANADA</b> D'ARNO, ASSURANCE, INC.
<b>ARKANSAS</b> REBSAMIN INSURANCE	<b>MICHIGAN</b> GENERAL UNDERWRITERS, INC.	<b>RHODE ISLAND</b> STARKWATHER & SHEPHERD, INC.
<b>BRITISH COLUMBIA, CANADA</b> MONTANA GROUP OF COMPANIES	<b>MINNESOTA</b> BRANDOW-HOWARD KOHLER & ROSEBLOOM, INC.	<b>SOUTH CAROLINA</b> BOYLE WAUGHMAN ASSOCIATES, INC.
<b>CALIFORNIA</b> BARNY & BARNY BOLTON AND COMPANY WOODRUFF, SAWYER & CO.	<b>MISSISSIPPI</b> FOXLEWELL, INC.	<b>TENNESSEE</b> TRIDWELL & HARRY INSURANCE AGENCY, INC.
<b>COLORADO</b> DAY, WEBB AND TAYLOR	<b>MISSOURI</b> THE DANIEL & HENRY CO. GILBERT MACILL COMPANY	<b>TEXAS</b> ORDWAY-SAUNDERS COMPANY ROACH-HOWARD SMITH & HUNTER JOHN L. WORTHAM & SON
<b>CONNECTICUT</b> ARTHUR A. WATSON & CO., INC.	<b>NEBRASKA</b> THE HARRY A. KOCH CO.	<b>UTAH</b> ERD A. MORLTON & COMPANY
<b>FLORIDA</b> J. ROYCE DAVIS INSURANCE AGENCY, INC. SEITZIN & COMPANY	<b>NEW BRUNSWICK, CANADA</b> WILSON INSURANCE LIMITED	<b>VERMONT</b> KINNEY, PIKE, BELL & CONNER, INC.
<b>GEORGIA</b> HAMILTON-DORSEY ALSTON COMPANY PALMER & CAY CARSWELL, INC.	<b>NEW HAMPSHIRE</b> KENNEDY INSURANCE, INC.	<b>VIRGINIA</b> DOUWINE, T.T. & PAUL, INC. HENDERSON & PHILLIPS, INC.
<b>HAWAII</b> AMERICAN MUTUAL LIFE REWRITERS LIMITED	<b>NEW JERSEY</b> NATIONAL INSURANCE ASSOCIATES	<b>WASHINGTON</b> PARKER, SMITH & FLECK, INC.
<b>ILLINOIS</b> MACK AND PARKER, INC.	<b>NEW MEXICO</b> BUNDY, BELGEMAN & THOMAS	<b>WEST VIRGINIA</b> MCDONOUGH-CAPELTON INSURANCE GROUP
<b>INDIANA</b> INSURANCE & RISK MANAGEMENT	<b>NEW YORK</b> ADAMS & PORTER, INC. HATCH, LEONARD, MARKIN, SHAW, INC.	<b>WISCONSIN</b> LAUB GROUP, INC.
<b>IOWA</b> COTTINGHAM & BUTLER, INC. LAMAR-MULOCK CONDON CO.	<b>NORTH CAROLINA</b> COLLIER COBB & ASSOCIATES, INC.	<b>PLUS INTERNATIONAL ASSOCIATES</b>
<b>KANSAS</b> INSURANCE MANAGEMENT ASSOCIATES, INC.	<b>NOVA SCOTIA, CANADA</b> FRASER & HODY INSURANCE LIMITED	
<b>KENTUCKY</b> POWER, WATSON-MILWARD, INC.	<b>OHIO</b> THE MCFROY-MINISTRI COMPANY THE JAMES B. OSWALD COMPANY PITON-CAMARACH, INC. SCHIFF, KRUEGER, SHIFF, INC.	
<b>LOUISIANA</b> GILLES, ELLIS & BAKER, INC.	<b>OKLAHOMA</b> MCLEOD, DOWNEY, McWILLIAMS, DEARDEUFF & JOURNEY, INC.	

Continuing a trend started several years ago, U.S. multinationals continue to turn away from global plans that cover their domestic and foreign exposures under a single policy, brokers and underwriters say (*BI*, Nov. 24, 1986).

For large companies, global programs remain "problematic," said Zurich's Mr. Hite. Multinationals began shying away from global plans in recent years as their domestic loss experience deteriorated, affecting the terms and conditions of their foreign coverage, and decentralized management made separate overseas insurance more attractive, he said.

However, global plans are still viable for mid-sized companies that may have branches in several countries, Mr. Hite said.

Meanwhile, many brokers and insurers are looking in a new direction—to foreign-based multinationals with U.S. exposures—to increase their international business.

Several years of increasing "reverse flow" investment—the influx of foreign investment in the United States—has created an important new client base for insurers, observers say.

European and Japanese companies are pouring billions of dollars into the United States, observers point out. For instance, British companies invested nearly \$14 billion in U.S. acquisitions and new enterprises in 1986.

And U.S. insurers and brokers, who previously dealt primarily with U.S.-based multinationals, are responding.

The potential for new business with the new wave of foreign investment is "absolutely enormous," said Joe Chettle, deputy managing director of James International, a unit of Fred S. James & Co. Inc. in New York.

Insurers, like Travelers, have redefined "multinational" accounts to include foreign-based companies with U.S. operations as well as U.S. companies with subsidiaries overseas. "We do see reverse flow as a growing part of our department," Mr. Webb said.

Although he would not disclose how much of Travelers' business involves non-U.S. customers with operations in the United States, Mr. Webb said his company's reverse flow business is expected to increase 40% next year.

The influx of potential multinational business comes at a good time for insurers, James' Mr. Chettle said. Because many U.S. multinationals are limiting expansion of overseas operations or even cutting back foreign business, the prospects for new business from these companies is minimal, he said.

"Now I see them (insurers) trying to provide truly global coverage for foreign-based companies with U.S. operations," Mr. Chettle said.

*Continued on facing page*

Continued from facing page

"The distance between the shores is getting shorter and shorter, which is good," said Gary J. Orford, head of Royal Insurance U.S.A.'s international office in New York.

"Reverse flow is very much an up and coming area," Mr. Orford pointed out.

Observers say the trend toward more foreign investment probably will continue—at least as long as the U.S. dollar remains weaker against other major currencies and the United States remains the world's leading consumer nation.

Although they are not directly involved in the reverse-flow trade, U.S. multinationals may benefit from the activity of U.S. insurers in this growing field.

U.S. insurers will gain valuable international experience and sophistication from the new trade with foreign companies, said Peter Reid, senior vp of Continental International in New York.

"It helps the insurers realize there is something out there beyond the United States," he said.

U.S. multinationals will benefit directly because they will deal with stronger, more experienced insurers and brokers, he said.

While many insurers are lining up to take advantage of the new opportunities created by reverse flow, many also are expanding their overseas operations.

American International Underwriters, the international marketing group of American International Group Inc., moved into new markets in the past year, gaining licenses in Portugal and Taiwan.

Zurich became fully licensed in Japan this year, while CIGNA Worldwide acquired property/casualty insurance licenses in Norway, Portugal and Sweden.

Further expanding their operations overseas will help insurers better serve their U.S. clients operating in other countries and will allow them to compete for indigenous business, insurers say. They cite the Pacific Rim nations, in particular South Korea, Taiwan and China, as the latest lands of opportunity.

But at least one broker says he is not sure if the effort by U.S. and European insurers to move into those emerging industrial countries will pay off.

"I question whether they will have much success in the foreseeable future in penetrating the indigenous market," Mr. Chettle said.

The massive investment required to move into new territory and the fierce competition from indigenous insurers may preclude any significant business penetration in those countries for some time, he said.

Meanwhile, several U.S. insurers are continuing their efforts to gain ground on the acknowledged leaders of multinational insurance, CIGNA Worldwide Inc. and American International Underwriters.

Travelers is strengthening its international division and its ties to affiliates in other countries in a campaign to attract more business from U.S. multinationals, Mr. Webb said.

"We're trying to increase our visibility with international brokers in the United States," he said.

Royal International U.S.A., a division of London-based Royal International, is trying to attract the attention of U.S. companies as well. The company opened new international offices in Chicago, Charlotte, N.C., and Los Angeles this year.

Royal International has become "another significant player" in the U.S. multinational market, Mr. Orford said.

Zurich, with its large network of foreign offices and cooperative agreements with other insurers in many countries, is trying to match the services offered by the AIU and

CIGNA Worldwide, said Mr. Hite.

"We like to believe that we are a third alternative," Mr. Hite said.

Hartford Fire International has taken a conservative approach as it builds a network of international affiliates and increases its multinational capability, Mr. Doyle said.

The company is now represented in 32 countries, up from nine in 1985, and it recently opened its own offices in Hong Kong and Brussels, Belgium.

Last year, Hartford Fire International opened an office in Australia, Mr. Doyle added. "That market is very, very competitive, so we're moving very slowly down there." ■

Hartford plans to become a significant player in the multinational market, but realizes it has a long, careful course ahead to match the industry giants, he said.

For its part, CIGNA Worldwide has finally wrapped up a realignment of its property/casualty operations following its 1984 acquisition of AFIA Worldwide insurance and other mergers and this year has turned its efforts to a new development and marketing plan.

"I think there is increased competition" among multinational insurers, Mr. Steffey said. "The market will require differentiation between insurers and products." ■

## RENT-A-CAPTIVES AVAILABLE

FOR  
PRODUCTS, D&O, E&O AND OTHER LIABILITY

### FINANCIAL TECHNOLOGY INC.

Consultants specializing in Captives, Risk Retention Groups, Cash Flow, Self-Funded, Loss Portfolio Transfer Programs, Feasibility Studies, Formation and Management.

1888 Century Park East, Suite 910, Los Angeles, CA 90067  
(213) 879-3991

# RLI UPDATE

## Consolidated Statutory Financial Information

### RLI Insurance Company and Mt. Hawley Insurance Company

#### STATUTORY SURPLUS

(000 Omitted)

1987 — \$61,783\*  
1986 — \$53,063  
1985 — \$37,037  
1984 — \$16,739  
1983 — \$12,238  
1982 — \$11,084

#### COMBINED RATIO

1987 — 77.2\*  
1986 — 84.1  
1985 — 99.7  
1984 — 97.0  
1983 — 94.9  
1982 — 99.1

5 YEAR  
COMBINED RATIO: 92.9  
(1982-1986)

#### ASSETS

(000 Omitted)

1987 — \$157,388\*  
1986 — \$159,568  
1985 — \$105,993  
1984 — \$ 48,719  
1983 — \$ 35,156  
1982 — \$ 36,171

#### LOSS RESERVES

(000 Omitted)

1987 — \$50,402\*  
1986 — \$46,243  
1985 — \$22,784  
1984 — \$ 9,150  
1983 — \$ 4,985  
1982 — \$ 4,455

\*Six months results ended June 30, 1987

# SOLID.

To Protect Policyholders • To Honor Obligations

## RLI Corp.

9025 North Lindbergh Drive  
Peoria, IL 61615

Rated A- (Above Average)\*  
By Standard & Poor's Corporation

Listed—New York  
Stock Exchange

\*Earnings and Dividend Ranking

RLI Insurance Co. — Mt. Hawley Insurance Co. — American Capacity Insurance Co.  
For Specialty Insurance Coverages

# International property/casualty insurers listed

**American Excess Insurance Assn.**  
77 Hartland St., Suite 400, East Hartford, Conn. 06108; 203-528-1189

	1986	1985
Gross premiums...	\$15,000,000	NA
Offices: claims...	0	NA
Underwriting...	0	NA
Employees...	0	NA
Combined ratio...	NA	NA
U.S.-based...	33%	NA
Foreign based...	67%	NA

**Year international operations began:** 1986.

**Specialities:** Commercial lines in excess of \$25 million.

**Participating companies:** Aetna Casualty & Surety Co., Insurance Co. of North America, Federal Insurance Co., United States Fire Insurance Co., General Accident Insurance Co. of America, The Home Insurance Co., North American Co. for Property & Casualty Insurance, The Travelers Indemnity Co., Zurich Insurance Co.-U.S. branch, Royal Insurance Co. of America, Maryland Casualty Co., Continental Casualty Co., The Continental Insurance Co.

**Principal officers:** John Baney, president; Clint Green, vp; Ellen Melnick, secretary/treasurer.

**Contact:** Clint Greene, 203-528-2121.

**American International Group Inc.-Foreign General Division**

70 Pine St., New York, N.Y. 10270; 212-770-7000

	1986	1985
Gross premiums...	\$2.1 billion	\$1.7 billion
Offices: claims...	120	120*
Underwriting...	300	300*
Employees...	6,540	6,540*
Foreign countries...	130	130*
Combined ratio...	95%	98.7%
U.S.-based...	NA	NA
Foreign-based...	NA	NA

\* Estimate.

**Year international operations began:** 1919.

**Parent company:** American International Group Inc.

**Principal officers:** John J. Roberts, executive vp; Houghton Freeman, senior vp.

**Contact:** American International Underwriters, 212-770-7000.

**Chubb Corp. (Federal Insurance Co., Vigilant Insurance Co. and Chubb Insurance Co. of Europe)**

15 Mountain View Road, Warren, N.J. 07060; 201-580-2000

	1986	1985
Gross premiums...	\$328,371,000	\$224,285,000
Offices: claims...	34	32
Underwriting...	34	32
Employees...	885	878
Foreign countries...	102	100
Combined ratio...	99.8%	99.9%
U.S.-based...	17.2%	21.6%
Foreign-based...	82.8%	78.4%

**Year international operations began:** 1902.

**Parent company:** Chubb Corp.

**Specialities:** Industrial fire, directors and officers liability, fidelity, kidnap and ransom, film productions and international workers compensation.

**Affiliates:** La Federacion Compania de Seguros C.A., Venezuela; La Federal Compania de Seguros S.A., Colombia; Arogs Companhia de Seguros, Brazil.

**Subsidiaries:** Chubb Insurance Co. of Canada, Canada; Chubb Insurance Co. of Europe, Belgium.

**Principal officers:** Robert M. Lynyak, manager-international division/managing director; Alfred G. Martz, chief international underwriting officer/senior vp; J. Michael Baldwin, home/foreign manager; Philip J. Schwarz, financial planning/control; Lawrence Grant, European zone manager; Louis P. Charette, Pacific zone manager; Dennis Orio, marketing manager.

**Contact:** J. Michael Baldwin, 201-580-3639; Dennis Orio, 201-580-3608.

**CIGNA Worldwide Inc.**

1600 Arch St., 14 JFK, Philadelphia, Pa. 19103; 215-569-5300

	1986	1985
Gross premiums...	\$1.9 billion	\$1.7 billion
Offices: claims...	83	81
Underwriting...	200	200
Employees...	4,334	4,624
Foreign countries...	85	85
Combined ratio...	106.3%	111.8%
U.S.-based...	13.6%	15.4%
Foreign-based...	86.4%	84.6%

**Year international operations began:** 1887 (as Insurance Co. of North America).

**Parent company:** CIGNA Corp.

**Specialities:** Commercial risks, construction, energy, boiler and machinery, worldwide casualty, marine and large property risks.

**Affiliates:** Boston Compania Argentina de Seguros S.A., Argentina; La Continental Compania de Seguros S.A., Colombia; La Mundial Compania de Seguros, Dominican Republic; Fianzas el Roble S.A. and Seguros el Roble S.A., Guatemala; F.T. Asurans. CIGNA Indonesia, Indonesia; Taisho Monarch Insurance Co. Ltd., Kenya; Insurance Co of Africa, Liberia; Crusader Insurance Co. (Nigeria) Ltd and Fire, Equity & General Insurance Co. Ltd., Nigeria; La Positiva Compania Nacional de Se-

guros S.A., Peru; Monarch Insurance Co. Inc. Philippines; Pan Arabian Insurance Co. Ltd., Saudi Arabia; Caribbean Home Insurance Co., Trinidad; Atlantik Sigorta Aronim Sirketi, Turkey; Anonima de Seguros Avila C.A., La Venezolana de Vida C.A. and Seguros St. Paul de Venezuela, Venezuela.

**Subsidiaries:** CIGNA Insurance Co. of Canada, Canada; Crusader Insurance P.L.C., Australia and United Kingdom; CIGNA Insurance Co. of Europe S.A.-N.V., Austria, Belgium, Denmark, France, West Germany, Greece Ireland, Italy, Netherlands, Norway, Portugal, Sweden and United Kingdom; ESIS International,

Belgium, France, Germany, Netherlands, Spain and United Kingdom; Insurance Co. of North America, Argentina, Cayman Islands, Denmark, West Germany, Greece Hong Kong, Italy, Jamaica, Lebanon, Malaysia, Philippines, Puerto Rico, Saudi Arabia, Singapore, Spain, Switzerland, Taiwan and United Arab Emirates; CIGNA France Compagnie D'Assurances, France Hartford Fire Insurance Co. Ecuador, Paraguay, Spain and United Arab Emirates; The Home Insurance Co., Argentina, Dominican Republic, Pakistan, Switzerland and Thailand; CIGNA World-

*Continued on facing page*

## Between the insurance coverage you need and work



When it comes to marketing insurance risks for clients, James is literally in a position to offer the world.

Through its more than 90 offices around the country and, through the

network of the Sedgwick Group, with 300-plus offices in 64 countries around the globe, James can place coverage in any market anywhere.

From New York to London, from

Frankfurt to Tokyo, from Singapore to Sydney to San Francisco, James has access to all of the world's insurance markets, with hands-on expertise to find not only the underwriting

Continued from facing page  
 wide Inc., Japan, Singapore and United States; Seguros Cruz Azul S.A., Guatemala; CIGNA Hellas S.A., Greece; CIGNA Insurance Australia Ltd. and Monarch Insurance Co. Ltd., Australia; CIGNA Insurance Co., Bahamas, Guam, Japan, Korea and U.S. Virgin Islands; Colina Insurance Co. Ltd., Bahamas; INA International Insurance Co. Ltd. and Caribbean Home Insurance Co. Ltd., Barbados; CIGNA Companhia de Seguros de Panama S.A., Panama; United States Fire Insurance Co., Bolivia; The American Insurance Co., Brunei; CIGNA Seguradora S.A., Brazil; CIGNA Companhia de Seguros and Vida S.A., Chile; Seguros Colina S.A., Colombia; Companide Seguros La Continental S.A., Honduras; Cia de Seguros Condor, Peru; Arab International Insurance Co., Egypt; Colina

S.A., Ivory Coast; Assureurs Conseils Gabonais, Gabon; Reliance Insurance Co., Oman; Assurances Generales Senegalaises, Senegal; AFIA Insurance Co., Zimbabwe; St. Paul Fire & Marine Insurance Co., Macao; CIGNA Insurance New Zealand Ltd. and CIGNA Life Insurance New Zealand Ltd., New Zealand; Life Insurance Co. of North America, Korea; INA Life Insurance Co. Ltd., Japan.

**Principal officers:** Bruce K. Howson, president; Ernest Auerbach, president-International Life & Group; Jack Soper, president-Canadian area; James Davis, Richard Kurz, Arthur Liebelt, James McCarty, Thomas Mahoney, Bowdre Mays, James Morone, Jack Rader, Stewart Steffey and Joseph Talarico, senior vps; Hoyt Phillips, vp.

**Contact:** Steven Debrovner, vp-

marketing; 215-569-5300

**Continental International**

180 Maiden Lane, New York, N.Y. 10038; 212-440-3000

	1986	1985
Gross premiums...	NA	NA
Offices: claims...	NA	NA
Underwriting...	NA	NA
Employees.....	1,350	1,100*
Foreign countries...	62	55*
Combined ratio....	NA	NA
U.S.-based.....	NA	NA
Foreign-based....	NA	NA

\* Estimate.

**Parent company:** Continental Corp.

**Subsidiaries:** Continental Insurance Co., Lombard Insurance Group and other companies.

**Regional offices:** London, Miami and Hong Kong.

**Principal officers:** Bruce W. Hayden, president; Peter F. Reid and Michael J. Marchesani, senior vps.

**Contact:** Peter F. Reid, 212-440-7689.

**Factory Mutual International**

Southside, 105 Victoria St., London, SW1E 6QT, England; 01-828-7799

	1986	1985
Gross premiums...	\$88,320,000	\$76,320,000
Offices: claims....	4	4
Underwriting.....	4	4
Employees.....	352	335
Foreign countries...	49	49
Combined ratio....	137%	108%
U.S.-based.....	77%	70%
Foreign-based....	23%	30%

**Year international operations began:** 1963.

**Parent companies:** Allendale Mutual Insurance Co., Arkwright Mu-

tual Insurance Co., Protection Mutual Insurance Co.

**Specialities:** Industrial and commercial property risks.

**Subsidiaries:** FM do Brasil Servicos de Prevencao de Perdas Ltda., Brazil; Factory Mutual International Italia Srl., Italy.

**Principal officers:** Jan G.M. Janus, chairman/managing director; Margaret M. Edwards, director-administration; Michael L. French, director-finance/company secretary; William R. Simmons, director-marketing/corporate development; Stephen D. Simpson, director-engineering/underwriting; Barry D. Watson, Niek W. Ligtelijn, James D. Sloan and Peter Bollmann, regional managers.

**Contact:** T.W. Hiers, international liaison, 401-275-3000.

**Hartford Fire International Operations**

Hartford Plaza, Hartford, Conn. 06115; 203-547-3030

	1986	1985
Gross premiums...	\$877,069,000	\$740,272,000
Offices: claims....	14	14
Underwriting.....	24	24
Employees.....	1,654	1,558
Foreign countries...	32	9
Combined ratio....	107.2%	107.3%
Foreign based....	100%	100%

**Year international operations began:** 1970.

**Parent company:** ITT Corp.

**Subsidiaries:** Excess Insurance Group, United Kingdom; Zwolsche Insurance Group, Netherlands; Transatlantische Insurance Group, West Germany; Abbey Overseas Group, Bermuda.

**Acquisitions:** Branch office established in Australia.

**Principal officers:** Lawrence S. Doyle, president; Rex A. Barberis, executive vp; Robert M. De Boer, senior vp; James N. Leber, vp; Alan J. McCormick, vp/comptroller.

**Contact:** Lawrence S. Doyle, 203-547-4936.

Continued on next page

nsurance markets is a vast distance.



capacity but the underwriting security you need.

James connects the continents for you to deliver the world of insurance coverage.

**James builds the bridge.**

America's premier insurance broker. A Sedgwick Group Company

**How to use directory**

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

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

If provided by the insurer, financial and operational information for 1985 and 1986 is listed. Foreign gross premiums for property and casualty risks are given. In addition, the number of foreign claims and underwriting offices, the number of foreign-based employees and the number of foreign countries in which the insurer is represented are supplied.

The insurer's combined ratio based on foreign business is provided. Also, a percentage breakdown of foreign operations of U.S.-based employers vs. indigenous foreign-based employers is given as a percentage of premium volume.

(*Business Insurance* defines "foreign" as all countries other than the United States and its territories.)

Next, the year the insurer's international operations began, its parent company (if any) and risks the company specializes in insuring are given. Names and locations of affiliates and subsidiaries and 1987 acquisitions of the insurer follow.

Finally, names and titles of the insurer's principal officers and a U.S.-based contact person are supplied.

Listings are based on each insurer's response to the questionnaire; *Business Insurance* is unable to verify the information provided.

**Kemper International Corp.**

Route 22 & Kemper Drive, Long Grove, Ill. 60049; 312-540-3767

	1986	1985
Gross premiums...	\$29,300,000	\$24,100,000
Offices: claims...	15	15
Underwriting...	15	15
Employees.....	117	105
Foreign countries...	9	9
Combined ratio...	NA	NA
U.S. based.....	30%	25%
Foreign based....	70%	75%

**Year international operations began:** 1970.

**Parent company:** Lumbermens Mutual Casualty Co.

**Affiliates:** Several foreign-based property and casualty insurance companies.

**Subsidiaries:** Kemper Insurance Co. Ltd., Australia; Kemper International Insurance Co. (P.T.E.) Ltd., Singapore; Kemper Management Co. and Seven Continents Insurance Co. Ltd., Bermuda; Kemper S.A., Belgium; Lumbermens Mutual Casualty Co., Japan; offices in United Kingdom, France, West Germany and

Netherlands.

**Principal officers:** J.S. Kemper III, president; T.J. Hoeh, senior vp; A.J. Espinosa, K.R. Flatman, W.L. Halvorsen and G. Ranieri, vps.  
**Contact:** T.J. Hoeh, 312-540-3767.

**Royal Insurance (U.S.A.)**

150 William St., New York, N.Y. 10038; 212-553-3398

	1986	1985
Gross premiums...	NA	NA
Underwriting...	500	500
Employees.....	22,000	22,000
Foreign countries...	80	80
Combined ratio...	NA	NA
U.S. based.....	NA	NA
Foreign based....	NA	NA

**Year international operations began:** 1846.

**Parent company:** Royal Insurance P.L.C.

**Specialities:** All risks with exception of petrochemical, pharmaceuticals (U.S. exposures), overwater drilling operations and large construction projects.

**Affiliates and subsidiaries:** 49 foreign-based branches.

**Principal officers:** G.W. Ansbro, chairman/chief executive officer/president; A.F.S. Evans, executive vp; J.E. Amico, vp; G.J. Orford, secretary/manager-international division.

**Contact:** G.J. Orford, 212-553-3398

**Travelers Insurance Cos.**

1 Tower Square, Hartford, Conn. 06183; 203-277-2777

	1986	1985
Gross premiums...	NA	NA
Offices: claims...	NA*	NA*
Underwriting...	NA*	NA*
Employees.....	NA*	NA*
Foreign countries...	110	110
Combined ratio...	NA	NA
U.S. based.....	NA	NA
Foreign based....	NA	NA

\* Business conducted through all foreign offices of affiliate and subsidiary companies.

**Year international operations began:** 1965.

**Parent company:** The Travelers Corp.

**Affiliates:** Guardian Royal Exchange, London; L'Union des Assurances de Paris, France; Riunione Adriatica di Sicurtà, Italy.

**Subsidiaries:** Travelers Indemnity Co. of Japan; La Metropole, Belgium.

**Principal officers:** Bruce MacMillian, vp; James Webb, director; James Kuhn, Peter Fontaine, David DeMott, and Kevin Vaughan, regional managers.

**Contact:** James Webb, 203-277-2777.

**Zurich Insurance Group**

231 N. Martingale Road, Schaumburg, Ill. 60196; 312-843-6000

	1986	1985
Gross premiums...	\$3.9 billion	\$2.8 billion
Offices: claims...	NA	NA
Underwriting...	550	550
Employees.....	20,000	20,000
Foreign countries...	37	37
Combined ratio...	NA	NA

U.S. based..... NA NA

Foreign based..... NA NA

**Year international operations began:** 1872.

**Parent company:** Zurich Insurance Co.

**Specialities:** Global property and international casualty programs, products liability coverage on foreign manufactured goods exported to the United States, foreign excess liability.

**Affiliates and subsidiaries:** 10 U.S. based and 32 foreign based companies.

**Acquisitions:** National & General Insurance, Australia.

**Principal officers:** Rolf F. Hueppi, chief operating officer-Zurich Insurance Co. (Switzerland); William H. Bolinder, chief executive officer-Zurich-American Insurance Group.

**Contact:** Thomas Hite, senior vp-International Division; John Ormerod, director-marketing-International Division; 312-843-6156.

**Lloyd's chairman**

Continued from page 3

"It must be worrying for all intermediaries to observe the slowing in the growth of revenues in 1986 compared to 1985, particularly when we look at the growth of overheads in the same time span," Mr. Miller pointed out.

"I think that there is something to worry about here, and I have certainly got no pat answer to the problem," he said.

However, Mr. Miller told NAPSLO members, "I have two comments: At least you do not have the difficulty that we have in London of meeting expenses in a currency which is appreciating against the U.S. dollar—something we are not at all used to.

"My second point is that this must put a premium upon our professionalism in managing our business, both internally and externally," he said.

Mr. Miller said Lloyd's 1984 global results, released early last month, gives some indication of how the insurance market has changed (BI, Sept. 7).

Lloyd's results for 1984, which closed at the end of 1986 under Lloyd's three-year accounting system, shows "a strong recovery from the indifferent results of the immediate preceding years," said Mr. Miller. He pointed out that exclud-

ing the loss-riddled syndicates formerly managed by PCW Underwriting Agencies Ltd., syndicates at Lloyd's posted a record profit of around \$480 million for the 1984 accounting year.

That figure represented "a welcome return to underwriting profitability before the effect of investment income is taken into reckoning," he added.

But as he pointed out, not all sectors of business at Lloyd's performed as well as others.

The accident and health, aircraft, shipping liability, cargo and property damage accounts all recorded profits, said Mr. Miller. But "Lloyd's has the largest share of the United Kingdom auto market," he added, "and the Lloyd's account showed for the first time for many years a loss of some \$40 million.

"The other problem is the so-called general liability account," Mr. Miller remarked. Lloyd's reported a loss of \$272 million on general liability business in 1984, including amounts attributable to the PCW syndicates.



Mr. Miller

"It is this account which gives all of us such very great concern," he said, adding that "Lloyd's losses on this general liability account for the five-year period between 1980 and 1984, at current rates of exchange, amount to no less than \$1.5 billion."

Mr. Miller said tort reform legislation passed in the United States will have an eventual effect on general liability losses and premium rates, and he emphasized that "one cannot agree with those who say that tort law reform should be abandoned because it has ceased to make legislative headway."

There has been a loss of momentum in the tort reform movement, he observed, pointing out that some say this loss is the result of the inability of insurers to immediately lower rates because of changes in the civil justice system.

But, Mr. Miller remarked, "In this class of business it is almost impossible in a short period of time to prove that lower claims and therefore lower premiums follow upon more sensible legal regimes.

"We must keep on in an effort to maintain the momentum of tort law reform. We must hold to this course whatever the pessimists say," Mr. Miller said.

**Our Competitors Think We Walk on Water. Nonsense, We've Learned Where the Rocks Are.**

We won't tell you where they are. But, we will keep you from getting in over your head.

Our Expertise in Administration of:

**GROUP VOLUNTARY**  
Life • Dental  
Disability • Rx  
will guide you.



Do increasing drug expenses give your clients a sinking feeling? Imagine a **Group Voluntary Prescription Plan** that gives your client the freedom to select any registered pharmacy anywhere. A plan designed to encourage consumer cost control.

The new VPA administered **TRI-C FREEDOM PLAN** is the ultimate in prescription coverage providing real savings for generic drugs and mail order services.

Check these outstanding features . . .

- ✓ Total freedom in choice of pharmacy
- ✓ Consumer cost control
- ✓ Increased reimbursement for generic drugs
- ✓ No co-pay or deductible on mail order service
- ✓ Minimum of 10 participating employees to qualify
- ✓ Day of receipt claim payment
- ✓ Unique agent related plan for groups of 25 or more

Write or call today for your **Group Voluntary Prescription Plan** sales material. Just ask for the **TRI-C FREEDOM PLAN**.

CALL: 216-888-8585 • 800-362-1515 (Ohio) • 800-VPA-SALE  
7123 PEARL ROAD, CLEVELAND, OHIO 44130

# Wholesalers must understand marketplace, experts advise

By MICHAEL BRADFORD

NEW ORLEANS—One trait that distinguishes an effective wholesaler is how well the broker understands the insurance marketplace, a panel of experts says.

In a session titled "Are You a 'Professional' Wholesaler?," speakers at the annual convention of the National Assn. of Professional Surplus Lines Offices noted some of the qualities that wholesale brokers need to succeed in the excess and surplus lines marketplace.

Broad knowledge of the market is crucial if a wholesaler expects to be successful, said A. Norman DuBois, president of Insurance Brokers Services Inc. in Chicago.

The wholesaler has to know what types of risks different insurers will underwrite, Mr. DuBois said.

"Nothing is more frustrating than burdening an underwriter with submissions that he eventually... is going to turn down," he said.

In addition, it is the wholesaler's responsibility to ensure that all forms presented to the underwriter are complete and contain adequate descriptions of the applicant's operations and loss history, Mr. DuBois said.

He added that "it is not at all out of line" to suggest pricing of the risk, but such suggestions must be backed up with an adequate explanation.

"Very few underwriters appreciate a cover letter from a wholesaler that says, 'please see attached and quote accordingly,'" Mr. DuBois noted. "That kind of submission quite often finds its way to the round file."

Janet Nelson, senior vp-surplus lines with Atwater McMillian Inc. in St. Paul, Minn., reminded the audience that "it's their effectiveness with their markets that make wholesalers important to the retail agencies."

Therefore, wholesalers must know retailers' needs and insurers' underwriting philosophies well enough to properly match a risk with an insurer, she said.

Like Mr. DuBois, Ms. Nelson emphasized that "it is the broker's responsibility to supply the underwriter with reliable data that is appropriate to the risk. Anticipate your underwriter's needs. He can respond better if you do so."

Derek Hughes, president of Westco Insurance Group in Ramsey, N.J., said he is concerned about a lack of management in some wholesalers' offices.

"Some of the people who made the business great, the entrepreneurs," often become problems within their own firms, he said.

A wholesale brokerage often is built by an individual from a small operation into a "large, complex business," he explained. In many instances, "the people in management areas are not keeping up."

While entrepreneurs do a great job starting the business, sometimes "they fall flat on their faces" when faced with having to manage a large company, Mr. Hughes said.

Management at a wholesale brokerage not only has to make an effort to keep up with all parts of an expanding business, but it also should make sure it is surrounding itself with professional employees, he said.

"You have to put more money into building the people around you and making them true profes-

sionals," he stressed.

As the surplus lines industry has grown, attitudes toward it have changed, said Nicholas A. Verros, president of the Professional Insurance Agents of America and chief executive officer of Verros Insurance Agency in Brisbane, Calif.

"It wasn't so many years ago that the E&S market was looked upon as a two-headed monster," he said.

And, for 31 years, "people have been telling me I shouldn't be in this business," Mr. Verros added.

But the E&S market no longer is viewed as an aberration of the standard market, he noted.

It is not "a market of last resort" for retail agents, said Mr. Verros.

In fact, "over the past four or five years, in many of the geographic areas of this country, E&S brokers were the only market."

A wholesale broker has to "educate oneself, so that he or she can perform the duties expected of them," he said.

The broker also must maintain "the highest level of business ethics. I'm certain that there are a number of people in this country that feel we are both uneducated, stupid and not very professional."

Mr. Verros said he and others have spent almost a year traveling throughout the United States "trying to shed some light on this industry in the best way we know how."



## G. L. HODSON & SON, INC. REINSURANCE INTERMEDIARIES

Founded in 1924

New Hyde Park, NY  
516-365-9000

Atlanta, GA  
404-256-9666

Los Angeles, CA  
213-487-2910

New York, NY  
212-619-7808

St. Paul, MN  
612-224-2447

San Francisco, CA  
415-362-1987



# Only half of our stamp collection is well used.

### Tifco's cancellation rate is one of the lowest in the premium financing industry.

When a premium financing company uses its cancellation stamp too freely, you lose commissions. Not to mention clients.

So, at Tifco, our job just begins with financing. It continues with our account maintenance policy that requires a monthly billing, a late notice, another late notice, and

a phone call to you before cancellation. Generally, that's more than enough time to solve any problems before it's too late. As a result, we boast one of the lowest cancellation rates in the industry.

And one of the cleanest "Cancelled" stamps you ever saw.

Learn more. For the number of the TIFCO office nearest you call —  
East of the Mississippi: 1-800-423-5748  
West of the Mississippi: 1-800-423-5749  
In Maryland: 1-301-494-1011

# TIFCO

THE INSURANCE FINANCE PEOPLE

# Wholesale brokers evaluate liabilities

By MICHAEL BRADFORD

NEW ORLEANS—A Texas court case is prompting members of the National Assn. of Surplus Lines Offices to re-evaluate how well they are protected from potential liabilities stemming from insurer insolvencies.

NAPSLO members' concerns over such liabilities have been heightened by a court case in which a policyholder sued an agent to recover his insured losses after the insurer became insolvent.

In the case, a Texas appellate court has ruled that an agent is not liable for a policyholder's losses when an insolvent insurer fails to pay a claim, overturning a lower court jury verdict against

Higginbotham & Associates, a Fort Worth, Texas, insurance brokerage (BI, Sept. 28).

Although the decision appears to let agents and brokers off the hook for a client's losses if an insurer becomes insolvent, the policyholder's attorneys plan to appeal, and those involved in the case acknowledge there is a good chance the Texas Supreme Court will hear the case.

In a session at NAPSLO's annual meeting last month in New Orleans, a panel of agents, brokers and attorneys discussed the importance of the case and how brokers and agents protect themselves using good judgment in selecting insurers for clients and purchasing proper errors and omissions cover-

age for themselves.

"This Higginbotham case, in my judgment, will be remanded for retrial on whether the agency was reasonable at the time they selected this particular insurer," said Robert L. Murphy, president of Ehrman, Murphy & Co. in Houston.

Mr. Murphy told agents and brokers in a session titled "E&O—Position '87" that they might as well "write it in cement" that they are "going to become involved in these actions and activities."

"There's no question in my mind about it: Sooner or later you will become involved, and you will have to stand the test of reasonableness," Mr. Murphy said.

"There are certain things that

you have to do" when selecting an insurer for a client's risk, he told the group. "And, hopefully, you will do them. There's no substitute for good judgment. There's no substitute for good records. There's no substitute for reasonable actions, no matter how good your errors and omissions policy is."

Mr. Murphy also told the agents and brokers that they "are going to need errors and omissions coverage beyond all parameters" of what they formerly carried to be protected against exposures like those in the Higginbotham case.

"You have to look at your errors and omissions coverage and determine whether insolvency actions are subject to the coverage," said Mr. Murphy. "There are a good number of (the E&O policies) on the streets today in the hands of retail agents that do not cover insolvencies."

However, Donald Greene, an attorney with the New York firm of LeBocuf, Lamb, Leiby & MacRae, said: "I know of no errors and omissions underwriters with whom I've worked over the years that cover for the insolvency of another insurer."

He said that "historically, it is unknown to me that you can get that kind of coverage."

Mr. Greene also told wholesalers at the session that they, too, are at risk of being named in suits like the Higginbotham case.

Wholesalers, like retailers, need "a system for evaluating the financial strength" of insurers, Mr. Greene said. If that evaluation is not made, a court more likely will find the intermediary negligent and responsible for the liabilities of an insolvent insurer, he said.

"Set up a system, teach it to your folks put one officer in charge of it," he urged. "Make up your checklists and follow them. If you do that, I think you have a great chance of winning any case against you."

Mr. Greene warned that once a system is in place, its procedures must be followed closely. Otherwise, "you have a greater chance of losing the case, because you will have set the rule that seems rea-

sonable to you in-house, and you will have been discovered to have violated the rule."

If a client wants an agent or broker to place coverage with an insurer that does not qualify under the intermediary's evaluation system, the intermediary must obtain written instructions from the client. "The client may balk, the retailer may be upset that you want something in writing, but I suggest to you that you should press them for that," Mr. Green emphasized.

An insurer on the panel said that wholesalers are "far too casual about the financial strength and health" of their markets, which can lead to an E&O claim against the wholesaler in the event of an insurer insolvency.

"Even in states like New York and Texas that absolutely put the burden of determining the solvency of a non-admitted insurer on the E&S broker, I rarely get requests for financial statements or any pertinent data," noted Frederick Brown, president of Investors Insurance Co. of America in Ramsey, N.J.

Wholesalers also leave themselves open to E&O claims by not properly binding or issuing policies, according to Mr. Brown.

"I don't know how many times I have seen binders or policies issued by the wholesaler that had to be endorsed or rewritten to properly express the coverage granted at the time of quotation," he said.

Wholesalers also can expect trouble if they fail to give an insurer correct information concerning a risk, Mr. Brown said.

"The corroboration of information that your retailer gives you is very important," he said, urging wholesalers not to take it for granted.

A close look at E&O claims will find "carelessness, laxity, laziness, lack of common sense, lack of prudence, lack of reasonableness—all simple things," he said.

Also on the panel was W. Allen Taft of Weems-Munroe Inc. in Wilmington, Del. Lew Corson president of Corson Special Risks in Houston, was moderator of the session.

## Leadership

IS OUR STRENGTH

Richard Whiley, Inc.—a pioneer capable of structuring the most complex reinsurance programs.

- Creative solutions to the reinsurance requirements of insurers and reinsurers.
- Access to markets world-wide.
- Broad diversity of clients.
- Dedicated to service excellence.
- Sensitive to changing market conditions.
- Resources to handle all classes of Treaty and Facultative business.
- A Xerox Financial Services Company.

# Richard Whiley, Inc.

Reinsurance Intermediaries

### Headquarters:

110 William Street, New York, New York 10038  
(212) 732-1360

### Branch Office:

12 Piedmont Center, Atlanta, Georgia 30305  
(404) 264-0222



NOVEMBER 9-10, 1987  
MARRIOTT'S SAM LORD'S CASTLE  
BARBADOS, WEST INDIES

FEE: \$625.00

For further information, contact:

Conference Director  
Tillinghast, a Towers Perrin company  
722 Post Road  
Darien, CT 06820  
(203) 655-9791

## Tillinghast

a Towers Perrin company

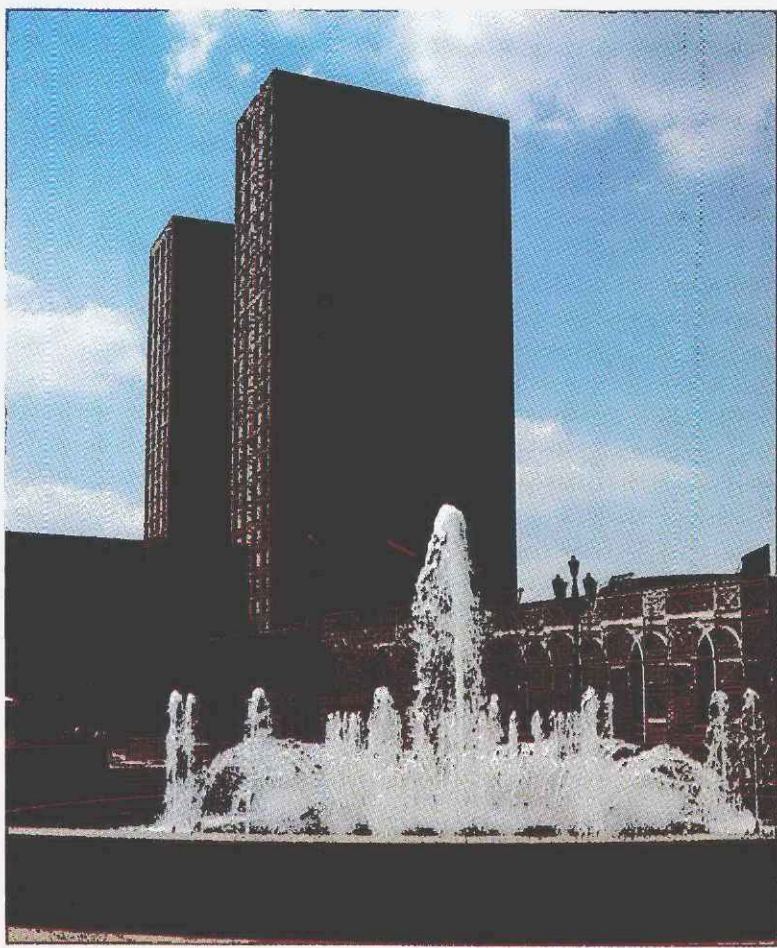


Photo: Michael Bradford

The 12th annual convention of the National Assn. of Surplus Lines Offices Ltd. drew more than 2,000 to the New Orleans Hilton Hotel.

# Surplus lines industry sees good times ahead

By MICHAEL BRADFORD

NEW ORLEANS—Members of the surplus lines insurance industry are predicting good times for the immediate future—with a few caveats.

"Predicting the future of anything is risky at best," points out Anthony Markel, president of Essex Insurance Co. in Richmond, Va. But, in order to establish long-range goals and a game plan to achieve them, "one must make assumptions about the future," he added.

Mr. Markel was a member of a panel that discussed "The U.S. Marketplace—1988 and Beyond" during the National Assn. of Professional Surplus Lines Offices' annual convention last month in New Orleans.

The future of the wholesale brokerage business is "as strong as it's ever been, with certain caveats," said Mr. Markel.

Panel member Rolland L. Wieggers, president of Scottsdale Insurance Co., agreed, noting that "from an excess and surplus lines company standpoint, 1987 is going to be another great year."

Surplus lines insurers this year will likely write premiums equal to or slightly greater than the \$6.2 billion written in 1986, he said, despite a softening market that has caused some business that had been written by surplus lines insurers to drift to the admitted market (*BI*, Aug. 10).

Despite such a rosy outlook, panelists said the surplus lines industry must be prepared for recurring cycles that threaten their business.

Mr. Markel said wholesalers will have to develop specialty products that can withstand the peaks and valleys of the underwriting cycle.

Wholesalers have three sources of business, he said:

- Accounts that remain with a surplus lines broker every year regardless of the "state of the cycle."
- Accounts that "tend to flow back and forth between us and the standard marketplace depending on the state of the cycle."
- "Those areas of true specialization" where brokers have been able to carve niches and retain business.

Development of such areas of specialization is going to be "essential for you to smooth out the rough edges of the cycles," he stressed.

Some members of the industry currently are wondering whether the current soft market cycle will be as dramatic as the last one, observed Kenneth Woods, president of California Union Insurance Co. in Los Angeles.

However, Mr. Woods said conditions that marked the last soft cycle are different from those present today.

Unlike the last soft market, interest rates that fuel cash-flow underwriting are lower in 1987 "and are anticipated to remain considerably lower than we saw during the last soft cycle," which began during the later 1970s.

Inflation rates, "although generally stable, appear more likely to trend up rather than drop off as they did in the early 1980s," he said.

These market conditions and others "seem to be far less supportive of prolonging the current downturn in the market," Mr. Woods remarked.

Although he acknowledged that

the current market downturn makes it hard to predict exactly how the insurance industry will perform in the coming months, Mr. Woods said he believes "the future outlook for the E&S industry is very positive, particularly for those brokers and insurers who adapt to the swings in the market."

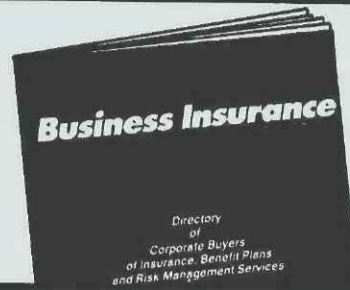
Apart from fending off market swings, members of the surplus lines industry have other concerns to address when looking to the months and years ahead.

Mr. Markel said the "wholesaler of the future" must "truly attempt to underwrite and select profitable business on behalf of the insurance company it represents."

The wholesaler of both today and

*Continued on next page*

## HOT The 1987/88 Business Insurance Directory of Corporate Buyers of Insurance, Benefit Plans and Risk Management Services



\$75 each. All orders must be prepaid. Make check payable to: Business Insurance Directory. Mail to: Business Insurance Directory: Single Copy Sales 965 East Jefferson Avenue, Detroit, MI 48207

For further information, or to charge your order by phone, please call: Fanny Franklin (313) 446-0477

## PACIFIC MUTUAL BELIEVES THERE'S NO SUCH THING AS A SMALL LIFE.



### Small Lives Need Big Protection.

The big advantages of PPOs, like low cost and flexibility, have managed to elude the small life market—until now. Pacific Mutual has always believed there's no such thing as a small life. And every company, no matter how small, needs—and deserves—affordable protective coverage. That's why Pacific Mutual offers not one, but four, PPO swing plans for businesses with 2 to 34 employees.

### At Last, Big PPO Advantages Tailor-made for Small Businesses...

This means that you can now offer your small business clients *all* the benefits of PPO protection. Pacific Mutual's PPO swing plans let you deliver the highest quality health care protection available at surprisingly low prices.

All PPO swing plans offer the benefits your clients are seeking, like lower monthly premiums, reduced physician and hospital fees, and, of course, flexibility to choose a plan-approved health care provider or a doctor of the employee's choice.

### Pacific Mutual's PPO Pays a Higher Percent When a Plan-Approved Doctor Is Used.

All PPO swing plans deliver superior medical protection at the lowest possible cost. After satisfying a small deductible, PPO I pays 80 percent while PPO II pays 90 percent of all charges for basic medical services from an approved provider. The Star Care Plus plans will pay 90 percent or 100 percent of these charges and waive the deductible as well. If medical services are provided by an unapproved provider, employees still receive benefits but at

a lower co-insurance percentage. Both plans also include hospital and outpatient surgery "pre-certification" provisions, prescription drug card coverage, and a minimum of \$10,000 group life and AD&D insurance per employee.

If you'd like to learn more about Pacific Mutual's low cost PPO swing options for the small life market, contact a Pacific Mutual MET representative today at 1-800-854-8028. In southern California call 1-800-854-7434. In northern California call 1-800-872-9200.

And remember, at Pacific Mutual there's no such thing as a small life.

**Discover the Power of the Pacific.**



**PACIFIC MUTUAL**  
Member Pacific Financial Companies

# STRUCTURED SETTLEMENTS

## STRENGTHEN YOUR POSITION



You can count on Structured Financial Associates' experience in creative settlements as a unique resource for your use in personal injury claims. Our backgrounds in insurance, law, economics, claims, and financial planning, combined with our unwavering commitment to service, have proven instrumental in successful settlements. SFA's advantages extend not only to injured persons, but to you as well. Insurers, self-insureds, and attorneys repeatedly count on us to strengthen their positions in difficult claims, and that is why SFA was the fastest growing structured settlement firm in the industry last year.

With offices nationwide, an SFA settlement specialist can be with you at your next settlement conference, or as close as your phone, to respond immediately to your concerns, keeping negotiations moving toward successful completion. **SFA - Strengthening your position**  
**Call today for your FREE Settlement Reference Manual.**  
**1-800-638-5890**



**STRUCTURED FINANCIAL ASSOCIATES, INC.**  
OFFICES NATIONWIDE

# NAPSLO elects new president

NEW ORLEANS—T.C. "Skip" Anderson is the new president of the National Assn. of Surplus Lines Offices Ltd.

Mr. Anderson, who is chairman of wholesale broker Skanco International Ltd. in Scottsdale, Ariz., took the gavel from outgoing NAPSLO President Robert Keul at a luncheon ceremony during the organization's 12th annual convention in New Orleans Sept. 24-27.

A 40-year veteran of the insurance industry, Mr. Anderson has been a member of NAPSLO's board of directors since 1933 and an officer with the organization since 1985.

His primary goal during his term at NAPSLO's helm will be to strengthen communications throughout the excess and surplus lines insurance

industry.

The ceremony was part of a four-day convention that featured seminars on such topics as professionalism in the wholesale brokerage business, errors and omissions coverage for brokers, and a look at the future of the surplus lines marketplace.

Lloyd's of London Chairman Peter Miller and Edward J. Muhl, president of the National Assn. of Insurance Commissioners, were luncheon speakers.

This year's gathering drew more than 2,000 people to the New Orleans Hilton Hotel for the convention with the theme "EPILOG/PROLOG: Out of the Past Comes Our Future."

Altogether, 88% of NAPSLO's 733 member firms attended the conference, including 94% of member brokers and 95% of the organization's member insurers.

More information on NAPSLO is available from the organization at P.O. Box 1507, Roswell, Ga. 30077; 404-998-9075.



## Good times

*Continued from previous page*  
tomorrow must aggressively promote its services within the retail brokerage community, he said. "It's got to have the manpower and the organization to deliver the creativity that it is selling. And in this regard, I think we're all faced with a challenge."

Recent insurance industry growth has brought large numbers of employees into the insurance business, Mr. Markel pointed out. A large percentage of insurers' current workforce has never been

through a soft cycle and does not have the technical skills or creativity to do an effective job in such a market, he observed.

"I think that they are having difficulty or are going to have difficulty coping in a soft marketplace, the likes of which we have now," Mr. Markel said. He said it is up to brokers, insurers and others to continue educating and training employees to cope with a soft market.

Despite his belief that the surplus lines industry is strong as ever, Mr. Markel said he thinks there is serious new competition to the non-admitted market.

"I really feel that as an industry, the greatest fear that we should have today is the erosion of market potential due to the formation of pools, risk retention groups, captives and the like as a result of our industry's lack of consistency in product pricing and service," said Mr. Markel.

"You can't pick up a trade journal today without reading about the formation of some alternative insuring mechanism," he declared. "We've collectively forced them out of the mainstream because of our inability to accurately, reasonably provide for their needs with any consistency."

And, if an account leaves the standard or non-admitted market,

it will never return, Mr. Markel warned.

Another panelist, Thomas Baker Jr., president of Tom Baker Insurance Agency in Houston and president of the Independent Insurance Agents of America, said insurers will have a successful future if they think of "service" as the key to keeping business.

Often, he said, insurers aren't providing agents with thoughtful and quality service.

During the most recent hard market, agents were unreasonable in asking insurers for quotes over the telephone, said Mr. Baker. But, he added that underwriters were slow to respond to written applications for coverage.

"We send an application in and we don't hear anything about it for weeks or months," said Mr. Baker. Then, the agent finds out by telephone or letter that an obscure and unnecessary piece of information was left off the application, he added.

Mr. Baker said agents are going to seek out wholesalers that "we know can give us good service," while providing the broker with what it needs to do a good job as well.

The session was moderated by Ralph Palmieri, executive vp of First State Insurance Co. in Boston.

# Case management increasing: Study

Employers are using case management techniques with increasing frequency, according to a recent survey by the International Society of Certified Employee Benefit Specialists.

More than half of the employers responding to the survey, or 54%, reported savings through application of cost management strategies for catastrophic or acute health care, with an average savings of 21%.

Although few employers are involved in long-term care programs, they seem receptive to arrangements for financing such programs, the study showed.

More than 80% of the respondents are interested in allowing a "transfer" of the unused portion of flexible spending accounts to long-term care accounts, and almost 25% are examining the potential for using either group life or pension benefits to offset the cost of long term and/or catastrophic health care.

Employers also are concerned about proposed Medicare changes that would increase their benefit costs. On the possibility of the Health and Human Services Department's Medicare expansion proposal, 90% of the employers responding to the survey said they fear it will boost employers' costs.

Employers also expressed concern about the Health Care Financing Administration's "Private Health Plan Option," in which employers would assume responsibility for Medicare benefits of their retirees in return for a capitation payment from the federal government.

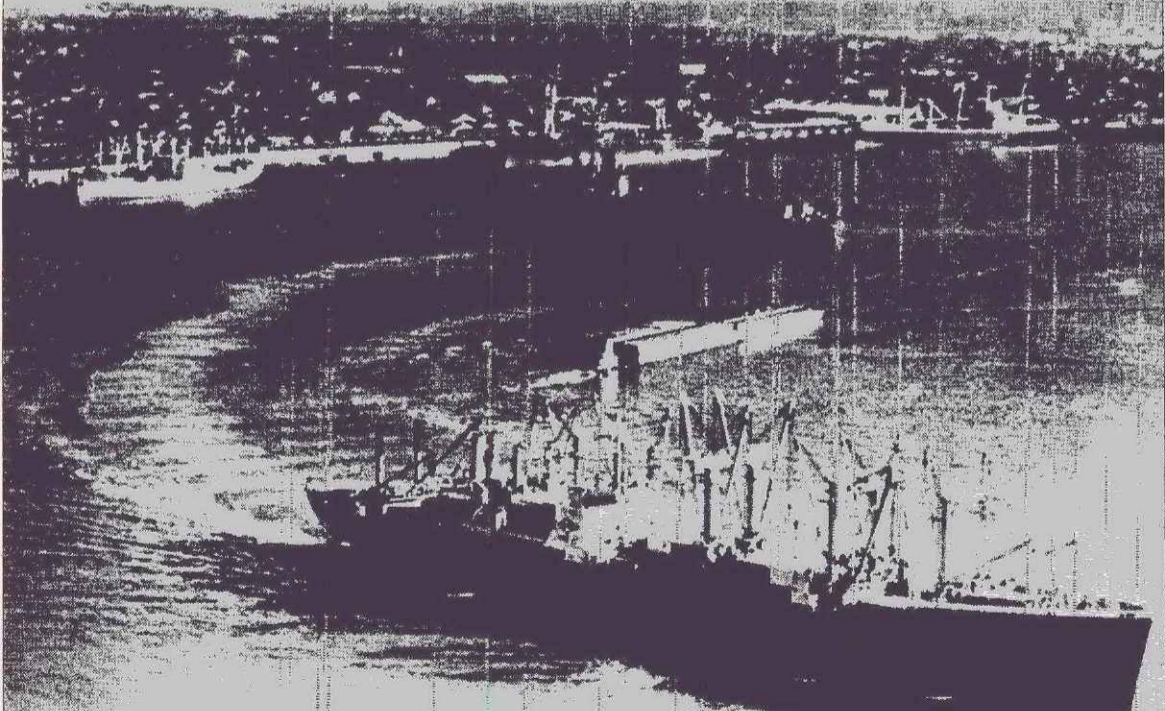
Eighty-four percent of the respondents questioned the stability/adequacy of the proposed 95% reimbursement rate, and 93% expressed concern that a rate reduction could cost them more.

Respondents opposed a proposal to tax those over age 65 on a portion of the actuarial value of Medicare Part A & B benefits, and 87% say it could reopen the issue of taxing all plan participants on the value of the health benefits provided under group plans.

Also, 75% do not recommend that the tax deductibility of employer contributions to group health plans be made contingent on the inclusion of catastrophic coverage.

Free copies of the survey are available from the International Society of Certified Employee Benefit Specialists, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-8771.

# Continental Underwriters, Ltd. SEASONED SPECIALISTS IN MARINE INSURANCE



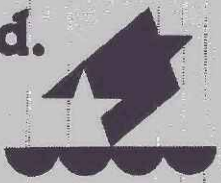
For almost two decades, our firm has been serving a clientele that ranges from multinational corporations to fishing boat operators to provide security for marine related risks. The extent and quality of our services are equally broad. As our clients will attest, we have built a reputation based

on fair competitive rates and on experience and professionalism in the development of terms, conditions and special clauses for coverage of complex, unusual marine risks. And our claims department is one of the most efficient in the business. Problem solving is our specialty.

Quality With Consistency

## Continental Underwriters, Ltd.

419 Decatur St. New Orleans, Louisiana 70130  
Telephone (504) 581-7493  
Telex: 754622 CULTD UD • Telefax (504) 581-7497  
"Lloyd's, London, Correspondents"



# Outhwaite unit will split from parent

By CAROLYN ALDRED

LONDON—Lloyd's of London members agency Dashwood Outhwaite Underwriting Agencies Ltd. is splitting from its parent company, R.H.M. Outhwaite (Underwriting Agencies) Ltd.

Sir Francis Dashwood, chairman of Dashwood Outhwaite, plans to buy the subsidiary members' agency back from the Outhwaite agency following disagreements between the two managements, Lloyd's observers say.

Because of the impending split, Outhwaite has terminated a sub-agency agreement between the two agencies.

The termination of the agreement will mean that about 200 names, representing total capacity of about 8 million pounds (\$13.1 million), will leave syndicate 317/661 at the end of the year, Maurice Hussey, chairman of R.H.M. Outhwaite, told *Business Insurance*.

Syndicate 317's underwriter is Richard Outhwaite.

In a letter to the names, Mr. Hussey stated:

"Dashwood Outhwaite Underwriting Agencies Ltd. will become independent from R.H.M. Outhwaite (Underwriting Agencies) Ltd. and discussions are proceeding."

"In any event, the subagency agreement between the two companies, covering names on marine syndicate 317/661, will terminate on Dec. 31, 1987," the letter from Mr. Hussey said.

In addition, Sir Francis, who is also a director of R.H.M. Outhwaite, will cease to be a name on the syndicate, Mr. Hussey says in the letter. "We gave Sir Francis notice that we wanted him to take his names away by the end of the year."

Mr. Hussey added that their removal will not mean a reduction of capacity for the syndicate. "We have had no problems making up capacity," he said.

The split has resulted over difficulties over the last five years in integrating the two agencies, said Mr. Hussey.

"As long as the two agencies were running separately, it was not a very satisfactory arrangement," he said.

"Sir Francis Dashwood is a very independent man who was not very happy running a wholly owned

## London

subsidiary," he added.

Sir Francis would not comment on the circumstances leading up to the split and said it was too early to discuss details of the split from the parent company. "We have agreed in principle to divorce, and I have been given notice by Outhwaite to take my names from the syndicate."

Sir Francis said he agreed to merge his agency with R.H.M. Outhwaite in 1982 because he considered Mr. Outhwaite "a capable underwriter who was going places."

The Dashwood Outhwaite agency represents about 350 Lloyd's names, according to Sir Francis.

London market sources say part of the disagreement stems from reinsurance runoff policies Mr. Outhwaite placed for other Lloyd's syndicates in 1982 with marine syndicate 317 and incidental non-marine syndicate 661, managed by R.H.M. Outhwaite.

"The 1982 account problems have exacerbated the situation," said one Lloyd's source.

Syndicate 317/661's liabilities, primarily arising from the runoff policies, total 248.5 million pounds (\$367.8 million at year-end 1986 exchange rates) (*BI*, June 8).

In May, the Outhwaite agency asked names that belonged to syndicate 317/661 in 1982 to pay a total of 10.3 million pounds (\$16.9 million) in cash by the end of July to respond to asbestos and pollution-related insurance claims (*BI*, May 11).

Meanwhile, Mr. Outhwaite is refusing to pay several claims from the runoff policies until ceding syndicates provide further information about the underlying insurance policies, which covered asbestos risks.

Several of the ceding syndicates are taking Mr. Outhwaite to arbitration and at least one has filed a lawsuit to get its claim paid (*BI*, Sept. 14).

Many in the market accuse Mr. Outhwaite of stalling, because asbestos-related claims are coming in much faster than anticipated as a result of the Wellington Agreement, which established an asbestos claims handling facility (*BI*,

May 4).

Meanwhile, London's Court of Appeal last week granted Mr. Outhwaite leave to defend a reinsurance claim of \$627,094 plus interest by Norman Compton, underwriter for marine syndicate 764/763, managed by Philip N. Christie & Co. Ltd., without making a payment to the court to cover the amount of the claim.

In March, the London High Court ruled that Mr. Outhwaite could defend the case provided that he made a payment to the court as a security.

## Bellew, Parry names

Bellew, Parry & Raven (Holdings) Ltd. is establishing a committee to ascertain what claims its names may have as a result of transactions between syndicates managed by BPR group and offshore reinsurance companies partly owned by directors of the Lloyd's of London agency.

In addition, more than \$3 million has been deposited in escrow funds to help repay money that may be owed to the names, according to a letter sent last month to the names by BPR Directors Bertram Grattan-Bellew, John Raymond Parry and Frederick Charles Raven.

The committee will be chaired by Jeremy Hardie, who is chairman of National Provident Institution and deputy chairman of Additional Underwriting Agency No. 3, the managing agency formed to look after the interests of names belonging to syndicates formerly managed by P.C.W. (Underwriting Agencies) Ltd.

Mr. Hardie is also chairman of Alexander Syndicate Management Ltd., the managing agency set up to resolve names' claims arising from the scandals surrounding Alexander Howden Group P.L.C. that surfaced in 1982.

He was asked by the BPR directors to form the committee following a Lloyd's disciplinary investigation into BPR.

The investigation "was asked to consider a number of contracts placed on behalf of syndicates managed within the Bellew, Parry & Raven Group with offshore rein-

urance companies that are partly or wholly owned by trusts for members of the Grattan-Bellew, Parry and Raven families. A number of intergroup transactions were also examined," the letter to BPR names says.

However, since the Lloyd's disciplinary process has not yet been concluded, "its current findings, therefore, remain confidential and cannot be disclosed," the letter continues.

Meanwhile, the Lloyd's disciplinary committee has "highlighted two particular areas in respect of which it considers we have not maintained the standards which ought to have been observed at Lloyd's," the directors wrote. The disciplinary committee felt that:

- Terms of two groups of syndi-

cate rollover policies were unsatisfactory, because they did not credit a sufficient amount of interest earned to syndicates between 1980 and 1983.

• Messrs. Bellew, Parry and Raven did not make "full detailed disclosure of the transactions (with related companies) and did not account to the names for the financial gain" of the directors and their families.

"We now consider that the honorable course is for us to take the appropriate steps to account to names," the letter to BPR names continues.

Mr. Hardie's committee's tasks will be:

- To establish what claims names may have as a result of the internal transactions.

Continued on next page

## ARE YOU UNHAPPY WITH YOUR PRESENT COBRA SOFTWARE?

Does it perform every function you need to comply with COBRA Regulations? Is it supported and updated as new regulations are announced? Does it AUTOMATICALLY produce the up to 29 letter, forms and documents required by COBRA LAW?

If it doesn't, step up to the nation's leading, most popular software program—Corporate Cobra Manager.

"The Safe, Sure, Accurate Tool to Help You Comply with COBRA!"

## CORPORATE COBRA MANAGER

### LIMITED TIME OFFER!

**\$395.** TRADE-IN ALLOWANCE FOR YOUR OLD COBRA DISKETTE(S)\*\*

With Corporate Cobra Manager the only required entries are beneficiary names, qualifying event, and elected benefit plans. After this, all functions are automatic. A complete record is maintained for each premium payer as to date, amount of payments and audit trail. Now, for a limited time, you can get a \$395. credit on your present Cobra software diskette toward the leading, most efficient COBRA management system available. Act now!

#### SUMMARY OF FUNCTIONS OF CORPORATE COBRA MANAGER

- Notification of Eligibility
- Enrollment Form and Times
- Premium Calculations
- Handles Secondary Qualifying Events
- Tracking of Eligibility Periods for Each Participant
- Management Report Module
- Change of Address Function
- Termination Letters
- Premium Delay Capability
- Automatic Generation of Letters and Forms
- Monthly Premium and Eligibility Reports to Vendors
- Monthly Premium Notices or Coupons
- 2% Add-on (user-specified) can be delayed for compliance with state continuation laws
- Additional Copies for Files
- Complete Audit Trail
- Late Premium Notices (user-specified)

- #### SPECIAL FUNCTIONS
- Multi level Password
  - Open Enrollments
  - Downloading
  - Custom Report Writer
  - Custom Letter Writer

only \$1295 WITH TRADE-IN ALLOWANCE—\$900 and your original or back up diskette(s) (SINGLE EMPLOYER VERSION) LIMIT 1 PER OFFER.

—Also available in Multi-Employer Version for TPA's, HMO's & Taft Hartley Plans

Join over 1000 Companies who are using CORPORATE COBRA MANAGER - the country's most widely used COBRA Software.

Requirements of the proposed regulations issued June 15, 1987 are already included in the Program.

CORPORATE COBRA MANAGER runs with a hard disk on any 512K IBM PC\* or 100% compatible; no other software required. \*Trademark of International Business Machines Corp

AVAILABLE ON A 30-DAY MONEY-BACK GUARANTEE!  
**713-496-3737**

\*\*Traded Diskettes will be immediately destroyed

TRAVIS SOFTWARE CORP. 1001 S. Dairy Ashford, Suite 206 • Houston, Texas 77077

yes! HERE'S MY OLD DISKETTE and \$900.  Send more information

NAME \_\_\_\_\_ TITLE \_\_\_\_\_

COMPANY \_\_\_\_\_

ADDRESS \_\_\_\_\_ CITY \_\_\_\_\_

STATE \_\_\_\_\_ ZIP \_\_\_\_\_ PHONE \_\_\_\_\_

## JOHNSON & HIGGINS WILLIS FABER (USA) INC.

Underwriting Manager on the NY INSURANCE EXCHANGE for:

Johnson & Higgins Willis Faber Syndicate A, Inc.

J&H, WF Syndicate B, Inc.

MML Syndicate, Inc.

IAT Syndicate, Inc.

Spear Leeds & Kellogg Re Corporation



Roy G. Nelson, Jr.  
President

Richard E. Kane  
Senior Vice President  
Chief Financial Officer

Ronald F. Moore  
Vice President  
Claims

Robert J.D. Kersbergen  
Vice President  
Treaty

John T. Tobin  
Vice President  
Treaty

John M. Daly, Jr.  
Vice President  
Property/Facultative

111 Fulton Street, New York, New York, 10038

Telephone: (212) 587-1600

Telex 420178 Facsimile 212 732-1657

## London

Continued from previous page

• To advise names about their rights and the terms of any negotiated settlement of claims, or alternatively about the prospects of success in any legal proceedings.

• To advise names how any settled sum may be proportioned.

"The responsibility for appointing the other members of the committee rests with Mr. Hardie. He presently has in mind the appointment of three professionals from the insurance world and three of our names," the directors state in the letter.

Mr. Hardie confirmed that he had accepted the chairmanship of the committee and said it was too early to give any further details.

According to the letter, the amount of shortfall in interest payable to syndicates from the rollover policies has been quantified as more than \$3 million by Lloyd's of London's auditors, Touche Ross & Co., and BPR's auditors, Ernst & Whinney.

As a result, sums of about 850,000 pounds (\$1.4 million) and \$1.65 million have been placed in two escrow accounts in Mr. Hardie's name to cover the shortfall, the letter says.

"It is our intention that these sums, together with the interest

accruing thereon, will form part of the amount to be distributed to names," the directors say in the letter.

Lloyd's refused to comment on the matter.

### Heath acquisition

Lloyd's broker C.E. Heath P.L.C. is acquiring Garlands Holdings Ltd., the holding company of Lloyd's marine broker Martens Horner & Co. Ltd.

Heath will pay the equivalent of 4.2 million pounds (\$6.9 million) for an 88% stake in Garland.

The acquisition will be financed through the issue of 250,000 ordinary shares in C.E. Heath, together with 2.95 million pounds (\$4.8 million) in cash.

Heath stock was trading at 514 pence (\$8.37) on Sept. 29.

In addition, C.E. Heath may be required to purchase the remaining 12% stake in Garland at periodic intervals until 1996 for a consideration based on the performance of the company. The minimum consideration will be 2.2 million pounds (\$3.6 million) in aggregate, according to a statement from Heath.

"This acquisition enables us to complete our program of ensuring

that our broking operations are fully resourced at senior management level," said Heath Chairman Richard Fielding.

Martens Horner, formed in 1981, recorded brokerage revenue of 2 million pounds (\$2.8 million) and pretax profits of 353,000 pounds (\$496,500) for the year ending Sept. 30, 1986.

Martens Horner will change its name to Heath Martens Horner Ltd. and will carry on the marine brokerage businesses of Martens Horner, C.E. Heath (Marine) Ltd. and Fielding & Partners (Marine) Ltd.

Former Garland Director Peter Martens will serve as chairman of Heath Martens Horner, and Frank Horner, also a former Garland director, will serve as managing director.

### PWS acquisition

Lloyd's broker PWS Holdings P.L.C. is acquiring Craven Farmer Holdings Ltd., the holding company for Craven Farmer Ltd., a fellow Lloyd's broker that specializes in London market excess-of-loss reinsurance.

The initial payment for Craven Farmer Holdings will be 4 million pounds (\$6.6 million), paid for with an allotment of 1.15 million new ordinary shares in PWS. PWS stock was trading at 348 pence (\$5.67) on Sept. 29.

In addition, another payment of up to 1 million pounds (\$1.64 million) will be calculated according to the brokerage revenue of Craven Farmer for the year ended Sept. 30, 1988, according to a PWS statement.

Craven Farmer specializes in aviation and war risk LMX reinsurance. The company also has expertise in North American liability insurance, North American oil and gas insurance and political risks, according to the statement from PWS.

The group, which employs about 30 people, also includes a small Lloyd's members agency.

For the year ended Dec. 31, 1986, Craven Farmer's pretax profit was 261,000 pounds (\$387,063) on brokerage revenue of about 1.5 million pounds (\$2.2 million).

### Minet first-half results

Minet Holdings P.L.C. announced a slight increase in pretax profits for the first six months of 1987 to 19.3 million pounds (\$31.2 million at June 30 exchange rate) from 19.27 million pounds in 1986 (\$29.6 million at June 30, 1986, exchange rate).

Minet's gross revenue for the six months ended June 30 rose to 58.4 million pounds (\$94.4 million) from 54 million pounds (\$83.1 million) for the corresponding period in 1986.

"The rapid change in the insurance market cycle has led to lower rates of premium in various classes of business, whilst at the same time severe capacity problems have continued in the major areas of the casualty market," commented Ray Pettitt, chairman of the Lloyd's

broker.

### New AIRMIC officers

David I. Ovenden has been elected chairman of the Assn. of Insurance & Risk Managers in Industry & Commerce. Mr. Ovenden is the group insurance manager of the Wellcome Foundation.

Also, Ian Drewer, head of British Telecom P.L.C.'s risk management and insurance division, has been elected AIRMIC deputy chairman and chief executive. Peter Whalley, company secretary of Trebor Ltd., is AIRMIC's honorary secretary.

### St. Paul acquisition

St. Paul Cos. Inc. is hoping to acquire London-based St. Katherine Insurance Co. P.L.C., according to a statement issued last week.

The St. Paul, Minn.-based insurer has approached St. Katherine "with a view to making an offer for the 75% of the capital of St. Katherine not already owned by St. Paul," according to a statement released by Lloyd's of London broker Minet Holdings P.L.C.

Minet owns 24.7% of St. Katherine's stock and provides underwriting management services for St. Katherine through subsidiaries Prescott Underwriting & Management Services Ltd. and Selsdon Insurance Management Ltd.

"The board of Minet has informed St. Paul that it is agreeable in principle to dispose of Prescott and Selsdon to St. Paul if an acceptable offer is made to the shareholders of St. Katherine," the statement said.

**Security Industry Workers' Compensation Group**

CoverX has long advocated the use of mass purchasing power to reduce insurance costs and create a stable market. Now in its 8th year, CoverX's SECURITY INDUSTRY GROUP for security guards; detective and patrol agencies, burglar and fire alarm monitoring, sales and installation operations, is the first and foremost program of its type.

The program is underwritten by CoverX on behalf of a major A+XV insurance carrier and is available in most states.

BE THE COMPETITION...come to COVER X

**COVER X CORPORATION**

P. O. Box 5096, Southfield, Michigan 48086  
Telephone: (313) 358-4010 — Telex: 23-5635 Facsimile: (313) 358-2459

For further information or applications call or write...

The Howe-Corey Consulting Group, Ltd.  
is now known as...

*The Chicago Search Group, Inc.*

Building your company's strength and competitive advantage... by finding the executive, consultant, and actuaries with the right combination of experience and leadership talent... is no small challenge.

Sorting through executive search consulting organizations to find the one that understands that challenge will bring you to the industry leader for the past 15 years.

### THE CHICAGO SEARCH GROUP

Our professional organization specializes in the unique needs of the insurance industry and your business. Our understanding of your firm and its future turns the search for new team members into opportunities to build real marketplace advantages.

To arrange a conversation and move your company toward new strengths, please call one of our principals.

Principals:  
Michael J. Corey  
Gary P. DeMarlie  
Dennis A. Franklin  
Ronald B. Hanson  
Brett P. Lichty  
John P. Mengelt  
Joel L. Spangler

Principals:  
Terry M. Clarke  
Patrick M. Corey  
George Halas  
Paul L. Hanson  
Jay S. Ignoffo  
P. Winston Norman  
Michael J. Patlovich  
Beth J. Schmidt  
Scott B. Smith

The Chicago Search Group, Inc.  
1110 Lake Cook Road Suite 375  
Buffalo Grove, Illinois 60089  
Telephone: 312-520-7800 Fax: 312-537-6005

**Our past: Our new beginning to your future!**

# New Jersey health insurer liquidated

TRENTON, N.J.—A state Superior Court judge has ordered the liquidation of Group Health Insurance of New Jersey, a Cranbury-based, non-profit group medical and dental insurer.

GHI, which wrote coverage only in New Jersey, is insolvent by approximately \$3 million, according to state Insurance Commissioner Kenneth D. Merin.

At the time of Superior Court Judge John E. Bachman's Sept. 18 order placing GHI under the state Insurance Department's control, GHI wrote coverage for about 200 groups covering roughly 14,800 subscribers.

Contracts written by GHI were allowed to remain in effect until Sept. 30, Mr. Merin said. Meanwhile, the Insurance Department is working on a plan to pay claims that originated before Oct. 1.

New Jersey does not have a guaranty fund for life/health insurance companies.

Payment of GHI obligations will be delayed, Mr. Merin said, until the total number of claims and amount of money available to pay them is determined.

Blue Cross/Blue Shield of New Jersey has offered health insurance coverage similar to GHI's, excluding dental coverage, to employers that had purchased coverage from GHI.

However, GHI groups are not obligated to take the BC/BS coverage, the Insurance Department spokesman said.

GHI, which was organized in New Jersey in 1961, wrote \$12 million in premiums in 1986, according to the state Insurance Department.

As of June 30, the group had collected \$6.1 million in premiums.

—By Mark A. Hofmann

## California rates

SAN FRANCISCO—California property/casualty insurers will be forced to develop rates beginning Jan. 1 based on their own expenses, investment income and profit goals, rather than relying on insurance rating advisory organizations.

Insurance Commissioner Roxani Gillespie has approved an Insurance Services Office plan that prohibits rating advisory organizations from providing advisory property/casualty rates to any of their member insurers in California.

Ms. Gillespie earlier this year ordered ISO to develop such a plan (BI, June 29), saying the insurers' reliance on advisory rates during hard markets has led to "some horrendous price increases to consumers."

The ISO rating plan also calls for ISO to develop only prospective loss cost information for the state. ISO also will provide insurers with an annual study of aggregate average expense data and investment income and will continue to print and distribute advisory manuals containing rules and classifications, Ms. Gillespie said.

The California Insurance Department will perform on-site examinations of insurers to ensure that the new rates are fair and implemented according to California law.

—By Donna DiBlase

## Intentional injuries

HARRISBURG, Pa.—Legislation introduced in the Pennsylvania House last week would allow workers to sue their employers for personal injury damages under certain circumstances instead of collecting workers compensation benefits.

Rep. Gerard A. Kosinski, D-Philadelphia, introduced two bills

Sept. 30 that would allow Pennsylvania workers to seek personal injury damages if they could show their injuries were caused by their employers' intentional actions.

The workers compensation system currently is the exclusive remedy for injured workers in Pennsylvania.

One bill would allow a worker to file suit against his employer if the employer intentionally altered a safety device, machine or tool and that alteration caused the worker's injury.

The other bill permits a worker to sue if his employer deliberately allowed the worker to be exposed to unreasonably dangerous levels of toxic substances.

The proposals would apply only to employers with more than 25 employees.

## Around the states

Under both of Rep. Kosinski's bills, workers could sue for personal damages only if they agreed to forego workers compensation benefits.

"It's a gamble" for workers, pointed out a spokeswoman for Rep. Kosinski.

The two bills were introduced in response to "a number of incidents" involving injuries to workers caused by intentional actions of their employers, the spokeswoman said. She also said that the bills have bipartisan support.

About 20 members of the 203-member state House have joined Rep. Kosinski as co-sponsors of the legislation.

In a Harrisburg news conference a few weeks ago, Rep. Kosinski predicted the legislation, if enacted, would reduce the number of workplace accidents in Pennsylvania by forcing employers to follow existing health and safety laws more closely.

—By Mark A. Hofmann

## California tort reform

SACRAMENTO, Calif.—The California Trial Attorneys Assn. and a coalition of insurance and business interests have called a cease-fire in the state's long debate over tort reform following last month's passage of tort reform bill,

S.B. 241. The legislation, now awaiting Gov. George Deukmejian's signature, places new restrictions on product liability claims and plaintiffs seeking punitive damages and allows attorneys representing parties in medical malpractice cases to charge increased contingent fees.

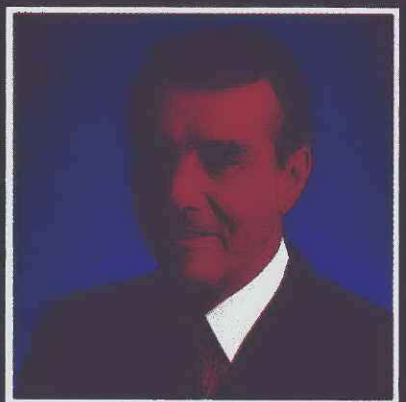
Associations representing both sides announced they will work together on future changes to the state's tort laws and on insurance issues and will not press for further legislative changes unless they are jointly sponsored. The agreement is scheduled to expire in 1992.

"We hope that by coming to a cease-fire, as we have, it will lead to sensible resolution of differences," said Nancy Drabble, legis-

Continued on next page



# "What's CNA up to with its LTD program?"



# "\$15,000 a month!"

CNA's LTD benefit limit of \$15,000 a month reflects concern for employees at all income levels. We understand that as incomes increase, benefit limits must keep pace. So we offer one of the highest monthly benefits available.

We also offer a variety of LTD benefit options for you to choose from.

- **Rehabilitative Employment Benefit**... provides a monthly benefit for a disabled employee who has returned to work at any occupation.
- **Partial Disability Benefit**... pays a monthly benefit if an employee has returned to his regular occupation on a limited basis.

- **Residual Disability Benefit**... provides a benefit if an employee has re-entered the employment ranks, on a full or part-time basis, but at a reduced salary. To protect the employee, this benefit has a built-in inflation feature.
- **Age 65 Your Occupation**... for select groups, benefits are paid for the entire period that a disabled employee can't perform his regular occupation.

CNA also offers personalized rehabilitation services and counseling based on our 43 years of experience in the LTD field. To find out more about how CNA's options and services can help reduce your claims costs, have your agent or broker contact us at 1-312-822-2076.



For All the Commitments You Make®

## Around the states

Continued from previous page  
lative counsel for the California Trial Lawyers Assn.

The deal between the trial lawyers and insurance and business interests was "very much a delicate compromise," she said.

Keeping the trial bar and business interests to their word will depend on the sincerity of both sides, said Frank Schubert, director of the Assn. for California Tort Reform.

"For our part, we are very sincere," he said.

The tort reform association represents a coalition of insurers, medical associations and the state Chamber of Commerce.

The debate over tort reform in California had threatened to boil over into expensive initiative campaigns and special-interest legislation.

Proponents and opponents of Proposition 51, the ballot initiative passed last year in California that repeals the application of joint and several liability to non-economic damages, together spent more than \$10 million (BI, June 9, 1986).

The tort reform bill passed last month exempts retailers and manufacturers from liability claims arising from consumers' use of certain consumer products, such as alcohol and tobacco, that may cause health problems.

The law is expected to reduce the number of lawsuits filed against

tobacco companies and reduce those involving alcohol-related medical complications.

In addition, the legislation would:

- Require plaintiffs to provide a higher standard of proof of malicious or oppressive actions by defendants in order to win punitive damages.

The law changes the standard of proof from "preponderance of evidence" to "clear and convincing evidence."

Also, the definitions of malice and oppression were narrowed to require proof of "despicable conduct" by the defendant.

- Require plaintiffs in medical malpractice cases to show the court there is a "substantial probability" they would win their case before they could seek punitive damages.

The current state law allows plaintiffs to seek punitive damages when they file medical malpractice claims.

- Increase lawyer's fees in malpractice cases. The new limits would be 25% of awards between \$50,000 and \$600,000 and 15% for awards greater than \$600,000. The current limits are 25% of awards ranging from \$100,000 to \$200,000 and 10% of awards exceeding \$200,000.

Both the bill, which was introduced in the waning days of the legislative session and passed on

its last day, and the Legislature were criticized by some consumer groups because the Legislature did not hold any formal hearings on the bill.

But Ms. Drabble said that many of the issues addressed in the bill have been debated in California for years.

A deadline was needed to force all of the interests to face the issues and reach a settlement, she said.

—By Glenn Huntley

### Arizona regulator

PHOENIX, Ariz.—Vern R. Pierson has been appointed Arizona director of insurance by Gov. Evan Mecham.

Mr. Pierson, a 26-year veteran of the insurance industry, replaces Robert Robson, who held the position for only two days before he resigned for economic reasons.

The prior insurance director, S. David Childers, resigned recently to join the law firm of Storey & Ross in Phoenix.

Mr. Pierson for the past four years has been branch manager for Northbrook Property & Casualty Insurance Co. in Phoenix. He previously worked for insurance companies in Arizona, California and Ohio and was an independent agent for four years.

Mr. Pierson, who assumed his post on Sept. 17, said he was enjoying the transition from a corporate official to a government regulator.

"I'm excited about it," Mr. Pier-

son said. "I've probably been on the company side of it long enough."

While he has spent all his professional life as an insurance industry employee, Mr. Pierson said he will seek to represent consumer interests.

"We're trying to be fair to both" sides, he said.

His immediate goals are to fill several vacancies on the department staff and complete a legislative package to be submitted to the state Legislature.

The legislative package, still under review by the Insurance Department, will center on health care issues, he said.

Gov. Mecham appointed Mr. Pierson to complete a current term that expires in January, when he would face confirmation by the state Senate for a full six-year term.

—By Glenn Huntley

### Medical malpractice

TRENTON, N.J.—The burden of preventing medical malpractice would fall primarily on hospitals if the New Jersey Insurance Department wins approval of a legislative package it plans to present to state lawmakers in January.

A series of recommendations developed by a special task force and the Insurance Department provides for the creation of a Medical Insurance Performance Program.

Under MIPP, hospital staff doctors would be covered by hospitals' medical malpractice insurance policy instead of their own policies, though physicians would contribute to the cost of the hospitals' coverage. This is expected to provide hospitals with the financial incentive to improve doctors' performance.

Doctors who have only office practices would be required to continue obtaining medical malpractice insurance coverage on their own.

Other recommendations to be included in the legislative package, according to a report issued by the Insurance Department, are:

- Hospitals would be required to have risk management programs.

- The immunity statute now limiting hospital liability to \$10,000 would be repealed, as hospitals would assume full responsibility for malpractice claims.

- The collateral source rule in personal injury and wrongful death actions would be amended so that other insurance proceeds received by a medical malpractice plaintiff are taken into account.

Current rules of evidence do not allow information about other sources of compensation, such as workers compensation benefits, to be introduced.

- The statute of limitations would be increased to an absolute maximum of four years for adults. In addition, claims for children injured before that age of 8 would have to be filed by their 11th birthday.

Current New Jersey law provides a broader time frame, according to the report, permitting adults to file suit within two years of the time they discover, or could reasonably have been expected to discover, an injury.

Children now have until age 20 to file suit, even if it is for a birth injury, giving them up to a 20-year statute of limitations.

- The Board of Medical Examiners, which oversees 30,000 licenses, would be strengthened. In addition, all medical malpractice claim payments would be reported to the board, instead of the current procedure of reporting only claims that exceed \$25,000.

- Medical students would have to take a course on malpractice issues.

- Ongoing education for physic-

ians would be required.

- Alternative dispute resolution mechanisms, such as arbitration, would be introduced.

Also under MIPP, the Insurance Department and Health Department would coordinate regulation of malpractice insurance costs as part of the hospital rate structure. The Insurance Department also would require the use of experience rating for hospital medical malpractice coverage.

As part of the plan, the Health Department also would work to improve patient relations and expand the physician peer review process.

In addition, the judiciary, via the state Supreme Court, would create a certified malpractice attorney program as well as an attorney peer review system.

The judiciary also would require the submission of an affidavit of "reasonable cause" within 60 days after a medical malpractice suit is filed. The affidavit that includes a medical opinion within 60 days after the filing of a complaint. Increased cooperation from physicians in providing expert witnesses also would be sought.

—By Judy Greenwald

### Flex rating hot line

NEW YORK—The New York Insurance Department has established a hot line, the Ratings Abuse Telephone Exchange System (RATES), to report violations of its flex rating regulation.

Flex rating, which permits price variations within certain limits without department approval, was promulgated by New York last year.

The spokesman said the department decided to introduce RATES after hearing "informal complaints" about compliance with the regulation.

RATES will have one person manning the phone, but examiners in the department's market conduct staff will be called upon to make investigations when necessary, said the spokesman.

The number to call is 212-602-0344.

—By Judy Greenwald

### Work comp hearing

PROVIDENCE, R.I.—A state hearing is scheduled for Oct. 15 on proposals by two Liberty Mutual Group units to increase their workers compensation rates 22.5%, a Liberty Mutual spokeswoman said.

The units are Liberty Mutual Insurance Co. and Liberty Mutual Fire Insurance Co., both based in Boston.

Mario Forte, hearing officer and legal counsel at the Rhode Island Department of Business Regulation, in the insurance division of the workers compensation section, said a decision on the rate hike is likely to be announced about 30 days after the hearing.

### Virginia rate hearing

RICHMOND, Va.—A public hearing on whether competition in Virginia is an effective regulator of rates for lawyers' professional liability insurance has been rescheduled to late October by the Virginia State Corporation Commission.

The hearing will be at 10 a.m. Oct. 28 in the commission's courtroom in the Jefferson Building, 1220 Bank St., Richmond, Va.

Previously, the hearing had been set for Oct. 1.

A new state law requires the corporation commission to order 60-day prior filing of rates for any line of insurance in which competition is found to be lacking. Currently, the commission considers competition adequate for lawyers' liability insurance.

—By Karen Huelsman

January 25

6:00- 8:00 p.m. Basics of Captives

January 26

9:00- 5:00

Hawaii the Offshore Alternative

"Made in the USA"

- The Hawaii Law

- How to Apply

- Role of the

- Legislator

- Business Plan

- Legal and Tax

- Issues

- Captive Service

- Capacity

- Captive Domicile

- Comparison

5:00- 6:30

Reception

SPONSORED BY  
THE STATE OF HAWAII

Organized by  
Tillinghast, a Towers Perrin company

FEE: \$350.00

For additional information call or write Eileen Callahan, Conference Director, Tillinghast, 722 Post Road, Darien, CT 06820 (203) 655-9791.

## Raymark suit

Continued from page 2

workers," Raymark contends.

Raymark also challenges the medical professionals' credentials and reputations.

In addition, each lawsuit also names between three and six local tire workers as representatives of the class Raymark is suing, as well as some local attorneys who represented them.

Raymark alleges that the California attorneys and the medical professionals "knowingly and willfully devised... a scheme and artifice to defraud (the company)."

In doing so, Raymark contends they violated the Racketeer Influenced and Corrupt Organizations Act as well as federal mail and wire regulations.

Raymark also charges the California attorneys and medical professionals with fraud, negligent misrepresentation and unfair business practices. In addition, it charges the medical professionals with negligence for filing diagnoses that were "fraudulent, negligent or mistaken."

Raymark is asking each court to determine its actual damages and triple them because of the alleged RICO violations.

The company is also seeking an unspecified amount of punitive damages.

Raymark also is seeking from each court "a preliminary and permanent" injunction restraining the defendants from operating the employee medical screening program and filing claims on behalf of tire workers against Raymark.

Raymark said in the complaint filed in U.S. District Court in Cleveland that it now has less than \$20 million in liability insurance coverage remaining from the \$391 million it had available to respond to asbestos claims in 1975 (BI, Sept. 21; May 25; April 21, 1986).

"We are upset so much of our insurance has gone for what we believe are claims that are invalid," Raymark's Mr. Young said.

However, Mr. Gerry contends the Raymark has substantially more coverage remaining.

In addition, Mr. Gerry—speaking for himself and Mr. Stemple—said, "There is nothing we have done that should give rise to this complaint. Those things in the complaint that are true are not actionable," while the other charges are "just a bunch of falsehoods," he said.

The mobile examination operation NTWLP adopted consisted of a medical professional giving a worker an X-ray and a pulmonary function test and a taking brief medical history, Mr. Gerry said. The same type of examination has been used in other asbestos-related cases to screen workers exposed to asbestos, he added.

The NTWLP had planned to call workers in for complete examinations if the workers claims went to trial, he said.

The examobile actually tested far fewer than 100 to 150 workers per day as Raymark contends, Mr. Gerry said. And, doctors were paid regardless of whether workers tested positive or negative for asbestosis and on a different fee basis than Raymark contends, he said.

Mr. Gerry also denied Raymark's allegations attacking the reputation and credentials of the three California-based medical providers.

Raymark said in court papers that Dr. Gelbard "had previously been sued for fraud and negligence for preparing false and incompetent reports;" Mr. Bharadwaja "was not licensed to practice medicine in the United States;" and Mr. Rao "was merely a radiologist and not qualified to diagnose asbestos disease."

The medical professionals could not be reached for comment.

Mr. Gerry disagrees with Raymark's allegation in the complaint that "NTWLP's rate of diagnosis of asbestosis among tire workers was three to 4½ times the rate of diagnosis among shipyard workers who were in the category of greatest risk."

NTWLP found 5,000 of the 25,000 tire workers screened tested positive for asbestos injuries, Mr. Gerry said. The percentage of those testing positive for asbestosis ranged from 2%-3% to 50%, depending on the workers' location and job function, according to Mr. Gerry.

The asbestos-containing products to which tire workers generally are exposed include boilers and pipes, braking mechanisms on rubber products molds and talc used to keep rubber products from sticking to molds, Mr. Gerry said.

Raymark said the validity of the tire workers' claims were first brought to light by attorneys of asbestos claimants who were not part of the \$15 million settlement reached earlier this year.

"In approximately the spring of 1987, attorneys for claimants who were not participating in the settlement began to inform Raymark that a large number of the 20,000 claimants were tire workers. In the view of these attorneys, the tire worker claims were of questionable validity," says the Raymark complaint filed in federal court in Cleveland.

Raymark said it subsequently was granted the authority by the Kansas court to audit the tire workers' files.

In most files it found medical reports signed by at least one of the three medical defendants. However, at that time, Raymark thought those reports reflected "legitimate medical examinations conducted in accordance with reasonable professional standards by licensed physicians," Raymark's complaint says.

However, Raymark now contends the medical diagnoses "were fraudulent, negligent or mistaken."

Asbestos producers complained earlier this year that tire workers, as well as steel and sheet metal workers, are among a new wave of plaintiffs creating an avalanche of asbestos personal injury claims (BI, May 25).

Employee screening programs by plaintiffs' attorneys are one factor in the increase of those claims. "It's happening on a very regular basis," said one attorney who asked not to be named.

Plaintiffs' attorneys say that the screening programs make workers aware of actual or potential risks to their health and help them receive compensation for work-related injuries.

However, spokesmen for asbestos producers question the ethics of what they consider a new version of ambulance-chasing tactics. "It's as appalling as hell," the unnamed attorney said.

A spokesman for Akron, Ohio-based United Rubber Workers International union said the NTWLP's screening project created "a lot of fear among workers" in union locals that participated. Some workers were diagnosed as having asbestosis although they never had a lung problem, he said.

As a result, the international tire workers union asked the National Institute of Occupational Safety and Health to conduct a study of the tire workers examined by the NTWLP.

According to a union spokesman, the NIOSH study backed the union's contention that the NTWLP findings "were not correct" and that the situation was "less grievous" than the NTWLP had stated. The spokesman would not elaborate.

A representative from NIOSH was unavailable for comment. ■

# Most fail Kennedy test: Study

By KAREN HUELSMAN

Most of the respondents to a new benefits survey said they would have to upgrade their health plans in some way to meet the requirements of the mandatory group health insurance bill proposed by Sen. Edward Kennedy, D-Mass.

The Corporate Research Panel assembled by the International Foundation of Employee Benefit Plans of Brookfield, Wis., surveyed benefit professionals nationwide to ascertain how closely their benefit plans for both salaried and hourly workers measure up to provisions in Sen. Kennedy's bill.

The bill, S. 1265, would require all employers to provide a health care plan with prescribed minimum benefits to their employees and their employees' dependents (BI, June 29; May 25).

Only 7% of the 429 benefit professionals that responded to the IFEBP survey said their plans for salaried workers meet the Kennedy proposals of no copayment or deductibles for prenatal, well baby and preventive care for children.

Only 8% of the plans for hourly workers met this provision.

And, health care coverage for employees working a minimum of 17.5 hours per week was provided by 15% of the plans for salaried employees and 16% of the plans for hourly employees.

Twenty-seven percent of the plans for salaried workers and 24% of the plans for hourly workers contained no waiting periods, no medical exclusions and no exclusions for pre-existing conditions.

More than 30% of the respondents said their company's plan does not meet the Kennedy plan's maximum individual deductible of \$250 and maximum family deductible of \$500.

However, 90% of the plans for salaried workers and 87% of the plans for hourly workers had a 20% copayment as Sen. Kennedy has proposed.

Also in accordance with the Kennedy bill:

- 69% of the plans for salaried employees and 66% of the plans for hourly employees capped annual out-of-pocket expenses for covered services at \$2,000.

- 99% of the plans for salaried workers and 96% of the plans covering hourly workers included hospital and physician care.

- Diagnostic tests were covered by 95% of the plans for salaried workers and 92% of the plans for hourly workers.

The survey also asked benefit professionals whether they would consider taking over responsibilities for the Medicare benefits of their retirees in return for a capitation payment from the federal government.

While more than one-third of respondents said they could do a more effective job in managing health care costs than the current Medicare program, only 11% of the predicted their companies would be willing to undertake a capitation program with the federal government.

A majority of the respondents said the lack of good data on retirees' health care utilization, uncertainty of future levels of capitation payments and health care cost inflation would make such a program risky.

Some 72% of the respondents' health plans for salaried workers and 68% of the plans for hourly workers provided coverage for post-retirement medical costs.

Of those respondents that provide such coverage, 8% provide benefits for salaried workers, and 7% provide benefits for hourly workers.

Only 15% of the respondents said they had studied the potential of being "totally at risk" for the administration of retirees' health care costs under a capitation program, and 14% had done the same for hourly retirees' health care costs.

Among the managed care options that respondents listed as having the greatest potential for controlling retirees' health care costs were case management, health maintenance organizations, preferred provider organizations and a combination of managed care approaches. ■

# WE CAN MEET THE NEED

The current turmoil in the insurance industry is particularly severe for those in need of Professional Liability Insurance.

Specializing in professional liability insurance programs designed for groups, companies, organizations and associations with a minimum premium of \$2,000,000, PRMS offers unique solutions, innovative programs and professional expertise.



Professional Risk Management Services, Inc.

1444 Eye Street, N.W. • Suite 1100 • Washington, DC 20005

(202) 682-3800

# AIG suit

Continued from page 1

If Judge Keenan's ruling is read broadly to mean that insurance departments in all 50 states can require rate and form approval, "then you are literally gutting the purchasing group provisions of the act," he said.

"If you take Keenan's view literally to require 50-state approval, you might as well not have a purchasing group provision in the Risk Retention Act," Mr. Harkavy said.

"It will delay the implementation of purchasing group programs. It will make it more costly for insurers and others who put these programs together to get them on line," predicted Michael Mullen, an attorney with the Washington, D.C., firm of Crowell & Moring who helped draft the Risk Retention Act of 1981.

Judge Keenan's ruling conflicts with the act's purpose of freeing purchasing groups from burden-

some state regulation, Mr. Mullen added. If affirmed on appeal, the ruling may result in a denial of insurance coverage to groups in some states, he said.

Mr. Harkavy added that the decision may cause insurers, agents, brokers and insurance buyers—traditionally disparate factions—to align themselves against insurance regulators on the issue.

"They are going to look like feudal lords trying to protect their turf," Mr. Harkavy said of insurance commissioners.

However, Martin Minkowitz, deputy superintendent and general counsel of the New York Insurance Department, described as a "silly argument" the contention that state-by-state regulation will burden purchasing groups.

"It's no different than dealing with 50 states when you have any other insurance policy," he observed.

"I think the judge recognized that someone has to regulate. You

**If Judge Keenan's ruling is read broadly to mean that insurance departments in all 50 states can require rate and form approval, 'then you are literally gutting the purchasing group provisions of the act,' says Jon Harkavy of RIMS.**

just cannot have a product on the market that is unregulated," Mr. Minkowitz said.

Insurance Co. of the State of Pennsylvania filed its suit against New York Insurance Superintendent James P. Corcoran Jr. August seeking a declaratory judgment that a policy issued to the Nurse-Practitioners Professional Liability Purchasing Group Inc.—domiciled in New York—was exempt from state rate and form filing requirements.

The suit also sought an injunction barring the Insurance Department from regulating the insurer's

purchasing group policies.

The AIG unit argued, among other things, that state-by-state discretionary approval of rates and forms for purchasing group policies would "restrict and hinder" such policies in contravention of Congress' intent in passing the 1986 amendments to the Risk Retention Act.

The insurer is able to offer advantageous rates to purchasing groups partly because it would be using the same policy form on a nationwide basis, the AIG unit argued.

Judge Keenan, however, con-

cluded that the policies are not exempt from state regulation.

The McCarran-Ferguson Act vests insurance regulatory power in the states, Judge Keenan's opinion notes, adding that the Supreme Court has held that the pre-emption of state law is not favored unless Congress has "unmistakably so ordained."

Section 3903(a) of the Risk Retention Act provides that purchasing groups are exempt from any state laws that would:

- Prohibit the establishment of a purchasing group.
- Make it unlawful for an insurer to write policies for purchasing groups offering advantages—such as lower rates or broader coverage—that are not available to others.

• Prohibit purchasing groups from buying insurance on a group basis.

"The exemptions in Section 3903 do not specifically indicate that Congress wished to supersede state regulation of rates and forms of purchasing group policies. It is significant that the New York rate and form requirements do not prohibit or make unlawful the purchasing group policies offered by (Insurance Co. of the State of Pennsylvania), but only provide a mechanism by which the state can supervise such policies," Judge Keenan wrote.

"Congress sought to pre-empt only those state laws which prohibited the sale of insurance policies for purchasing groups, but there is no showing that they sought to eliminate state regulation of such policies. Absent such a showing of specific intent by Congress, this court will not imply such an intent," the opinion says.

In arguing for the injunction, the AIG unit also contended that application of New York regulations would cause irreparable harm to itself and to the nurse practitioners, who might be forced to buy more expensive policies or go uninsured.

Judge Keenan denied the injunction and granted summary judgment in favor of the Insurance Department.

## COST CARE PHYSICIANS HAVE REVIEWED OVER 200,000 HOSPITAL ADMISSIONS... ONE PATIENT AT A TIME.

Should that matter to you?

It should, if you are concerned about the quality of medical care and effective cost management.

It should, because only doctors can:

- ✓ Influence other doctors prospectively.
- ✓ Evaluate medical necessity.
- ✓ Establish an appropriate setting.
- ✓ Determine appropriate length of stay.
- ✓ Develop an effective treatment plan.
- ✓ Ensure cost effective and quality care.

Only doctors can do all that, and only Cost Care has them. On staff. Full-time. Reviewing 100% of our cases.

It should matter...

At Cost Care, *it does.*

We treat your employees the way their doctors do -- case by case.

**COST CARE™**  
Offices Nationwide

Call:  
Ray Foose, Director Marketing  
1-800-762-3029 Nationwide

PSYCH/SUBSTANCE ABUSE CASE MANAGEMENT  
PRE-HOSPITAL/SURGICAL REVIEW  
MEDICAL CASE MANAGEMENT  
ALTERNATE MEDICAL CARE  
BILL REVIEW AND AUDIT

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 \$3.00 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.

## Centre Re

Continued from page 2 risks.

• Centre Reinsurance (Barbados) Ltd., which would write predominantly U.S. business.

• Centre Reinsurance Co., which would be domiciled in New York and would write U.S. business as an admitted reinsurer.

The three units intend to focus on working-layer casualty treaty reinsurance. Excess-of-loss treaties are expected to make up most of its business.

Mr. Gluckstern previously described Centre Re's anticipated business as consisting of "finite risk" reinsurance contracts.

Such contracts would feature, for example, aggregate caps limiting payouts to ceding insurers and commutation accounts, from which a portion of the ceding company's premium would be returned if no losses develop on a treaty over a given period.

In addition, Centre Re units might write financing quota-share treaties, under which the rein-

\$5 million.

Under the original offering, Carpenter was to receive a fee equal to 1% of gross premiums written by the three reinsurers during their first five years of operation, along with a 10-year option to buy 4.9% of Centre Re's common shares.

The revised offering allows Carpenter a fee equal to 0.7% of gross written premiums payable in cash and common stock. Carpenter also would receive a 10-year option to buy 3.9% of Centre Re's common shares, according to Mr. Gluckstern.

The revised offering also provides that Kemper Management Co., a Bermuda-based Kemper Group unit, will provide administrative services to the Centre Re units, including accounting and claims management services, he said.

Neither Kemper nor Carpenter will be involved in the underwriting management of Centre Re, Mr. Gluckstern said. ■

**Reaction to the initial Centre Re offering was described as 'very mixed,' by Steven Gluckstern.**

surers would return profits on a treaty to the ceding company in the form of a retrospective ceding commission.

In the original stock offering, Carpenter, which is a unit of Marsh & McLennan Cos. Inc., and Morgan Guaranty had hoped to raise \$450 million, although Centre Re would have become active when a minimum of \$250 million had been raised.

The offering was made first to a group of U.S. insurance companies, which might also have ceded business to Centre Re units, and later to potential non-insurance investors. Insurance company investment was to be limited to no more than 20% of the whole for tax purposes.

Mr. Gluckstern described the reaction to the initial offering as "very mixed," noting that some insurance companies were interested in Centre Re as a possible reinsurer but not as an investment, while others were interested in the investment possibilities but not in the reinsurance products Centre Re had to offer.

Although organizers had announced plans to extend the termination date of the initial offering to Aug. 26, the offering was withdrawn on the original July 22 termination date, Mr. Gluckstern said.

The revised private placement was then reduced to \$250 million, and the full amount will have to be raised before Centre Re gets off the ground, Mr. Gluckstern added.

While the previous offering consisted entirely of common stock, 50% of the revised placement consists of common shares and 50% consists of subordinated notes, according to Mr. Gluckstern. He noted that investors are required to buy equal amounts of each type of offering.

The 10-year notes are due on Dec. 31, 1997, and carry a rate of 2.5% over the London Interbank Offered Rate.

Centre Re shareholders must invest a minimum of \$10 million, and organizers are looking for 10 to 20 investors in addition to Kemper Re and Morgan Portfolio. Insurance company investment will still be limited to a maximum of 20%.

The original offering required non-insurance companies to invest a minimum of \$10 million and insurance companies a minimum of

## Do you have to return it?

If you're racing through this issue of Business Insurance because you have to return it soon,

why not have your own personal subscription?

Use the card in this issue or the coupon to

**SUBSCRIBE TODAY.**

**Business Insurance**

Circulation Dept. 965 E. Jefferson Detroit, MI 48207



Business Insurance gives you total news coverage of loss prevention, risk financing and benefit management. Every week. Annual subscription (52 issues) in U.S. dollars.

(Check here:)

**USA**

\$68

\$84

**Canada**

\$84

**Bermuda (air only)**

\$115

**British Isles**

\$115 or £82

**Europe/Middle East**

\$115

**All other foreign**

\$115

**Surface Mail**

\$68

\$84

**By Air**

\$116

\$116

\$115

\$115 or £82

\$115

**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.

**Mail to: Business Insurance, Circulation Dept., 965 E. Jefferson Ave., Detroit, MI 48207**

IBCB7

name (please print)

title telephone

company

nature of business

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.

# IRI: WORLDWIDE

**IRI Insures Some 66,000 Properties in More Than 70 Countries** throughout all continents, except Antarctica. In short, Industrial Risk Insurers is ready to handle your property insurance requirements just about anywhere in the free world. And, working with agents and brokers of your choice, we can offer you a wide range of coverages. These include: Fire. Lightning. Wind and hail. Leakage from fire protective equipment. Explosion. Smoke. Aircraft and vehicles. Molten material. Sonic shock wave. Riot and civil commotion. Vandalism. Business Interruption. Builder's risk. Difference in Conditions. Boiler/Machinery. All-Risk.

**Property Insurance, However, Is More Than Just The Policy.** That's why it makes sense to take a careful look at the financial stability of the property underwriter. (IRI is backed by more than 40 of the world's leading insurance companies, and we'd like to send you the list.) Also, be sure to determine how much underwriting capacity is available at any one time. And, most important, try to evaluate the people and their experience. Since 1890, IRI has offered underwriting, claim handling and loss prevention services to business and industry throughout the United States and more recently overseas. These services are provided by IRI Account Teams who work with you to help protect your property, production and profits.

**IRI Account Teams Are Available to Help You** from more than two dozen regional and district offices in the United States. Also, we offer the assistance of loss prevention consultants from four locations outside the U.S.: London, England; Frankfurt, West Germany; Sydney, Australia; and San Juan, Puerto Rico. These offices are staffed with nationals who are familiar with their country's loss prevention regulations, and who know local customs, currency and business practices. In addition, they are trained in IRI's OVERVIEW philosophy, which is a total management program for loss prevention and control, and which has been introduced into numerous countries around the world.

**For a complimentary copy** of "Worldwide Property Insurance," the "OVERVIEW" 6-page brochure, and a list of Member Companies, call or write Mrs. P. A. Sasso, Industrial Risk Insurers, 85 Woodland Street, Hartford, Connecticut 06102 (203) 520-7412.

**Industrial Risk Insurers**

**66,000 properties insured worldwide**

# Risk retention

*Continued from page 1*  
multistate rate and form regulation would make the creation of a national purchasing group extremely difficult. It seems unlikely that this result was intended," the report says.

While the department believes that Congress intended that purchasing groups and insurers satisfy the requirements of the one state—the state in which a purchasing group is "located"—the law does not define location.

As a result, the Commerce Department suggests that a purchasing group's location be defined as where the group is domiciled or incorporated.

And, since the definition of location goes to the "heart of the structure of regulation," its interpretation should not be fought out in the courts, but decided by Congress, the department says.

While the extent to which purchasing groups are subject to multistate regulation has been the most contentious issue since Congress expanded the Risk Retention Act one year ago, the Commerce Department has found other obstacles that interfere with the operation of purchasing and risk retention groups. As a result, the report recommends:

- Congress should make it clear that public entities be exempt from state laws that make it unlawful for them to participate in risk retention and purchasing groups.
- Only the chartering state of a

risk retention group or the domicile or principal place of business for purchasing groups should have the right to challenge the qualifications of membership in the groups.

On the other hand, the report recommends several steps to protect the public from unsound financial practices and commercial abuses involving risk retention and purchasing groups.

These recommendations are contained in the Commerce Department's 94-page "Liability Risk Retention Act of 1986 Implementation Report."

The report, which was prepared during the last three months by Edward T. Barrett II and Jane W. Molloy, staffers in the department's Office of Economic Policy, was mandated by Congress when it passed legislation to expand the original 1981 Risk Retention Act.

Under the expanded act, employers, trade groups and professional organizations can band together by organizing the insurance requirements of one state to form special multiple-owner insurance companies, known as risk retention groups, to fund all commercial liability exposures except workers compensation. The 1981 law limited this speedy one-state licensing procedure to risk retention groups established to cover product liability and completed operations exposures.

In addition, the 1986 law was designed to facilitate the group purchase of liability insurance through the establishment of risk

purchasing groups.

The report, among other things, was to give the views of the Commerce Department on the extent to which the Risk Retention Act eased liability insurance availability and affordability problems.

Congress also wanted the Commerce Department's comments on whether risk retention and purchasing groups faced financial problems, the extent to which preemption and regulation established by the act was satisfactory and whether the groups were being discriminated against by state laws.

While the report has no legal weight, it is likely to be read with interest by members of Congress as they consider possible changes to the act.

In fact, prior to the report's release, Sen. Robert Kasten, R-Wis., a sponsor of both the 1981 and 1986 acts, said he may introduce a technical corrections bill to clarify certain provisions.

"The act is a national, not a state-by-state, program. In drafting it, we intended to simplify and streamline the procedures for establishing self-insurance," Sen. Kasten told a meeting of the National Risk Retention Assn., a newly organized Crystal Lake, Ill.-based trade group that wants to be the voice of risk retention and purchasing groups.

On the most hotly debated issue of deciding which state should be considered as the location of a purchasing group, the report admits it is not so easy to decide under the law as written.

Under the act, a purchasing group must buy insurance from an insurer admitted in the state in which the purchasing group is located, meaning an insurer licensed by the state. Or, the coverage must be purchased through a licensed agent or broker in that state acting under the state's surplus lines law or regulations.

But the act does not define the terms "the state in which the purchasing group is located." And, in the absence of a definition in the federal law, many states have passed laws and adopted rules in the last year defining location to give them authority over groups with members in their states.

But the department says that the intent of the act supports a conclusion that location refers to a single state.

"The act refers to the state in which the purchasing group is located. It does not refer to 'the states' or 'every state' in which the purchasing group is located. . . . Furthermore, the act refers only to the location of the purchasing group, not the location of its members," the report says.

The report says that insurance for many groups may only be available from speciality companies not licensed in all states, while compliance with surplus lines laws in each state in which members resided would make the group purchase of insurance virtually impossible.

On the issue of rate and form regulation, the department suggests "the state which is the group's principal place of business or the state of domicile" would be the "least obtrusive means" of permitting rate and form regulation without unduly burdening purchasing groups. Copies of the approved rates and forms would be provided to the other states in which a purchasing group does business.

The department recommends that Congress hold hearings on the Risk Retention Act to more completely develop information discussed in the report.

"Hearings could also focus on means of both reducing regulatory burdens and strengthening financial oversight and consumer protection," the report said.

"The best apparent alternative to forcing people to 'go bare' is to alter the regulatory structure to create new insurance mechanisms. This is what the act was intended to do," the report says.

Among the additional protections for consumers recommended by the report is that applications to join a risk retention group warn that the coverage is not protected by state guaranty funds. Currently, only the policies issued by risk retention groups now must warn that coverage is not protected by state guaranty funds.

In addition, the department notes that the use of alien insurers by some purchasing groups can create problems if those insurers are beyond the reach of even one state.

"If purchasing groups were prohibited from buying insurance from alien insurers not admitted in at least one state, all insurers of purchasing groups would be subject to state regulatory control," the report says.

And, the department suggests that Congress consider requiring insurers of purchasing groups to provide to state insurance departments the same information as organizers of risk retention groups, which includes information on underwriting practices.

In addition, the report criticizes attempts by insurers and management firms to organize risk purchasing groups. "There may not always be the type of arm's length negotiations necessary to obtain appropriate insurance for a purchasing group," the report says.

"While the members that may join will be of a similar or related nature, they will often not know each other and thereby lack the ability to control their own insurance program. The owner of the purchasing group who is affiliated with an insurance company will dominate," the report says.

The report says these arrangements require the domiciliary state of the purchasing group to maintain close regulatory oversight and that all states in which the group operates have enough information about the insurer to be sure it is not in a hazardous financial condition.

This is one of the few circumstances under the act in which a non-domiciliary state is empowered to act against a risk purchasing group or risk retention group.

While the department says it is too soon to assess the impact of the Risk Retention Act, it notes that there has been a rush to organize risk retention and purchasing groups.

It estimates that more than 100 purchasing groups and about 25 risk retention groups have been formed since the enactment of the 1986 amendments. Many of the purchasing and risk retention groups, though, are not operating or have not been licensed, the department adds.

But if activity continues, the expanded act will make a significant contribution to solving liability insurance availability and affordability problems, the department believes.

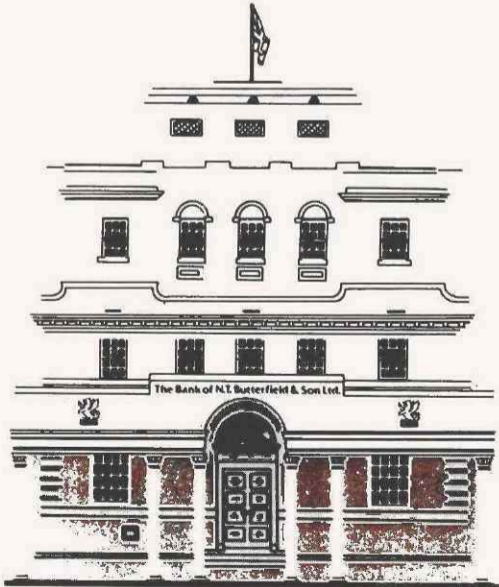
"The Liability Risk Retention Act of 1986 provides a needed alternative to the conventional insurance market for many purchasers of liability insurance. Risk retention groups and purchasing groups are being successfully formed to provide insurance which has been unavailable or unaffordable," the report says.

While the expanded act will celebrate its first anniversary this month, making it too soon to reach definitive conclusions, the department notes that provisions in the law affecting the formation and operation of risk retention groups appear to be working well.

## GOING OFF-SHORE?

We have been a major provider of services to the off-shore insurance industry since the 1950's, providing independent advice to clients and prospects, and guiding management through the finer details of investment, foreign exchange, letters of credit and employee benefits.

We would very much like to talk to you.



**Butterfield**  
The Essential Off-Shore Partner

**The Bank of N.T. Butterfield & Son Ltd.**

65 Front Street, Hamilton, Bermuda

Postal Address: P.O. Box HM 195, Hamilton HM AX, Bermuda

Bermuda (809)295-1111	London (144-1)248-4871	Guernsey (144-48)26541	Cayman (809-94)9-7055	Hong Kong 5-8681010
--------------------------	---------------------------	---------------------------	--------------------------	------------------------

## Comp fund rewards safety

OLYMPIA, Wash.—Demonstrating that safety pays, the Hop Growers of Washington, the Timber Operators Council and the Washington Contract Loggers each received substantial workers compensation refunds from the Department of Labor & Industries' Accident Fund retrospective rating program.

The accident fund, Washington's monopolistic workers compensation fund, distributed \$21 million to participants in the retrospective rating program, an optional program to reward companies and industry associations that have good safety records and lower-than-expected costs.

The Hop Growers received a refund of nearly \$250,000, equal to roughly 60% of its accident fund premium. While other groups received larger refunds, no group has ever been given back a larger percentage of its premium.

The Timber Operators Council received a \$3 million refund, the largest amount ever returned under the program.

Washington Contract Loggers received a total refund of \$2.28 million.

Employers or groups that sign up for retrospective rating qualify for refunds if their costs are lower than annual projections. Additional premiums will be assessed, however, if losses are higher than anticipated. This year, additional premium assessments amounted to \$3 million.



# The professional marketplace

## RATES AND CLOSING TIME:

**Rates:** Display classified is \$92.75 per column inch, minimum of one inch. Straight classified is \$7.50 per line, minimum of 5 lines. Count 34 characters per line (include each space and punctuation as a character). Additional \$15.00 charge for all blind box ads. Only those responses which fit into a business size envelope will be forwarded. Responses are forwarded daily.

**Closing:** Published every Monday. Copy must in typewritten form by noon Tuesday, 6 days preceding publishing date. No verbal phone 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.

### E & S MANAGER

National Underwriting Agency seeking experienced person to manage office in New Orleans, Louisiana. Call E. Wick, 1-800-521-1918.  
BURNS & WILCOX LTD.  
National Underwriting Managers

### FOR SALE MGA LICENSE

Texas Grandfathered License For Sale.  
Reply to:  
D. Mallace  
P.O. Box 1663  
Evanston, IL 60204  
312/866-7400 x-210

### PRODUCERS WANTED

A large West Coast based insurance carrier is seeking experienced producers with an existing book of program business with the premium potential of 3 to 5 million dollars. The program class should offer an opportunity to create unique product benefits. Submit proposals to:

Marketing Department  
P.O. Box 2252  
Terminal Annex  
Los Angeles, Ca. 90051

### WANT TO BUY CASUALTY COMPANY

Atlanta Firm wishes to buy five to ten million size surplus P & C Company immediately.

Contact:

R. D. Slauterback  
1-800-647-3769  
P. O. Box 105257  
Atlanta, GA 30348  
Telex: 80-4319

### BUSINESS OPPORTUNITIES

**PROGRAM BUSINESS**  
Brokers and Agents looking for an insurance company to support their program or association should contact Box 2134, Business Insurance, 740 Rush St., Chicago, IL 60611. We are a firm specializing in program placement, development and control.

### HARVARD AIMES GROUP

Executive Search  
Risk Management, Benefits and Insurance Professionals  
6 Holcomb St PO Box 16006  
West Haven, CT 06516  
(203) 933-1976

### TPA FOR SALE

Dallas based third party administrator with annual revenues of approximately \$500,000. Wang hardware, Genelco software; staff in place. Reduced to \$250,000 for quick sale.

CALL: 1-214-247-6977  
or WRITE:

UniDec Corporation,  
2350 Valley View #440,  
Farmers Branch, TX 75234.

### PROPERTY/CASUALTY PRODUCER/BROKER

NYC Broker with British affiliation seeks entrepreneurial type who controls book of business. Unlimited opportunity with excellent compensation package.

Reply to:

Box 2338  
Business Insurance  
740 Rush St.  
Chicago, IL 60611-2590

### RISK MANAGEMENT ANALYST

A Fortune 100 manufacturer with headquarters in southeastern Michigan is seeking a risk management professional to assist with high-level property and liability insurance programs.

A qualified candidate should have a least two to three years of experience in risk management, coupled with a degree in a related field. An MBA degree is desirable. Well-developed communication skills and personal initiative necessary.

Competitive compensation with outstanding benefits package. For consideration, please send resume with salary history to:

Box 2340  
Business Insurance  
740 Rush St.  
Chicago, IL 60611-2590

## Opportunity of a Lifetime

Rapid expansion has created a number of unique opportunities for highly motivated individuals. Riley & Fleming Adjusters, Ltd., one of the nation's most rapidly growing firms in the Northeast region is looking for managers, assistant managers, supervising multi-line claims adjusters and adjuster trainees and administrative assistants. If you're a career oriented individual just starting out in the industry or an experienced professional looking for quick advancement, here's your chance to join a growing organization that believes in promoting from within. Outstanding income potential and excellent benefits.

Send your resume today!

Riley & Fleming,  
c/o Mr. Tom Grubb, Jr.,  
223-A McClelland St.,  
Phila. PA 19148

### RETAIL TRUCK PRODUCERS WANTED

Due to program expansion, we are currently seeking experienced, licensed, retail producers to represent "A" rated truck physical damage program in the following states: Florida, Georgia, Kentucky, Mississippi, Oklahoma, Virginia and W. Virginia.

Please reply to:

Box 2320, Business Insurance  
740 Rush St.  
Chicago, IL 60611-2590

The  
Professional  
Marketplace  
TARGETS  
your BEST  
JOB  
Candidates

### RISK MANAGEMENT SEARCH SERVICE

Milway, a risk management search consultant, finds qualified, growth-oriented people to fit into your management team. Milway:

- defines your risk management position requirements;
- develops a selection of suitable candidates;
- assists in the selection process;
- facilitates an employment offer.

To discuss your risk management needs, call or write:

Milway  
(215) 293-0787  
P.O. Box 325  
Radnor, PA 19087

### CHIEF EXECUTIVE OFFICER FOR

### NEW INSURANCE AGENCY

7-10 years experience in both administration and marketing of life, accident, health, property, casualty and professional liability coverages. A broad knowledge of professional association insurance business. PA Brokers license (or able to be licensed in PA). Position involves: new sales as well as sales management of existing premium in excess of 4 million. Previous experience in hiring and supervising office personnel. Position reports to For-Profit Board of Trustees. Replies held in confidence. Send salary requirements and resume by November 1, 1987 to:

Pennsylvania Dental  
Association  
P.O. Box 3341  
Harrisburg, PA 17105

### PENSIONS SPECIALIST

Texas based FORTUNE 500 company seeks addition to growing pension department. Candidates must have 5+ years of diversified pension plan experience, preferably at the Corporate level which should include some supervisory or managerial responsibilities. Further experience will be necessary in pension plan interpretation plus in providing technical advice to plan administrators; in collecting and consolidating actuarial data for valuations; developing pension plan studies for labor contract negotiations and wage and benefit reviews; major pension plan projects administrator, and in the preparation of plan communications materials. Starting compensation package to mid \$50s.

GILBERT — HAFNER & CO.  
6060 N. Central #470, Dallas, TX 75206, (214) 361-9341

## TOXIC TORT CLAIMS SPECIALIST

Sentry Insurance is a leader in life, health, property and casualty insurance. We have a position in our Corporate Claims function to handle complex toxic tort claims (asbestos, silicosis, environmental, etc.). You would direct the defense of toxic tort claims and have contact with insured, agents and plaintiff attorneys.

Qualifications include 5 years experience in handling litigation including toxic tort claims. You must be a self-starter and have the ability to analyze coverage and liability issues and make related decisions.

We offer a competitive salary and broad range of benefit plans. If you have a lot to offer, so do we. For consideration, send resume to:

Karen Houdek Glodowski

**Sentry Insurance**



1800 North Point Drive  
Stevens Point, WI 54481

An Equal Opportunity Employer M/F

### Loyola University School of Law INSTITUTE FOR HEALTH LAW

Announces

### The 2nd Annual Health Care Law Conference

### Emerging Liabilities in Health Care

cosponsored with the Illinois Institute

for Continuing Legal Education

November 5 and 6, 1987

Hyatt Regency Chicago

Featuring a nationally known faculty addressing:

- Quality Assurance
- AIDS
- Consolidations, Mergers & Acquisitions
- Medical Staff Credentialing
- Home Health Care
- Due Process in Credentialing and Staffing
- ADS Contracting
- Employment
- Advertising & Marketing
- Genetic & Fertility Liability
- PRO
- Immunities & Tort Reform
- COBRA 9121
- Product Liability, Medical Devices & Drug Law
- Critical Care Liability
- Jury Verdicts & Medical Malpractice

For more details on this program contact IICLE at (217) 787-2080 or The Institute for Health Law at (312) 670-6608. For further information on continuing legal/medical educational activities at Loyola call or write:

The Institute for Health Law  
Loyola University School of Law  
One East Pearson Street  
Chicago, Illinois 60611  
(312) 670-6609

Looking for a  
candidate to  
fill the Job?

Advertise in The  
Professional  
Marketplace  
and reach  
140,333 Top  
Professionals!

Call 312/649-5340  
for details.

### LOSS CONTROL MANAGER (Philadelphia Area)

CROWLEY MARITIME CORPORATION, a major marine transportation company, has an immediate opening for a Loss Control Manager. Preferred candidates should have minimum 3 years experience in stevedoring and marine terminal safety management as well as cargo and equipment loss control; familiarity with D.O.T., OSHA, USCG, EPA and hazardous material regulations; and effective administrative and communication skills.

Competitive salary and excellent benefits package including medical, dental, stock and pension plans. Interested candidates send resume and salary history to:

Personnel Manager - LC  
CORWLEY MARITIME CORPORATION  
P.O. Box 2110  
Jacksonville, FL 32203

EOE

M/F

### Business Insurance Circulation Breakdown\*

Administrative:	
Vice-Presidents and Owners	2,570
CEO's Presidents, General Managers and Other Administrative Personnel	3,210
Financial:	
Chief Financial Officers and Vice-presidents of Finance	2,787
Secretaries, Treasurers, controllers and other Financial Personnel	5,600
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	9,701
Sub-total	23,868
Associations	500
Government, Unions and Educational Institutions	914
Commercial Consumers	
Sub-total	25,282
Insurance Agents and Brokers	10,858
Insurance Companies	7,140
Financial Institutions	989
Actuaries, Attorneys, Adjusters, Appraisers and Consultants	4,617
Others Allied to the Field	1,792
TOTAL	49,689

\* Source: Business/Occupational breakdown of qualified circulation, May 25, 1987 issue, as submitted to BPA for June 1986 BPA Publisher's Statement.

### HELP WANTED

#### DEPARTMENT MANAGER III (Claims)

\$30,800 to 38,870 Annually  
Qualifications: have a BA degree in Bus. or Pub. Adm. from a recognized college supplemented management, property/casualty claims adjustment and arbitration; OR have a BA degree and have completed one or more of the programs following: CPCU, AIC, ARM, ARM or ALCM; and have 4 years full-time paid exp. with claims and subrogation involving vehicles, property, workers' comp., and general liability claims, 1 year of which is in a supervisory capacity. A valid driver's license and safe driving record is required. A MA degree in Bus. or Pub. Adm. may be substituted for 2 years experience. Liberal fringe benefits. Contact by October 16, 1987.  
Personnel/Human Resources, County of Wayne, 628 City-County Building, Detroit, Michigan 48226, Tel: (313) 224-5915. An Equal Opportunity Employer.

#### CORPORATE SAFETY AND LOSS CONTROL DIRECTOR

Diversified Portland based steel firm seeks a professional Corporate Safety and Loss Control Director, responsible for the development, implementation and administration of corporate safety and loss control measures. A key responsibility involves conducting motivational safety training programs and seminars for various levels of employees, from direct labor to managerial. At least five years' related work experience in an industrial environment interfacing with labor contract employees preferred. Insurance company and/or brokerage background would be helpful. Also, a candidate possessing or working toward a CSP designation would be preferred. The successful candidate must possess excellent oral and written communication skills and have demonstrated leadership ability. We offer an excellent package and competitive salary commensurate with experience. Please submit resume with salary history/requirements in confidence to: Schnitzer Steel Products Company, P.O. Box 10047, Portland, Oregon 97210, Attn: Human Resources Administrator

# Tax Reform Act boosts flex plans: Study

One-third of the companies that currently do not have a flexible benefits plan are considering adopting one within the next two years, according to a recent survey.

"The Tax Reform Act (of 1986) has proven to be a strong impetus to the implementation of flexible benefit plans," says Lance Tane, a consultant in the Washington, D.C., office of The Wyatt Co., which conducted the survey.

"The act not only has resolved the uncertainty concerning the legal viability of flexible benefit plans, but also has required many companies to review and restructure their benefit plans to comply with new welfare plan non-discrimination requirements," Mr. Tane explained. "For many of these companies, flexible benefits are proving to be an effective vehicle of that restructuring."

According to the Wyatt survey, 33% of the companies surveyed said they are considering adopting a flexible benefit plan sometime in 1987 or 1988. Thirty-seven percent of the employers polled said they definitely will not consider adopting a flex plan, while 30% are undecided as to whether they will consider a flex plan.

Wyatt used data gleaned earlier this year from more than 1,200 companies in a wide variety of industries to compile the survey, titled "Executive Compensation Planning."

According to the survey, 22% of the nation's employers already have established a flexible benefits program for their employees.

The decision to offer flexible benefits is related to a company's size, the survey shows.

For example, among the non-financial companies surveyed, 76% of the companies with more than \$5 billion in annual revenues either have adopted or are considering adopting a flex plan. However, the percentage drops to 60% among non-financial companies with \$1 billion to \$5 billion in revenues, 53% at employers with \$500 million to \$1 billion

in revenues and 43% at companies with \$100 million to \$500 million in revenues.

Only 32% of the smallest non-financial employers surveyed—those with annual revenues of less than \$500 million—have adopted or are considering a flex plan.

The same pattern holds true at financial institutions. Seventy-three percent of the financial companies with assets exceeding \$5 billion have established or are considering a flexible benefit program, compared with 68% of the financial institutions with assets of \$500 million to \$5 billion and only 40% of those with assets of less than \$500 million.

The survey also reveals that less than half—36%—of the employers surveyed have tested their welfare benefit plans, like group health and life insurance plans, to see if they meet the new non-discrimination rules for welfare plans contained in the Tax Reform Act of 1986. The rules test whether highly compensated employees are receiving too great of a percentage of the benefits provided under a qualified welfare plan.

If a plan fails one of these tests, benefits that exceed the limits prescribed by the non-discrimination rules become taxable income to the highly compensated employees.

Smaller companies are more likely to have tested their plans than larger companies, the survey shows.

For instance, among non-financial companies, 43% of the companies with revenues of less than \$150 million have tested their welfare plans for non-discrimination compliance. Only 35% of the companies with \$100 million to \$500 million in revenues tested their plans, 35% of those with \$500 million to \$1 billion in revenues tested their plans, 30% of the companies with \$1 billion to \$5 billion in revenues tested their plans and just 29% of the companies with revenues exceeding \$5 billion tested their plans.

Among financial institutions, 44% of those with less than

\$500 million in assets tested their plans, compared with 30% of the financial institutions with \$500 million to \$5 billion in assets and only 23% of those with more than \$5 billion in assets.

Relatively few plans that were tested did not pass the non-discrimination tests, according to the survey.

Nine percent of the group life insurance plans did not pass the non-discrimination tests, 5% of the group medical care plans did not pass, 5% of the group dental plans did not pass, 4% of the travel accident plans did not pass and 2% of the educational assistance plans did not pass the non-discrimination tests.

Employers say they will take a range of actions if one of their plans does not pass a non-discrimination test.

For example, some 41% of the surveyed companies said they will decrease benefits for highly compensated employees so that the plan passes the test.

Another 37% said they would do nothing, forcing highly compensated employees' "discriminatory" benefits to be taxed. Of these companies, 50% said they would not gross up the highly compensated employees' salaries to account for their new tax liabilities, while only 7% said they would. The other 43% were undecided.

Seventeen percent of all of the employers surveyed said they would increase benefits for non-highly compensated workers if one of their plans failed a non-discrimination test, while 13% said they would institute a flexible benefit plan with non-discriminatory core benefits and flexible credits to allow employees to obtain more generous benefits.

Copies of Wyatt's "Executive Compensation Planning" survey are available from The Wyatt Co.'s Research and Information Center, 1850 M St. N.W., Washington, D.C. 20036; 202-887-4600; or from local Wyatt offices.

# American Slip to grow to 14 members

Five additional insurers in December will join American Excess Insurance Assn., a line slip that writes excess liability insurance with limits of \$75 million excess of \$25 million.

Four insurers that recently announced they will join the slip are:

- American Home Assurance Co., a unit of American International Group Inc. in New York.
- Continental Casualty Co., a unit of CNA Corp. in Chicago.
- Maryland Casualty Co., a unit of American General Corp. in Baltimore.
- Royal Insurance Co. of America, a unit of Royal Insurance Group in Chicago.

"These new members bring enough added capacity to our association to allow American Excess to underwrite policies without reinsurance," said Clinton N. Greene, president of Farmington Management Inc., which manages the association.

Previously, New York-based Continental Insurance Co. announced it would join the American Slip in December (BI, July 13).

The four new members bring to 14 the number of insurers in the association. The other members are: Aetna Life & Casualty Co.; American Insurance Co. of North America, a CIGNA Corp. unit; Chubb Group; Crum & Forster; General Accident Insurance Co.; The Home Insurance Co.; NAC Re Corp.; Travelers Corp.; and Zurich-American Insurance Group.

By September of this year, the American Slip wrote 190 policies with an annualized premium volume of \$140 million.

## Continental life insurers

New York-based Continental Corp. is selling its life insurance companies to concentrate of its property/casualty insurance business.

John P. Mascotte, Continental's chairman and chief executive officer, said the insurer's "strategic plan calls for developing leadership positions in selected market segments. We've concluded that achieving leadership in today's life insurance marketplace would require disproportionate resources and take too long for us to achieve."

- The subsidiaries to be sold are:
- Commercial Life Insurance Co. in Milwaukee.
  - Loyalty Life Insurance Co. in Southfield, Mich.
  - The William Penn Cos. in New York, including William Penn Life Insurance Co. of New York and William Penn Life Assurance Co. of America.
  - National Life Assurance Co. of Canada in Toronto.

Continental has retained Goldman, Sachs & Co. to assist in the sale of its domestic life

insurance subsidiaries and Salomon Brothers and Burns Fry for the Canadian operations.

The proceeds from the sales will be used for general corporate purposes, which might include acquisitions, or the repurchase of company stock, Continental said.

The book value of the life insurance companies—which may be sold individually or in combination—was approximately \$432 million as of June 30. The subsidiaries produced operating income of about \$6.4 million for the first six months of 1987 on premiums of \$336.9 million.

## Benefit consultant

One of the nation's largest brokers and a benefit consultant have joined together to launch a new employee benefits consulting firm.

New York-based BRI Coverage Corp., the nation's 18th-largest broker as ranked by *Business Insurance*, and New York-based Chernoff, Diamond, Ostrove & Feller have formed Comprehensive Benefits Consultants in New York.

CBC will provide a wide array of services, including consulting on pensions, profit-sharing, 401(k) plans and executive and deferred compensation plans.

"It's very difficult for a property and casualty specialist to enter the personal insurance field with any degree of proficiency," said Howard Miller, senior vp of BRI Coverage Corp.

"Obviously, we could hire personal life and pension personnel, but it was the general feeling of our management that a joint venture with specialists in the field would provide our clientele with the highest level of expertise while opening new channels for general business expansion," Mr. Miller explained.

"BRI Coverage Corp. provides access to a diverse range of clients that might not have been available to us," said Alex Chernoff, senior partner of Chernoff, Diamond, Ostrove & Feller.

Initially, CBC will operate out of two offices: the New York office of BRI Coverage Corp. and the New York office of Chernoff, Diamond, Ostrove & Feller.

For more information, contact Mr. Miller at BRI Coverage Corp., 156 William St., New York, N.Y. 10038; 212-233-7171.

## Mexican PPO

San Diego broker E.J. Phelps & Co. has launched a Mexican preferred provider organization.

Eight hospitals and 125 doctors comprise the Frontera Health Services provider network, which is operational in three cities:

## Markets

Tijuana, Mexicali and San Luis, near Yuma, Ariz.

Negotiations are under way to expand the PPO network into other Mexican border cities.

For more information contact Frank Cuenca, Vp-Employee Benefits, E.J. Phelps & Co., 2250 Fourth Ave., Suite 200, San Diego, Calif. 92103.

## Pennsylvania PPO

Physicians Health Plan of Western Pennsylvania has expanded its services to include a preferred provider organization.

The Physicians Health Plan Preferred provider network currently includes 28 hospitals, 1,307 physicians and 240 pharmacies located in Allegheny, Beaver, Butler, Washington and Westmoreland counties.

The company also owns Physicians Health Plan of Western Pennsylvania, which is a health maintenance organization that was launched in 1986.

For more information contact Larry Rambo, Chief Executive Officer, Physicians Health Plan Preferred, 5700 Corporate Drive, Suite 300, P.O. Box 101769, Pittsburgh, Pa. 15237; 412-366-9000.

## Name Changes

Blue Cross and Blue Shield of Michigan's six health maintenance organizations have changed their names to the Blue Care Network.

"The name change reflects the Network's unique reciprocity program," under which all six HMOs offer health care coverage to the network's 500,000 enrollees, explained a company spokesman.

In addition the HMOs will coordinate their resources in the areas of marketing, account servicing, advertising and purchasing staff, the spokesman added.

## Mergers/acquisitions

**Buck Consultants Inc.** of New York has merged with **Michael Dunhill International Consulting Actuaries** of Brussels, Belgium, to create **Buck Consultants S.A.** with international offices in Antwerp, Brussels and Paris.

**Thweatt & Associates**, a Richardson, Texas-based brokerage, has merged with **Corroon & Black of Dallas Inc.**

Rolling Meadows, Ill.-based **Arthur J. Gallagher & Co.** has completed its previously announced acquisition of **Joseph Bobba Co. Inc. Insurance Brokers** in Dublin, Calif. (BI, Aug. 3).

**Bolton & Co.**, a Pasadena, Calif.-based brokerage, has acquired the **Gary F. Humphrey Insurance Agency** in San Marino, Calif.

Entertainment insurance brokers **Albert G. Ruben & Co. Inc.** and **Federman-Bachrach & Associates**, both of Beverly Hills, Calif., have merged to form **A.G. Ruben & Co. of Beverly Hills**.

New York-based claims adjuster **Toplis & Harding Inc.**, owned by the Corporation of Lloyd's, sold its Anchorage branch office to the newly formed company of **Love & Associates**. R.W. (Bob) Love helped form the Toplis & Harding claims adjusting office in Alaska and served as its manager prior to purchasing the office.

## New offices

**The Wyatt Co.** of New York has added five offices in Latin America and Europe. The new offices are located in Bogota, Colombia; Paris; Milan, Italy; Zurich, Switzerland; and Amsterdam, The Netherlands.

**Executive Compensation Systems Inc.** opened a new office at 200 Field Point Road, Greenwich, Conn. 06830; 203-661-2976.

**Regional Marketing** moved its offices to 120 Monument Circle, Suite 227, Indianapolis, Ind. 46204; 317-263-45204.

**Rollins Burdick Hunter of Missouri Inc.** has relocated to 500 Washington Ave., St. Louis, Mo. 63101; 314-241-8010.

**Insko/Dico Group** has opened a new office at 1 Centerpointe, Suite 310, Lake Oswego, Ore. 97034; 503-684-9606.

**Corporate Health Strategies** has relocated its headquarters to 276 Post Road W., Westport, Conn. 06880; 203-454-6100.

**HealthCare COMPARE Corp.** has relocated its headquarters to 3200 Highland Ave., Downers Grove, Ill., 60515-1223; 312-719-9000.

**National Benefit Resources** opened a new regional office at 1111 Plaza Drive, Suite 643, Schaumburg, Ill. 60173; 312-240-1411.

**Galaber Settlements Co.** has opened a new office at 100 Paces West, 2727 Paces Ferry Road, Suite 1270, Atlanta, Ga. 30339; 404-431-0684.

**American International Group Inc.** has opened regional offices in San Francisco and Cleveland. The San Francisco office—which serves Northern California, Oregon, Washington, Idaho, Nevada, Alaska and Hawaii—is located at 3 Embarcadero Center, Suite 200, San Francisco, Calif. 94111; 415-445-2700.

The Cleveland office, which serves Ohio, Michigan, West Virginia and Kentucky, is located in the Superior Building, Suite 300, 815 Superior Ave. N.E., Cleveland, Ohio 44114; 216-696-2670. ■

# Peru approves insurer nationalization

LIMA, Peru—The Peruvian Congress has approved a tougher-than-expected law nationalizing domestic banks, insurance companies and credit institutions.

Under the new law, which is expected to take effect immediately, the government will acquire not less than 70% and up to 100% of the shares in Peruvian banks, and not less than 51% and up to 100% of shares in domestic insurers.

However, how owners of insurance companies and banks will be compensated for the impending takeover has not yet been settled in an apparent violation of the Peruvian constitution.

The nationalization bill was approved Sept. 29, following an all-night session in the Senate, the upper house of Congress. The proposal was quickly approved in the lower house, the Chamber of Deputies, the following morning.

Earlier reports that the government had watered down its nationalization proposal are now seen as a successful ruse to lull business and political opponents into a false sense of security in order to buy time (BI, Sept. 21).

President Alan Garcia on July 28 called on Congress to nationalize all insurance companies, banks and credit institutions, and authorized the government to intervene in the operations of 17 insurers, 10 banks and six other financial institutions, pending debate and approval of the nationalization proposal by Congress.

However, a July 31 court order suspended the government's intervention until the court ruled on its legality (BI, Aug. 17).

Of 20 insurers currently operate in Peru, two are already state-owned: Popular y Porvenir Compania de Seguros, which is the largest Peruvian insurer with 50% of the market, and Compania Peruana de Credito a la Exportacion (Segrex).

## Worldwide

The Peruvian domestic insurance market, including life insurance, produced premium volume of \$246 million in 1986.

"We bankers and insurers are resisting (the nationalization). We have our beds in the offices and we will stay here," said Francisco Pardo, president of both insurer Compania de Seguros La Real and Banco Mercantil. Mr. Pardo is also the president of the Peruvian Assn. of Banks.

Another insurer, who last month said he was happy that he apparently would be keeping his job, said last week that he, too, will be sleeping in his office to deter a takeover.

The new law runs "against all the laws of the constitution," Mr. Pardo asserted.

The Peru Constitution states that nationalized companies must be compensated in cash before a state takeover, he explained.

He added that the courts had issued a decision that the government takeover was unconstitutional and that "if the president does not obey the court orders, we (Peru) will not be a democracy any more and that will be very dangerous."

While Mr. Pardo and other insurance company executives said that business and foreign investors will lose confidence in the government as a result of the nationalization law, the executives are not leaving the country.

"I will stay here and fight until 1990," which is when the next presidential election will be held, said Mr. Pardo. "Everybody will fight until 1990, if we still have a democracy left."

In the event that the government attempts a physical takeover of their companies, some insurance

company officials said they will seek police help in enforcing the courts' ruling that nationalization was illegal. However, the government, in turn, could deploy the army, sources say.

—By Maria Kielmas

## Qatar contracts

DOHA, Qatar—Two privately owned Qatari insurers are objecting to the recent award of a contract to place insurance for the North Dome gas field development project to a consortium led by state-owned Qatar Insurance Co. and Lloyd's of London broker Minet Holdings P.L.C.

The two insurers claim the contract to insure the \$950 million first phase of the North Dome project—one of the largest gas fields in the world—contradicts Qatari insurance regulations that require both private and government-owned insurers to bid for such contracts.

Furthermore, although the contract has been long-awaited by both Middle Eastern insurers and oil industry contractors, increased tension in the Persian Gulf could delay the start of the project.

Abu Nahl, general manager of the largest Qatari insurer, Qatar General Insurance & Reinsurance Co., said he could not understand what had happened.

"There is an Amiri Decree which gives the right to the three (Qatar insurance) companies to offer the best terms and conditions to the government for projects. These terms are then refined. No terms have been offered by any of the three companies," he said.

The three domestic insurers in Qatar, all based in the capital of Doha, are the state-owned Qatar

Insurance Co. and the privately owned Qatar General Insurance & Reinsurance Co. and Alkhaleej Insurance Co.

Market sources say Alkhaleej has close political links to the state-owned Abu Dhabi National Insurance Co. of the United Arab Emirates and has access to ADNIC's substantial reinsurance facilities.

Minet announced last week it will place reinsurance for the first phase of the North Dome project, estimated to last 3½ years, in the London market.

Edward J. Milne, underwriting manager of Qatar Insurance Co., told *Business Insurance* that QIC is the leader of the insurance consortium that will give shares in the deal to the other local insurance companies. After the other two Qatari insurers advise QIC on the portion of the risk they will accept, the remainder will revert to QIC for placement in the London market, he explained.

Insurance market sources say that the maximum retention in the Qatari market would be \$500,000.

But Qatar General's Mr. Nahl said he has not been contacted by QIC or the North Dome steering committee about such plans.

"We tried to find out from the North Dome steering committee how the insurance would be placed. They said they will give indications, but have not done so. If the insurance is to be led by Minet and QIC, there should at least be an understanding with the other two (Qatar insurance) companies. We have not been informed and have not been given any output," he said.

Mr. Nahl added, "Qatar General is well known to have experience for this project and we are the leading company in the market."

London brokers speculated that a new Amiri Decree nullifying the contract to QIC and Minet could be possible.

Spokesmen from Alkhaleej Insurance Co. were unavailable for comment.

Meanwhile, progress on the first phase of the North Dome project is expected to be delayed until tension in the Persian Gulf eases, insurance and oil industry sources said.

One insurer that asked not to be named said, "no one will want to go ahead until the war is finished."

The North Dome gas field, situated 50 miles northeast of the Qatar peninsula in 164 feet of water, was discovered in 1971 by Shell International.

—By Maria Kielmas

## Swiss Re projections

ZURICH, Switzerland—Although Japan remains the world's growth leader in total life and non-life insurance premium volume, Italy and France are right on its heels and should close the gap by 1992, according to a survey by Swiss Reinsurance Co.

The Swiss Re survey forecasts nominal premium volume increases for seven major industrialized nations—West Germany, France, Italy, Japan, Canada, Switzerland and the United States—for the period of 1986-1992.

The survey covered selected lines of the direct insurance markets of the countries and was conceived as a follow-up to an earlier Swiss Re survey on business development in the period 1965-1986 (BI, Aug. 24).

Premium volume will increase more in the life insurance sector than in non-life business in Japan, Italy and France over the next five years, the report said. With the exception of Canada, growth will be smaller in motor and fire insurance

sectors than in total business in all the countries surveyed.

Spectacular shifts are not expected in various lines of coverage, with the possible exception of Japan, the report said. In no country is a specific line expected to extend its market share by more than 4.3%, with the exception of life insurance growth in France. But, on the other hand, no line of coverage will lose more than 1.9% over the period with the exception of France, where automobile insurance premiums are expected to decline by at least 2%.

In all cases, the survey said, the life insurance market is more resistant to economic trends than the marine, automobile and fire sectors. This is because it takes some years for the life insurance sector to react to sudden economic change, while other lines are more fine-tuned to economic developments.

The United Kingdom, which Swiss Re said does not produce a detailed breakdown by lines of coverage, was omitted from the general comparisons.

Swiss Re's forecasts for the next five years in individual countries were:

- West Germany. No change expected.
- France. The biggest growth will be in the life sector.
- Italy. Automobile insurance will continue to be the most important sector.
- Japan. The country will continue to be world leader in premium growth on all fronts.
- Canada. Life insurance's share of the overall market will shrink.
- Switzerland. Steady growth for all sectors.
- United States. The fastest growth will be in general liability business, but accident and fire insurance also will increase by more than 50% during the period.

—By John Parry

## Hong Kong brokers

HONG KONG—Australia's National Insurance Brokers Assn. has helped Hong Kong brokers to form the Hong Kong Society of Insurance Brokers, the Crown Colony's first professional broker association.

The formation of the society—composed of local and multinational brokers operating in Hong Kong—came after Ian Abell, registrar of the NIBA, addressed Hong Kong brokers at an international insurance conference in the colony.

Y.K. Chan, chairman of Insuright Brokers of Hong Kong, has been named inaugural president of the society.

"One of the objects of the society is to affiliate or cooperate with associations of similar objectives in the world, and as NIBA is no doubt a leading brokers' association in the world, we will be in close liaison with (NIBA)," Mr. Chan said.

The society "has a code of practice for members to follow, which requires, among other things, that members represent the interests of insurance buyers rather than insurers," he said.

To be a member of the society, a brokerage must have minimum paid-up capital of \$100,000 Hong Kong (\$12,810), carry professional liability insurance with at least \$1 million Hong Kong (\$128,100) in limits and "be run by fit and proper persons with appropriate qualifications or experience."

For further information on the Hong Kong Society of Insurance Brokers, contact Y.K. Chan, Insuright Brokers, Alliance Building, 130-136 Connaught Road, Central Hong Kong.

—By Paul D. Winston

# ON-TARGET

## Dynamic, Responsible Growth!

YOUR COPY IS WAITING!

New records continue to be broken by the Illinois Insurance Exchange as it expands its scope of operation for professional brokers and serious investors in the world marketplace. We have made significant progress during the past year. Our accomplishments include:

- ★ A remarkable 285% increase in premium volume.
- ★ A corresponding 96% increase in policyholders' surplus with an excellent premium to surplus ratio.
- ★ A Guaranty Fund, the security behind the Exchange, that now exceeds \$20 million.
- ★ A combined loss ratio of 93.5%, indicative of judicious risk taking.

Our Annual Report tells the whole story of our solid ability to perform and our expanding role in the marketing of insurance. It's full of facts and figures, interesting information and it highlights the opportunities available to investors. For your complimentary copy contact James M. Skelton, President and CEO, today at:



**Illinois Insurance Exchange**

175 W. JACKSON BLVD., CHICAGO, IL 60604  
Toll-Free 1-800/525-8471 (In Illinois 312/939-2400)

## Quake claims

Continued from page 1  
losses will not exceed policyholders' deductibles, insurers predicted.

"We will wait and see what the damages are, but we don't expect them to exceed the deductibles," said John Larisey, an account executive in the Los Angeles office of CIGNA Corp.

"This is not an extraordinary loss and most of the damages will probably fall under clients' deductibles," said a spokesman for Transamerica Insurance Co. in Los Angeles.

A spokesman for Aetna Life & Casualty Co. in Glendale, Calif., said the insurer has received two or three calls from policyholders but that there have been no damage reports of any magnitude.

Earthquake insurance policies currently require policyholders to meet a deductible equal to 5% of the losses to each insured building and its contents, on a per-occurrence basis, insurers and brokers explained. As the market was softening, some policyholders were beginning to ask for a reduction in deductibles to 2% of losses, or for a flat dollar amount, some insurers and brokers noted.

Some brokers said they also expected damages to be small.

"We have received no loss reports at this point, but we expect that the damage will be below deductibles," said Horst Lechler, CPCU and senior vp at Los Angeles-based Anderson Murison Inc., a managing general agent and surplus lines broker.

"This is sufficiently small that domestic insurance people will not get excited about it, and the London market isn't either. We're a very careful underwriter of quake insurance, so we really wouldn't expect large damages," explained William Rucker, a marketing operations vp with Cravens Dargan & Co. Pacific Coast, a CIGNA-owned underwriting entity placing risks primarily on the London market.

Damages from the quake included broken windows, fires, electricity and telephone service interruptions and ceiling collapses, said a spokesman from the Insurance Information Institute in San Francisco.

The majority of damages occurred in Whittier and Pasadena, the epicenter of the quake. Early reports noted damage to residences, parking garages and older storefronts and offices.

Damage in downtown Los Angeles was limited to broken windows, cracked walls and ceilings and small fires.

Los Angeles-based Johnson & Higgins of California assembled a team to handle damage reports by 9 a.m. last Thursday. "We called our major clients and most didn't



Photo: AP/Wide World

**While last week's Southern California earthquake caused primarily minor damage, it caused a building in Pasadena to collapse.**

have damages to report," said James McElvany, executive vp with the broker.

"By 1:30 in the afternoon, we had narrowed the damage reports down to two areas. Under property damages, it appears that few claims will meet or exceed the clients' deductibles, so there will be no significant impact to insurers here," he explained.

However, "business interruption losses will be a little more severe. There are losses due to interruption of employees' services and productivity. And, we've had some incidence of computer centers being shut down, particularly those serving banks. This will not be a severe loss to our clients, but it's almost certain to produce losses to insurers," he predicted.

Brokers and insurers predicted that the softening quake market would not begin to severely harden following the quake, but some said insurers may be a bit more restrictive in underwriting.

Mr. McElvany noted that large businesses recently have been able to secure limits of between \$75 million and \$100 million per location. "That is certainly up from last year and I think that's going to continue."

"I don't see any tightening or long-term effects from this," said Mr. Lechler of Anderson Murison.

He noted that at the recent meeting of the National Assn. of Professional Surplus Lines Offices, brokers were trying hard to convince London underwriters to increase capacity in the quake insurance market. But Thursday's quake may have reduced the insurers' comfort level, Mr. Lechler said.

"This is really more of an awareness event. I don't really think insurers will become much more restrictive in underwriting," said Mr.

Rucker of Cravens Dargan.

However, Mr. Larisey of CIGNA said "the market will tighten some. One of the reasons it was softening was that earthquakes were out of sight and out of mind. I'm sure that some companies will be very restrictive about what they write. And, usually, after a quake, the home offices in the East become a lot more concerned about quake damages than Californians do."

Industry experts predict that the quake will prompt interest on the part of businesses in obtaining the expensive coverage now that they have experienced the area's first major quake in 16 years.

One major brokerage in Orange County, just south of Los Angeles, reported that "the quake occurred at 7:42 a.m. and our switchboard opens at 8 a.m. We had calls at 8 a.m. from companies asking about the availability of coverage."

"This may stimulate an increased demand for coverage on a short-term basis," agreed a Transamerica spokesman.

"Typically, after an event like this, there is a big rush of people that purchase quake coverage. So, premiums tend to increase a bit because of the demand," said Mr. Rucker of Cravens Dargan.

Most insurers and brokers said that because the quake caused relatively minor damage, it will serve mainly as a warning to risk managers to be prepared for quakes.

And, some even said the low amount of damages may convince insurers to increase capacity in the quake insurance market.

"The positive note of this whole thing is that a 6.1 quake with the epicenter fairly close to downtown L.A., it's pretty heartening to see that there has been so little damage," said Johnson & Higgins' Mr. McElvany. ■

## London not expecting aftershocks

By STACY SHAPIRO and CAROLYN ALDRED

LONDON—The earthquake that shook Southern California last week probably will not cause massive property damage claims, but it may prompt risk managers and underwriters to reassess earthquake risks, London observers say.

"As far as we can tell it was a bit of a non-event. . . people are not getting terribly fussed about it at Lloyd's," one Lloyd's of London underwriter said last week.

However, it is too early to tell how serious the claims from the quake will be, said Nick Maher, director of the North American division of Lloyd's broker Alexander Howden Ltd.

"There were only a few notification of claims in so far," said Mr. Maher, who surveyed Howden's claims department Friday. One of the claims was from a small retail outlet in a shopping center that was damaged.

Claims could build over the next six months if cracks are found in buildings or pipelines that can cause subsequent damage or business interruption, he said.

However, Mr. Maher believes the earthquake will not affect falling U.S. property insurance rates.

"All reports seem to show that there won't be as big

an impact (on rates) as one might hope," he said. "Everybody would like to see rates shake out a bit."

He also pointed out that California risk managers, who have not bought earthquake coverage because it was too expensive, might reconsider their position.

Currently, the London market can provide up to \$100 million in capacity for earthquake risks, Mr. Maher said.

Terry Mann, deputy chairman and managing director of Lloyd's broker Price Forbes Ltd., also says it is too early to assess claims from the quake. Price Forbes did receive a few notifications on Friday, but "they were nothing dramatic."

"On what we hear so far, there is nothing dramatic. But, who knows?"

However, the earthquake did affect some buyers' awareness of the risk, Mr. Mann pointed out.

One client, who wanted a \$10 million sublimit for earthquake coverage before the quake, telexed Price Forbes Friday and asked that the sublimit be raised to \$80 million.

"A lot of major corporations opted not to buy earthquake coverage" because it was so expensive, Mr. Mann said. "It wouldn't surprise me if they re-evaluate their posture. If I was there, I would." ■

## Update

### Sandoz settles French claims

Continued from page 2

for the compensation of Rhine River pollution victims—will receive 11 million French francs (\$1.8 million). The settlement also takes into account the 11 million French francs that Sandoz has paid to claimants that are not members of Alsarhin.

### \$950 million pension reversion

CHICAGO—In the largest pension reversion ever, FMC Corp. says it is recovering about \$950 million by terminating an overfunded pension plan for salaried employees and retirees.

Through the "spinoff termination," which FMC first announced in November 1985, the company is recovering \$333 million in cash and \$617 million in FMC common stock initially issued to the pension plan at a cost of \$44 million (BI, Dec. 5, 1985).

FMC said it will use the large reversion to reduce corporate debt. In a spinoff termination an employer splits its defined benefit plan into two plans—one for retirees and one for active employees. The excess assets are put into the retirees' plan, which is terminated. Annuities are then purchased to cover retirees' benefits. The plan for active employees is retained.

### Briefly noted

Ohio Gov. Richard F. Celeste is expected to sign a **tort and insurance reform** package that holds manufacturers strictly liable for the safety of their products, modifies the doctrine of joint and several liability to reduce a negligent plaintiffs' ability to recover non-economic damages and increases the Insurance Department's regulatory power. . . Chicago-based auditor Grant Thornton has agreed to an **\$80 million settlement** under which it will pay \$65 million to the state of Ohio, the liquidator of now defunct Home State Savings Bank of Cincinnati, and \$15 million to the Ohio Deposit Guarantee Fund, a private insurance fund for 71 Ohio thrifts that was wiped out when the Home State collapse caused a run on other savings and loan institutions (BI, Sept. 21). . . Louisville, Ky.-based Humana Inc. is attempting to stop NBC from airing the "St. Elsewhere" television series, claiming the "Ecumena" hospital chain depicted in the series constitutes trademark infringement, unfair competition and violation of the right of publicity. A hearing has been set for Thursday in U.S. District Court in Louisville. . . Financially distressed companies terminating **underfunded pension plans** could not set up a new defined benefit plan within five years of the termination under draft legislation now being reviewed by the Senate Labor and Human Resources Committee.

## Worst is yet to come, officials warn residents

By GLENN HUNTLEY

LOS ANGELES—Southern California's strongest earthquake in 16 years caused the deaths of at least seven people and damaged numerous buildings, but officials warn the worst is yet to come.

The earthquake that rolled through the Los Angeles area Thursday morning registered 6.1 on the Richter scale and was centered about 10 miles southeast of downtown Los Angeles, said Steve Bryant, seismic analyst at the California Institute of Technology in Pasadena.

The first and largest jolt struck at 7:42 a.m. and was followed by 16 aftershocks, including four that exceeded 4.0 on the Richter scale, Mr. Bryant said.

However, the main temblor was just one-tenth to one-hundredth as strong as "the big one" that seismologists say will hit Southern California within 30 years.

Mr. Bryant said the latest quake was along the Whittier-Elsinor Fault, not the dreaded San Andreas Fault, which is the major fault that splits California from north to south.

The release of energy on the Whittier-Elsinor fault will not reduce the potential severity or delay the massive quake that seismologist warn will devastate the state within many Californians' lifetimes, he said.

Last week's earthquake was typical of the tremors that strike California every four to six years, according to Mr. Bryant. "It's something we should be used to by now."

Los Angeles officials asked residents to heed the warning. "I think that we should all take this as a little notice from nature that the big one is still to come to our area," Los Angeles Councilman Hal Bernson said at a press conference.

Although just "a minor emergency," the earthquake should inspire businesses and residents to prepare for the inevitable, Mr. Bernson said.

He and Los Angeles Mayor Tom Bradley urged businesses to minimize possible damage and injuries during earthquakes.

"We think readiness, preparation is the key to survival in earthquakes that may come, that some say will come," Mayor Bradley said.

Last week's quake left reminders that property destruction will be sudden and substantial if the long-predicted major quake strikes.

Three people, including a student at California State University-Los Angeles who was struck by a falling concrete slab, died in accidents caused by the temblor, according to news reports. At least four heart attack deaths also were attributed to the earthquake.

Property damage in Los Angeles and Orange counties ranged from minor to total destruction (see story, page 1). Hundreds were forced from their homes by dangerous structural damage.

Hardest hit was Whittier, a city of 70,000 near the epicenter. More than 50 businesses and 100 homes there were seriously damaged or destroyed, according to news reports.

Burbank Airport closed for an hour after the shaking knocked windows out of the airport control tower. Landings and takeoffs resumed after interim air traffic control facilities were established. ■

## Equal Opportunities

Each weekly issue of *Business Insurance* gives you an equal opportunity to reach and motivate BI's more than 133,000 purchasing influentials . . . top administrative and financial executives, risk managers, employee benefits managers and the agents and brokers who serve their needs.

When you want to reach your prime audience, the *Business Insurance* audience is unequalled!

PUBLISHING DATES	CLOSING DATES
Jun 1	May 19
Jun 8	May 27
Jun 15	Jun 3
Jun 22	Jun 9
Jun 29	Jun 17
Jul 6	Jun 24
Jul 13	Jun 30
Jul 20	Jul 8
Jul 27	Jul 15
Aug 3	Jul 22
Aug 10	Jul 28
Aug 17	Aug 5
Aug 24	Aug 12
Aug 31	Aug 18
Sep 7	Aug 26
Sep 14	Sep 2
Sep 21	Sep 9
Sep 28	Sep 15
Oct 5	Sep 23
Oct 12	Sep 30
Oct 19	Oct 7
Oct 26	Oct 13
Nov 2	Oct 20
Nov 9	Oct 28
Nov 16	Nov 3
Nov 16	Nov 3
Nov 23	Nov 11
Nov 30	Nov 18
Dec 7	Nov 25
Dec 14	Dec 2
Dec 21	Dec 8
Dec 28	Dec 16

# Business Insurance

New York: (212)210-0133  
 Chicago: (312)649-5275  
 Los Angeles: (213)651-3710

## Quality

Continued from page 1

The petition does not name members of the former management.

Annual statements customarily require an insurer's top officers to attest to the accuracy of the annual statement. Quality's officers included Mamdouh M. Abdallah, chairman and treasurer; Luther L. Britt, president; and Abbas S. Yousri, secretary.

Mr. Abdallah, Mr. Yousri, Helal S. Elsewedy and Mahmoud Abu Saud, Quality directors, also were directors of SEAR, according to a 1982 SEAR brochure obtained by *Business Insurance*.

The brochure also shows that Joseph F. Ambriano, former chairman of New York-based Inter-

america Reinsurance Corp., was a director of SEAR. Mr. Abdallah, meanwhile, also was a director of Interamerica as of Dec. 31, according to Best's Insurance Reports.

Mr. Ambriano is a defendant in two unrelated lawsuits connected to the scandal-plagued reinsurance program supporting Associated Electric & Gas Insurance Services Ltd., a utility industry captive insurer (*BI*, Sept. 21).

In an interview, Mr. Ambriano said he resigned from the SEAR board four years ago. Mr. Abdallah is no longer a director of Interamerica, he said.

Mr. Ambriano was not an officer or director of Quality and is not named in either the Quality liquidation petition or the Lincoln National lawsuit.

Quality directors included James Cordle, president of Citadel Management Corp., a syndicate manager on the Florida exchange.

In an interview, Mr. Cordle said that he resigned from Quality's board last year, before the insurer entered rehabilitation.

He confirmed that Mr. Abdallah and Mr. Yousri had been shareholders in Citadel, though he said Mr. Abdallah ceased being a shareholder at the end of last year. Mr. Yousri still owns about 20% of Citadel, Mr. Cordle said.

The Quality liquidation petition states that the only assumed reinsurance agreements reported in Quality's 1985 annual statement were contracts with Capitol Fire & Marine Insurance Co. of Montgomery, Ala., and Lincoln National.

Quality intentionally failed to report reinsurance risks assumed from Century Surety Co. of Columbus, Ohio; Dependable Insurance Co. of Jacksonville, Fla.; Forum Insurance Co. of Schaumburg, Ill.; Presidio Insurance Co. of Indianapolis, Ind., which was ordered liquidated in February 1986; and Union American Insurance Co. of Coral Gables, Fla., the petition charges.

The Dependable business consisted of a book of Puerto Rican auto risks on which Dependable fronted for Whiting National Insurance Co., a discontinued unit of Poe & Associates Inc., according to Dependable Executive Vp J. Lloyd West (*BI*, June 22).

Whiting National, formerly headed by Mr. Cordle, retroceded 50% of the business to Quality and 30% to syndicates on the Florida exchange, Mr. West said.

Quality owed Dependable \$6.3 million on the auto business as of July 31, Mr. West said. Mr. West noted that Dependable was in arbitration with Quality demanding payment on the business, but the arbitration was stayed when Quality entered rehabilitation.

Quality's 1985 statement also reports that the only reinsurance ceded by Quality was to SEAR, National Reinsurance Corp., Lincoln National, Mead Reinsurance Corp., National Indemnity Insurance Co. and Northwestern National Insurance Co., the petition says.

Quality failed to report reinsurance ceded to the IEA, the petition says.

In reporting business ceded to SEAR, Quality also intentionally failed to disclose fronting programs under which it ceded to SEAR 100% of risks it assumed from Forum and Presidio, the petition alleges.

It says Quality should have reported—but did not—\$3.2 million in unearned premiums on reinsur-

ance placed with the Florida exchange, as well as \$2.1 million in losses recoverable from the exchange and nearly \$114,000 in losses recoverable from SEAR.

The statement also falsely reported that Quality had written premiums of \$2.6 million on animal mortality business, when the actual premium volume was in excess of \$7 million, the petition charges.

Much of this business was produced by Triple Crown Insurers Inc., an agency based in Miramar, Fla. Quality's receiver filed a breach of contract suit against Triple Crown in Marion County Circuit Court last week, alleging that the agency is holding \$1.3 million in premiums owed to Quality.

Quality reinsured the animal mortality business with several Florida exchange syndicates and two other reinsurers.

Exchange syndicates on these risks included RAM Syndicate Inc.; Hispano American Insurance Syndicate Inc.; Administrative Management Services Syndicate Ltd.; AIB Syndicate Inc.; Syndicate One Inc.; Synvex Corp., now known as Syndicate Two Inc.; and Zinopa Corp., now known as Syndicate Three Inc. All of these syndicates currently are in rehabilitation.

Two other IEA syndicates not in rehabilitation also participated on the risks: Poe Syndicate Inc. and Pacific Insurance Syndicate Inc., formerly Miami Savings Insurance Syndicate Inc.

Mr. Cordle said that while Quality issued policies on some of the animal mortality business, exchange syndicates issued the policies on other risks and ceded a portion to Quality.

Exchange syndicates wrote a \$600,000 line on the animal mortality risks, with Poe Syndicate, managed by Citadel, accounting for a \$200,000 share, he said. Poe Syndicate retained \$50,000 of each risk, reinsuring \$100,000 with SEAR. The syndicate reinsured the remaining \$50,000 for a time with Whiting National and later with Quality, he said.

In addition to violations of state law, the petition charges that Quality also breached an agreement with the Insurance Department under which SEAR acquired Quality—formerly known as Stonewall Casualty Co. of West Virginia—in 1982.

The agreement required Quality to obtain prior approval from the Insurance Department of all reinsurance transactions with SEAR.

In 1984 and 1985, Quality entered into several fronting arrangements under which it ceded to SEAR 100% of the risks it had assumed from other insurers.

Continued on next page

## Insurance services guide

**ENVIRONMENTAL CLAIM AUDITS & RISK ASSESSMENTS**  
**ACTUARIAL CONSULTING**  
 Financial Evaluation of Environmental Losses  
**TILLER CONSULTING GROUP, INC.**  
 2833 N. Geyer Road / St. Louis, MO 63131-3320 314/567-748C

### COLLECTION TROUBLES??

CHARLES M. GILES, P.C.

Attorney at Law

Insurance Collection

AUDITS, PREMIUMS, SUBROGATIONS

### ANYWHERE IN THE WEST

(602) 274-2222

### TRANSLATORS TO THE INSURANCE INDUSTRY

MultiTech

10 E. 39th St.  
 New York, NY 10016

Phone 212 532-5530

Fax 212 481-9399

Around the Clock  
 and Around the Globe

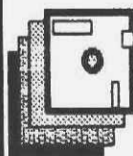
### PTS Comp-Pac Workers' Compensation Claims Software

Full Function Yet Flexible  
 Single or Multi-User

Pacific Technical Services  
 2950 Merced St., Suite 101  
 San Leandro, CA 94577  
 (415) 351-9095  
 Easy-Link 5101008113

### RISKMASTER SOFTWARE

GENERAL CLAIMS  
 WORKER'S COMP  
 VEHICLE ACCIDENTS  
 CHECK WRITING  
 FOR: PC/MINI/MAINF  
 (313) 261-4440



ONSITE TRAINING  
 ONGOING SUPPORT

**Tillinghast**

INSTALLED IN OVER  
 32 STATES & CANADA

### WORKERS' COMPENSATION CLAIMS SYSTEM FOR IBM PC AT

IDEAL FOR SELF INSUREDS, INSURANCE CO'S, AND TPA'S. SINGLE AND MULTI-USER VERSIONS AVAILABLE. HANDLES UP TO 100,000 ON LINE CLAIMS

INSTALLATIONS COAST TO COAST  
 ALL FUNCTIONS AND STATE FORMS

### INSURANCE SOFTWARE PACKAGES, INC.

5118 NORTH 56<sup>TH</sup> STREET  
 TAMPA, FLORIDA 33610  
 (813) 621-6069 (FL)  
 (800) 237-8133 (U.S.)



8025 North Point Blvd., Winston-Salem, NC 27106  
 919/773-1313

Employee Benefit & Actuarial Consultants

### BENEFITS-RELATED PRODUCTS AND SERVICES

• TEXTBOOKS by Carlton Harker, F.S.A., C.L.U., E.A.  
 "Cost Containment of Health Care Benefits" \$30  
 "Self-Funding of Welfare Benefits" \$15  
 "Partial Termination of Pension Plans" \$15  
 • SELF FUNDED PLAN DOCUMENT \$100

All benefit elections in benefit schedule; provides for contributions varying by age and area; permits self-funded substandard surcharges; IBC sec. 125 Plan included as a built-in benefit.  
 Anticipates discriminatory benefits to extent permitted by 1986 Tax Reform Act.  
 Approved or accepted by most excess loss carriers and underwriters.  
 Charges do not include \$1.50 for postage/handling.

For advertising information in the **INSURANCE SERVICES GUIDE**  
 Contact: Margaret Hikido, 740 Rush Street, Chicago, Illinois 60611.  
 Telephone (312) 649-5340

## Juries in Maine awarding larger verdicts for injuries

Maine juries are rendering larger awards in personal injury cases, a new survey shows.

Maine awards, which had averaged 3% less than the national average, are now consistent with national verdict expectancies, according to the 1986 Maine State Verdict Survey published by Jury Verdict Research Inc. of Solon, Ohio.

The survey, part of an ongoing analysis of personal injury verdicts nationwide, shows that since the first reported national million-dollar award in 1962, Maine has reported five verdicts of \$1 million or more, two in the last one-year period.

A recent jury award of \$3 million was rendered to a 38-year-old man who became a paraplegic after the defendant hospital failed to diagnose and treat his torn aorta. The plaintiff had been involved in a car accident, and although X-rays were taken at the hospital, they either were not read or were not properly diagnosed.

Jury Verdict Research surveys and analyzes verdicts in every state. Results of the studies are used primarily by attorneys, insurance companies, corporations and government agencies in the preparation of settlement and personal injury cases.

A complete analysis of Maine's personal injury verdicts is found in the *Maine State Verdict Survey*, available for \$25 from Jury Verdict Research, 5325 Naiman Parkway, Suite B, Solon, Ohio 44139-1065; 800-321-6910; 216-248-7960 in Ohio.

Continued from previous page

However, Quality failed to obtain the Insurance Department's approval on these deals and did not report them to the department, the petition charges.

Meanwhile, Lincoln National is pursuing its amended complaint against SEAR and several directors and officers of SEAR and Quality.

The amended complaint was filed June 5 in U.S. District Court for the Southern District of Ohio in Cincinnati.

The complaint also names Mr. Abdallah, Mr. Britt, Mr. Yousri and James E. Moody, former comptroller of Quality.

At issue in the case are several reinsurance treaties, including:

- Two excess-of-loss treaties under which Lincoln National reinsured Quality.
- Quota-share treaties under which Lincoln National reinsured 60% of a book of Quality property/casualty business and retroceded 42% to SEAR.
- Quota-share treaties under which Lincoln National assumed 100% of a book of business written by Georgia-domiciled WACO Fire & Casualty Insurance Co., retroceding 40% to Quality and 42% SEAR.
- Quota-share treaties under which Lincoln National reinsured 100% of WACO's auto physical damage business and retroceded 60% to Quality.
- Another auto physical damage treaty under which Lincoln National reinsured 40% of Quality's risks.

The complaint charges that the defendants intentionally concealed the fact the SEAR was not paying its 42% share of the liabilities to Quality and WACO under the quota-share agreements and that "it had no intention of doing so."

The West Virginia department had directed Quality to send a letter to Lincoln

**The suit filed by Lincoln National charges the defendants with common law fraud and violations of RICO.**

National informing it that SEAR was not paying on the treaties, but Quality did not do so, the complaint alleges.

Mssrs. Abdallah, Britt, Moody and Yousri represented to Lincoln National that SEAR would pay when they knew it would not, the suit charges.

In preparing an annual statement for Quality, the defendants also concealed reinsurance recoverables from SEAR as premiums due from agents, according to the complaint.

SEAR also withdrew management fees from Quality, using the fees instead of the premiums it had collected to cover losses on the reinsurance agreements, the suit charges.

Because of the failure of SEAR to pay losses—and because Quality has not paid its share of losses on one of the retrocessional agreements—Lincoln National claims it has suffered losses of \$3.2 million and these losses eventually could exceed \$5 million, the complaint says.

Lincoln National's suit charges the defendants with common law fraud and violations of the federal Racketeer Influenced and Corrupt Organizations Act.

Alleging breach of contract, Lincoln National also accuses the defendants of:

- Failing to remit premiums to Lincoln National.
- Submitting losses to Lincoln National

that fell outside the effective dates of one of the reinsurance contracts or that should have been submitted to SEAR under other treaties to which Lincoln National was not a party.

• Allowing Quality to pay premiums to SEAR instead of netting the premiums against amounts SEAR owed to Lincoln National and Quality.

Lincoln National also charges that SEAR has failed to pay more than \$366,000 relating to a separate retrocessional agreement, effective March 30, 1983, under which SEAR agreed to assume 1% of Lincoln National's business.

Mr. Britt and Mr. Moody have filed amended answers denying Lincoln National's charges. In answers to the original complaint—which contained many similar allegations—SEAR and Mssrs. Abdallah and Yousri also denied the charges.

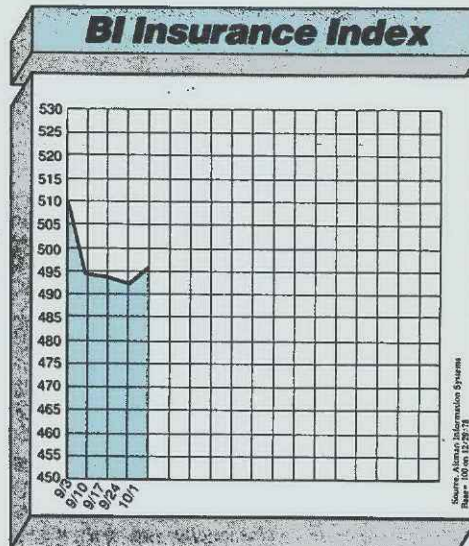
SEAR also filed a counterclaim charging that Lincoln National fraudulently misrepresented the amount of business it would cede to SEAR under the 1% retrocessional agreement.

Before SEAR entered the agreement, Lincoln National said that its premium volume under the agreement would amount to between \$20 million and \$25 million annually, the counterclaim says.

In 1983, however, Lincoln National wrote gross premiums related to the treaty of about \$34 million and in 1984 wrote about \$116 million, more than five times the amount projected, SEAR charges.

SEAR seeks compensatory damages of \$850,000 and punitive damages of \$10 million on the counterclaim, along with a declaration that it has no liability under the retrocessional agreement.

Mr. Abdallah and Mr. Yousri could not be reached to comment on this story.



Insurance industry stocks posted a mild gain as the Business Insurance stock index advanced 3.9 points to close at 496.7 on Oct. 1, up from 492.8 on Sept. 24. The stocks posting the largest increases during the period included: Aneco Reinsurance Co. Ltd., up 14.3%; Alexander & Alexander Services Inc., up 9.6%; Hartford Steam Boiler Inspection & Insurance Co., up 9.0%; SAFECO Corp., up 8.0%; and Liberty Corp., up 7.1%. The issues posting the largest declines were: Scor U.S. Corp., down 17.2%; Frank B. Hall & Co., down 13.2%; Belvedere Corp., down 9.2%; Statesman Group Inc., down 6.8%; and Baldwin & Lyons Corp., down 5.6%. The most active insurance industry stocks were: Sears, Roebuck & Co., 2.3 million shares traded; Aetna Life & Casualty Co., 2.0 million shares; SAFECO Corp., 1.7 million shares; ITT Corp., 1.6 million shares; and General Re Corp., 1.5 million shares. The 0.8% increase in the Business Insurance index trailed the advances by the major stock market averages. The Dow Jones 30 Industrials rose 2.8% for the period, while the Standard & Poor's 500 index rose 2.4% and the New York Stock Exchange Composite rose 2.3%.

**A.C.E., EXEL complete stock buy-backs**

By ROGER SCOTTON

HAMILTON, Bermuda—The chairmen of A.C.E. Holdings Ltd. and EXEL Ltd., the Cayman-based holding companies for excess liability insurers A.C.E. Insurance Co. Ltd. and X.L. Insurance Co. Ltd., say they're satisfied with the results of their companies' stock repurchase plans.

A.C.E. Chairman John Cox said the company had agreed to buy back from shareholders 264,001 shares at a price of \$168 per share determined through a Dutch auction. The buy-back, which closed Sept. 18, will cost A.C.E. \$44 million. It will also cut the number of shareholders to 214 from 242 and will reduce A.C.E.'s capital to \$804 million.

A.C.E. in August had earmarked up to \$200 million to buy back between 250,000 and 1 million shares, representing from 5.4% to 21.8% of its issued stock, at a price between \$100 and \$200 a share (BI, Aug. 17).

"We've been paid the ultimate compliment: Most of our shareholders wouldn't sell us their shares," said Mr. Cox. "They clearly feel their investment in A.C.E. is worth more than their tax liability for related personal insurance income."

EXEL President Ian Heap said that only 62 of 102 eligible EXEL

shareholders had sold back their stock in the company.

Mr. Heap described the EXEL buy-back plan, which closed Sept. 14 and was open only to non-sponsors, as relatively successful. While the company had offered to buy back \$100 million of shares at \$190 per share, it needed only \$75 million to redeem the 395,107 shares that were tendered by the closing date.

"Of the 102 shareholders eligible for the redemption, only 62 accepted the offer," he said. "This reduces the number of shareholders to 108, which includes 68 EXEL sponsors."

Mr. Heap said that EXEL's shareholder's equity will not fall below about \$600 million after the redemption has been accounted for. But, he stressed that the EXEL buy-back plan was much different from A.C.E.'s.

"Our shares were sold to non-sponsors over a shorter period of time and at one price of \$150, so we were able to offer a fixed redemption price instead of a Dutch auction," he said. "A.C.E. sold at different prices over a longer period."

Both offers were intended to reduce shareholder's liability for related personal insurance income, which takes effect next year under the Tax Reform Act of 1986 (BI, March 30). A.C.E. has estimated in its offer that RPII liability could be as high as \$50.49 per share, assuming a 0% loss ratio.

**British Issues**

Oct 1 Companies	Price	P/E	Div. %	Yield %	High-Low
Comml Union	415	15.4	17.8	4.3	414-410
Genl Accident	1129	11.5	38.3	3.4	1129-1100
Gdn Royal Exch	1112	14.0	46.5	4.2	1112-1075
Royal	575	9.7	21.2	3.7	588-568
Sun Alliance	1190	13.1	32.2	2.7	1190-1112

Brokers	Price	P/E	Div. %	Yield %	High-Low
CE Heath	515	15.4	34.5	6.6	515-508
Hogg Robinson	238	14.5	9.6	4.0	288-214
JH Minet	395	14.4	12.9	3.3	403-394
Sedg Grp	292	16.9	16.4	5.6	297-284
Willis Faber	426	16.4	14.8	3.5	430-345

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

**BI Industry Stock Report**

OCT. 1, 1987 9/25/87 THRU 10/1/87

		Weekly Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Weekly Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value		
					High	Low										High	Low								
<b>BROKERS</b>																									
Alexander & Alexander Svcs	NYSE	27.13	9.6	2.4	32.00	22.38	449	1.00	3.7	24.0	2.98	9.10	Continental Corp.	NYSE	45.50	0.8	1.7	54.88	40.38	566	2.60	5.7	9.0	41.62	1.09
Baldwin & Lyons Inc.	OTC	17.00	-5.6	-22.7	27.00	17.25	0	0.20	1.2	6.8	16.40	1.04	Durham Corp.	OTC	27.75	0.9	0.3	34.00	27.25	4	0.92	3.3	18.1	26.15	1.06
Corroon & Black Corp.	NYSE	32.00	2.8	-1.9	37.25	26.63	60	0.84	2.6	14.9	6.31	5.07	Farmers Group Inc.	OTC	48.25	3.2	24.5	51.00	38.75	1200	1.20	2.5	14.6	19.95	2.42
Gallagher Arthur J. & Co.	OTC	20.50	0.0	-21.9	31.00	19.00	14	0.40	2.0	15.4	4.81	4.26	Fireman's Fund Corp.	NYSE	35.63	0.0	1.4	42.75	33.50	472	0.40	1.1	14.6	23.55	1.51
Hall Frank B. & Co.	NYSE	8.25	-13.2	-43.1	19.00	7.63	220	0.00	0.0	15.4	0.00	N/A	Fremont Group Corp.	OTC	15.00	-5.5	-7.0	20.50	14.50	174	0.60	4.0	14.6	16.75	0.90
Marsh & McLennan Cos. Inc.	NYSE	64.75	0.0	6.6	72.00	56.00	510	2.40	3.7	16.8	5.14	12.60	Home Group Inc.	NYSE	18.00	0.0	-14.3	24.88	17.50	345	0.20	1.1	3.9	16.30	1.10
Poe & Assoc. Inc.	OTC	10.00	0.0	-16.7	13.25	10.00	0	0.40	4.0	9.7	0.57	17.54	Hanover Ins Co.	OTC	34.75	0.7	9.4	37.25	29.50	76	0.36	1.0	7.9	20.91	1.66
AVERAGE			-0.9	-13.9					2.5	14.6			Hartford Steam Boiler	OTC	30.25	9.0	28.3	36.63	23.50	80	1.00	3.3	12.5	10.17	2.97
<b>CONGLOMERATES &amp; HOLDING COMPANIES</b>																									
Berkley W.R. Corp.	OTC	27.00	0.9	2.9	37.00	24.25	625	0.28	1.0	7.6	13.72	1.97	Kansas City Life	OTC	31.50	2.4	22.3	31.50	25.75	0	0.00	0.0	12.5	0.00	N/A
Berkshire Hathaway Inc. DEL.	OTC	4012.00	5.6	42.3	3792.00	2510.00	206	0.00	0.0	27.6	62.53	4.17	Kemper Corp.	OTC	32.25	0.8	29.0	38.75	25.00	654	0.60	1.9	10.3	23.48	1.37
CIGNA Corp.	NYSE	66.63	4.1	21.1	69.50	55.00	922	2.80	4.2	8.6	42.01	1.59	Liberty Corp. S.C.	NYSE	53.00	7.1	44.2	50.75	36.50	37	0.80	1.5	20.5	19.96	2.66
CNA Finl Corp.	NYSE	60.00	3.9	11.6	64.38	47.25	150	0.00	0.0	12.2	42.71	1.40	Lincoln Nat'l Corp.	NYSE	53.00	0.2	14.3	60.50	44.38	129	2.16	4.1	10.6	44.85	1.18
General Re Corp.	NYSE	58.63	0.2	5.6	68.88	47.63	1531	1.00	1.7	15.8	23.47	2.50	NAC Re Corp.	OTC	24.25	-3.0	-7.6	32.25	22.50	23	0.00	0.0	31.1	18.12	1.34
ITT (Hartford Group)	NYSE	63.50	3.3	19.0	66.38	50.00	1643	1.00	1.6	14.0	44.08	1.44	Nobel Ins Ltd.	OTC	13.50	3.8	-16.9	18.50	10.75	20	0.00	0.0	31.1	0.00	N/A
Sears Roebuck & Co. (Allstate)	NYSE	52.38	2.7	31.8	59.50	39.88	2297	2.00	3.8	12.7	32.94	1.59	Northwestern Nat'l Life	OTC	29.25	4.0	-5.6	32.38	24.00	81	0.96	3.3	8.2	33.26	0.88
Transamerica Corp.	NYSE	43.50	4.8	33.3	51.38	31.50	1148	1.84	4.2	8.8	26.94	1.61	Ohio Cas Corp.	OTC	43.25	0.0	12.0	49.25	38.50	102	1.68	3.9	10.6	26.80	1.61
AVERAGE			3.2	21.0					2.1	13.4			Old Rep Int'l Corp.	OTC	28.75	-0.9	5.0	33.63	23.63	248	0.74	2.6	9.6	19.80	1.45
<b>INSURERS</b>																									
Aetna Life & Cas Co.	NYSE	60.38	1.3	6.6	68.13	55.75	1986	2.76	4.6	8.5	44.75	1.35	Orion Cap Corp.	NYSE	22.00	1.1	-18.9	31.00	20.00	27	0.76	3.5	9.6	9.39	2.34
American General Corp.	NYSE	38.50	2.0	4.4	44.75	34.88	855	1.25	3.2	10.3	27.13	1.42	Phoenix Re Corp.	OTC	10.00	0.0	-23.1	14.63	10.00	0	0.00	0.0	9.6	0.00	N/A
Amer Heritage Life Invnt	NYSE	29.25	0.9	13.9	34.00	25.75	0	0.96	3.3	14.4	20.37	1.44	Protective Corp.	OTC	16.75	1.5	-6.9	21.25	12.38	20	0.70	4.2	14.4	16.51	1.01
Amer Indry Fin'l Corp.	OTC	13.75	1.9	-23.6	19.00	12.75	1	0.56	4.1	14.4	20.40	0.67	Provident Life & Acc Ins Co.	OTC	22.38	3.5	-9.1	28.75	19.13	198	0.84	3.8	17.5	27.00	0.83
American Int'l Group Inc.	NYSE	79.50	0.2	30.1	83.75	60.00	1315	0.30	0.4	15.8	29.02	2.74	St. Paul Cos. Inc.	OTC	54.00	4.3	34.2	55.00	40.25	724	1.76	3.3	10.0	29.89	1.81
Aneco Reins Ltd.	OTC	4.00	14.3	87.8	4.38	2.13	24	0.00	0.0	15.8	1.93	2.07	SAFECO Corp.	OTC	35.25	8.0	31.8	34.50	24.38	1706	0.96	2.7	12.2	19.68	1.79
Aon Corp.	NYSE	28.50	1.3	8.0	29.88	23.25	88	1.20	4.2	9.9															

# For reinsurance, it pays to go with a big name.

In today's business climate, strong, solid reinsurance is more important than ever. And only a company the size of Allstate can provide you with the financial support you need. With our resources, Allstate Reinsurance can make fast loss payments so vital to a business's continued success.

And we bring you the knowledge and expertise of over 25 years of reinsurance experience. Which is something our Intermediaries and Ceding Companies in over 20 countries have come to appreciate.

In a very big way.

**Allstate**<sup>®</sup>

Allstate Insurance Company,  
Northbrook, Illinois

Allstate Reinsurance Division  
2 Allstate Commercial Plaza  
51 W. Higgins Road  
South Barrington, IL 60010  
(312) 551-2500 Telex: 283513

ALLSTATE  
REINSURANCE