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Updates

Guy Carpenter & Co. acquires broker's reinsurance book

LOS ANGELES—Guy Carpenter & Co. Inc. has acquired nearly all the reinsurance business of California brokerage G.J. Sullivan Co. Inc.

The price was undisclosed, but in 1996 G.J. Sullivan handled about $340 million in premiums. The sale was completed last week.

Gerald J. Sullivan, president and chief executive officer of Los Angeles-based parent company The Sullivan Group, said the sale marks G.J. Sullivan's recognition that in the future, small reinsurance brokerages will

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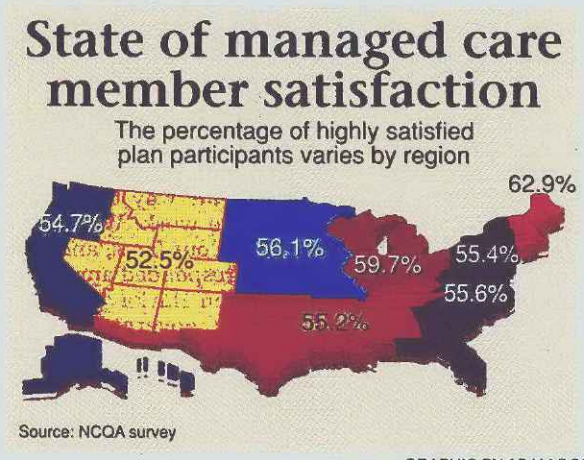

GRAPHIC BY ADAM DOI

Managed care quality varies widely: NCQA

By JOANNE WOJCIK

The quality of managed care organizations varies greatly across the country and even within regions in terms of preventive care, treatment of acutely and chronically ill patients, and member satisfaction, a new report shows.

However, in many cases managed care plans provide better care than traditional fee-for-service medicine, according to the first annual "State of Managed Care Quality" report released last week by the National Committee for Quality Assurance.

The Washington-based NCQA and its supporters hope the new data will provide a starting point for true benchmarking of the managed care industry.

Benefit managers were enthusiastic about the survey.

"I love the report," said Helen Darling, manager of international compensation and benefits for Xerox Corp. in Stamford, Conn.

"We've known about these variations for years, but to see actual data finally is gratifying," she said.

And, once the word spreads, Ms. Darling believes the quality of care delivered by all plans—including fee-for-service—will improve.

"Once this information gets out on a plan-specific basis, it will change the system," she said. "This shows the power of good managed care to actually raise the level of care in this country so that the people in rural Mississippi get the same quality care as people in Boston."

The report also showed that there is no correlation between the cost and quality of health care in this country, she said.

For example, while the premium for the health maintenance organization with which Xerox contracts in Oklahoma City is its second-highest, the NCQA report found that the South Central Region had the lowest rate in many of its performance measures.

See **NCQA** *on page 69*

Lloyd's get its wish: marketwide ratings

By SARAH GODDARD

LONDON—The first marketwide rating of Lloyd's of London by two major agencies is another step in the renewal process that helps Lloyd's continue to build its case for confidence in the market.

Standard & Poor's in London and A.M. Best Co. announced ratings last week that put Lloyd's among the most secure insurers and reinsurers. The agencies said those ratings are based on many factors, including: the financial security provided by the members, Lloyd's strong business mix, leadership in many lines, and financial and regulatory improvement since the implementation of the reconstruction and renewal plan. The ratings are based on Lloyd's business written after 1992.

Standard & Poor's released its A+ rating for the Lloyd's market Wednesday morning. S&P's highest rating is AAA. S&P's announcement was followed that afternoon by an A rating from Oldwick, N.J.-based Best. Best's highest rating is A++.

See **Lloyd's** *on page 71*

Aetna expected to recover from HMO's drain on earnings

By JUDY GREENWALD

HARTFORD, Conn.—Aetna Inc.'s reserve charge and lower-than-expected third-quarter earnings are a temporary glitch caused by its absorption of U.S. Healthcare Inc., analysts say.

Most analysts expect Aetna will put its problems behind it by next year.

Aetna, which acquired U.S. Healthcare in April 1996 for $8.9 billion (*BI*, April 8, 1996), has 11.1 million members in its HMO, point-of-service and preferred provider organization plans.

Aetna announced last week that it would report earnings per share of 95 cents to $1.10 a share, rather than analysts' estimated $1.31 a share. The company also said it would post a $75 million to $105 million aftertax charge to increase its health maintenance organization medical claims reserves.

The third-quarter announcement follows first-half operating earnings of $392.6 million, excluding unusual items, up 35.2% over 1996's first half (*BI*, Sept. 15). U.S. Healthcare was not included in first-half 1996 earnings.

Following the announcement, Aetna's share price dropped by $9.50 on Monday, to $81. The stock closed Friday at $77.94 a share.

"Recently it became clear that HMO medical costs in this and prior periods were higher than we originally estimated," Aetna Inc. President Richard Huber said in a statement. "This new information has affected our outlook for the third and fourth quarters."

CIGNA Corp., which acquired Healthsource Inc. this year, said it also expects to report third-quarter earnings 3% to 4% below analysts' estimates. It attributes the drop to higher-than-expected medical delivery costs and the general medical cost trend.

Mr. Huber attributed part of Aetna's problem to its U.S. Healthcare Inc. acquisition. "First, the impact of an increase in the level of unpaid claims was larger than we originally realized. The level increased as we continued to

See **Aetna** *on page 58*

Court's rulings differ on cover for defense of cleanup orders

By GAVIN SOUTER

LOS ANGELES—Whether government cleanup orders are sufficient to trigger an insurer's duty to defend a policyholder in a pollution case is a question that the California Supreme Court likely will decide.

In the latest state appellate decision on this case, a panel of the California Court of Appeals found that insurers do not have to defend policyholders that have merely received a pollution cleanup letter from a government environmental agency.

However, that opinion directly contradicts a July ruling issued by a different panel of the same court.

Attorneys say the split—which hinges on the definition of the word "suit" in the commercial general liability policy—almost ensures that the issue will have to be settled by the California Supreme Court.

Unless the decision is overturned on appeal, the latest ruling will saddle the policyholder with more than $1 million in legal costs fighting the cleanup order, a lawyer for the insurer says.

The decision also means a victory for insurers in the long-running dispute over whether the word "suit" in comprehensive general liability policies means strictly lawsuits or whether it has a broader meaning, said Donald W. McCormick, managing attorney at Coran, McCormick, Constants & Goldberg in Glendale, Calif., who represented Fireman's Fund Insurance Co. in the most recent dispute.

"It is a question that has vexed insurers and insureds for several years, and now that we have two opposing points of view, it makes it more likely that we shall have a definitive ruling from the California Supreme Court," he said.

In the earlier decision, *Foster-Gardner Inc. vs. National Union Fire*

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NEWSPAPER

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Updates

Guy Carpenter buys broker's book

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struggle to compete with larger rivals.

"If you look at the treaty reinsurance intermediary business today, major clients require access to things like earthquake and windstorm analysis tools, financial modeling and other things that require very large organizations," he said.

About half of G.J. Sullivan's 50 employees will join Guy Carpenter; the remainder will be laid off. Proceeds from the sale of the reinsurance book will be invested in other insurance-related companies in The Sullivan Group, Mr. Sullivan said. G.J. Sullivan's future is undecided, he added.

Meanwhile, Guy Carpenter, a unit of J&H Marsh & McLennan, will be able to expand its business, said Brandon W. Sweitzer, president and chief executive officer. "The purchase of the G.J. Sullivan accounts provides us with a solid opportunity to increase our presence on the West Coast and in Atlanta. . . .Furthermore, this move will help Guy Carpenter expand its surety business," he said.

G.J. Sullivan handled broad-based property/casualty treaty reinsurance business, including surety and fidelity, Mr. Sullivan said.

Prudential may face tough sell

NEWARK, N.J.—The Prudential Insurance Co. of America may have trouble finding a buyer willing to pay the more than $1 billion it is reportedly seeking for its unprofitable health care business, analysts say.

Problems several other health care insurers are suffering will likely limit the amount anyone would be willing to pay for Prudential's health care business, estimated to have lost more than $100 million on a $6 billion premium base last year. Prudential HealthCare covers 4.7 million lives under its managed care products and another 2 million under its indemnity program.

Only the handful of largest health care insurers will have the resources to buy the Prudential business, and many of them already are facing problems integrating previous purchases, said Mark Jamilkowski, an HMO analyst at Conning & Co. in Hartford, Conn.

For example, both CIGNA Corp. and Aetna Inc. are not expected to meet analysts' profit expectations because of difficulties with their health care businesses.

"The list of the usual suspects is the same, but most of the suspects have an alibi for the time being," he said.

If the sale does go through soon, it will likely be for $1 billion or less, Mr. Jamilkowski said.

Although many insurers still are anxious to increase their HMO business, the price they are willing to pay could be lower today than previously, agreed Clifford Hewitt, an analyst at Sanford Bernstein & Co. in New York. "Because of some of the integration problems, people might be a little more conservative on what they will pay, but it doesn't change their appetite," he said.

Newark, N.J.-based Prudential would not comment on the speculation that the health care business is for sale.

"Our sole focus is on fixing the business," a spokesman said.

To that end, Prudential appointed a new president and chief executive officer of the health care unit in April, Steve Shulman, to turn the business around, he said.

EMLICO critic pleads guilty

BOSTON—A state senator and vocal critic of the Massachusetts Insurance Division's handling of the Electric Mutual Liability Insurance Co. case has pleaded guilty to federal charges of failing to file personal tax returns.

State Sen. Dianne Wilkerson, Senate chair of the Massachusetts Legislature's Joint Committee on Insurance, admitted last month that she failed to file federal tax returns from 1991 to 1994. During that time, she had annual income ranging from $51,624 to $81,558 and owed the government $52,086, prosecutors said.

Prosecutors said they will ask U.S. District Judge Edward F. Harrington to sentence Sen. Wilkerson to four months in jail and four months house arrest. Sen. Wilkerson said she will seek a term of probation. Sentencing is scheduled for Dec. 16.

Meanwhile, the state Senate voted to have the Legislature's Committee on Ethics investigate the matter. A report is not expected until after the sentencing.

The Committee on Insurance and the Legislature's Post Audit and Oversight Committee are investigating the Insurance Division's handling of EMLICO, a General Electric Co. liability insurer that collapsed soon after moving to Bermuda in 1995.

Tobacco settlement OK predicted

WASHINGTON—Approval of the $368.5 billion global settlement between state attorneys general and the tobacco industry will occur sometime next year, according to a panel of experts.

The experts, which included Mississippi Attorney General Mike Moore, White House adviser Bruce Reed and tobacco industry attorney and former North Carolina Supreme Court Justice J. Phil Carlton, made that prediction during a symposium on the proposed settlement in Washington last week. But Mr. Carlton said flatly that the tobacco industry could not afford to pay more than the $368.5 billion agreed to last June as the price for settling with the attorneys general over

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Errors & omissions

- Revenues for Sears, Roebuck & Co. were incorrectly stated in a Sept. 29 story. Sears had 1996 revenues of $34.93 billion.
- Information on Zurich Insurance Co.'s consolidated reinsurance operations worldwide was unavailable as of press time for the Sept. 1 report on the world's largest reinsurers. Zurich Re Group's consolidated net premiums written in 1996 were $3.62 billion, which would rank the group as the sixth-largest reinsurer worldwide.

Third-party auditors part of OSHA reform proposals

By MARK A. HOFMANN

WASHINGTON—Congress will take another shot at reforming the Occupational Safety and Health Administration.

A bipartisan congressional group unveiled the newest reform legislation, the Safety Advancement for Employees—or SAFE—Act last week. According to one of the bill's Senate co-sponsors, Sen. Mike Enzi, R-Wyo., the measure is designed to let employers who want safe workplaces get compliance evaluations from qualified third-party consultants.

"In addition, the SAFE Act includes additional voluntary and technical compliance initiatives to assist employers in deeming their worksites safe for their employees," said Sen. Enzi in a statement.

The measure drew largely from a bill sponsored by Sen. Enzi earlier this year as well as another OSHA reform act sponsored by Sen. Judd Gregg, R-N.H. Sen. Gregg is a co-sponsor of the new bill as well.

The House version is sponsored by Small Business Committee Chairman James Talent, R-Mo., and has won the support of several Democrats who spoke in support of the measure at the Capitol Hill news conference unveiling the SAFE Act.

Sen. Bill Frist, R-Tenn., chairman of the Senate Labor and Hu-

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Maryland drops $1,000 RRG fee

By JERRY GEISEL

BALTIMORE—Reversing an earlier decision, the Maryland Insurance Administration will not assess a $1,000 anti-fraud fee against risk retention groups operating in the state and will refund any fees RRGs have paid.

The Maryland Insurance Administration earlier this year agreed to re-evaluate its decision to impose the fee on RRGs amid protests from the National Risk Retention Assn. NRRA, the trade group that represents RRGs and service providers, said the federal Risk Retention Act pre-empts non-domiciliary states from imposing fees on RRGs (*BI*, Aug. 11).

Maryland Insurance Administrator Steve Larsen reversed the decision—made prior to his joining the department this summer—because the Maryland statute establishing the anti-fraud fee did not cite risk retention groups as being subject to the fee. Mr. Larsen said letters would go to RRGs notifying them of the change. RRGs that already have paid the fee will receive refunds.

NRRA applauded the Maryland Insurance Administration's action and its responsiveness.

"This is the way the system is supposed to work. We made our case, stated our facts, and the department responded appropriately," said Jon Harkavy, chairman of NRRA's government affairs committee and vp and general counsel for USA Risk Services in Arlington, Va.

Earlier, NRRA had protested the Maryland Insurance Administration's interpretation of a recent

See **RRGs** *on page 59*

Retiree benefit cutbacks

Large employers trimming their plans, study finds

By JERRY GEISEL

Even the nation's largest employers are cutting back on their retiree health care plans by terminating plans or asking retirees to pay more of the costs, a new study shows.

Among 597 companies with at least 1,000 employees tracked by benefit consultant Hewitt Associates L.L.C., 87% of the organizations offered health care plans to retirees 65 and older in 1996, down from 92% in 1991. During the same period, the percentage of employers requiring retirees to pay part or all of the premiums climbed to 88% from 77%.

In addition, while virtually no employers in 1991 placed a financial cap on plan spending—such as by placing limits on employer contributions to a plan—39% did so in 1996.

These findings are reported in a survey that Hewitt conducted for the Kaiser Family Foundation, an independent health care philanthropy, and released last week in New York.

The Hewitt survey is only the latest in a series of reports detailing the decline of employer-provided health care coverage for retired workers.

A survey released earlier this year by A. Foster Higgins & Co.

See **Kaiser** *on page 69*

Demutualization under scrutiny

Commissioners seek to ensure policyholder security

By MEG FLETCHER

WASHINGTON—State insurance regulators want to advise states on how to allow mutual insurers to reorganize in a way that balances the interests of insurers and policyholders.

"Mutual insurers have a right to change their structure, but policyholders must be protected," said Robert G. Lange, chairman of the Mutual Holding Company Working Group of the National Assn. of Insurance Commissioners.

He made his comment at a public hearing during the recent NAIC quarterly meeting in Washington. The hearing underscored the desire of the NAIC, which is drafting a position paper on the issue, to develop practical guidance for state regulators on conversions, which potentially could redistribute billions of dollars in insurer assets.

Mutual insurers want to increase their competitiveness through conversions to stock-type companies, while policyholders want to protect their ownership interests. Those goals can collide.

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Inside

- Risk retention groups and states should work together to address issues like the $1,000 anti-fraud fee Maryland's commissioner recently rescinded, this week's editorial says. **PAGE 8**
- A proposal from the European Commission could mean an end to the tax advantages some captives and insurers have enjoyed in E.U. member countries. **PAGE 61**
- The management of Allied Mutual Insurance Co. and Allied Group Inc. rebuts allegations of self-dealing made by an insurance newsletter publisher. **PAGE 67**
- Nominations are being accepted for the Arthur Quern Quality Award. **PAGE 67**
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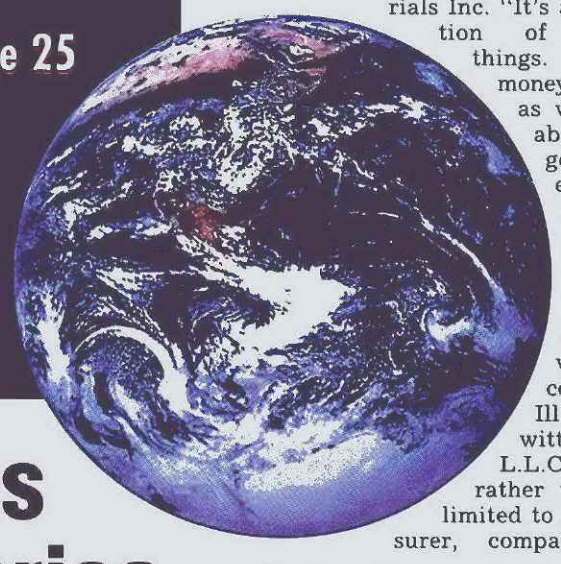

Spotlight Editor:
Gavin Souter

Benefit networks competing for shares of a shrinking market

By JUDY GREENWALD

Many large employers, to reduce costs, are paring down the number of international benefit networks they deal with, observers say.

At the same time, with most large multinationals already accounted for, networks are turning more to small and midsize employers to generate additional revenues.

They also are competing with one another on price, service and administrative capabilities, say observers.

A multinational benefit network is a working arrangement among insurers through which companies with employees in multiple foreign countries can obtain various employee benefit coverages.

International benefit networks still fill employers' needs despite the growth of "megainsurers" with their own vast geographical networks, say observers.

There is "absolutely no question" international benefit networks provide a value, said Bill Coplin, director of global benefits at Santa Clara, Calif.-based Applied Materials Inc. "It's a combination of different things. Saving money is critical" as well as the ability to negotiate coverage terms and conditions, he said.

Liz Partyka, a consultant with Lincolnshire, Ill.-based Hewitt Associates L.L.C., said that rather than being limited to a given insurer, companies "can work with these networks and through these affiliates still have the financial benefits and still receive the benefits of reporting through the affiliates, so our clients definitely see it as very valuable."

Bob Wesselkamper, a principal and senior vp with Sedgwick Inc. in Chicago, said, "Pooling networks provide quantifiable and non-quantifiable benefits to clients."

"The quantifiable advantages are the reduction in the gross cost of benefits through dividends. They continue to prove that this is a successful means of reducing the gross cost of benefits," said Mr. Wesselkamper.

Furthermore, "the networks themselves are becoming more attuned to the non-quantifiable advantages" they offer, he said. These include acting as a central source for data collection and claims questions as well as providing information on typical and mandatory benefit practices to supplement consultants' help.

The three most important advantages of dealing with a network are savings, service and control, said Gianni Ban, New York-based executive vp of the Aetna/Generali International Benefits network.

Working with a network can give employers information on local market conditions and products and consequently enable them to exercise better control over what their local subsidiaries are doing, said Mr. Ban.

A possible drawback, he acknowledged, is that companies linked with one network cannot give their local subsidiaries the freedom to find a different insurer in a particular local market.

Meanwhile, large employers are trimming the number of networks with which they deal. "I think if you asked a lot of the employers, they prefer to have only two pools," said Greg Arms, senior vp at AIG Life Cos. and director-group management division. He works with the AIG/Winterthur Alliance and is based in New York.

"Maybe that third or fourth pool really isn't viable anymore economically, and it's an extra burden in terms of reporting," said

See **Benefits** *on page 24*

Managed care makes inroads in Latin America

Employers driving expansion of benefit plans

By ROBERTO CENICEROS

Some of the world's largest employers with Mexico City operations have formed a consortium to try to help shepherd managed care into the country.

Their ranks include International Business Machines Corp., Johnson & Johnson Inc., Bristol-Myers Squibb Co. and Hewlett-Packard Co. Ideas under consideration range from establishing a purchaser group for prescription drugs to lobbying the government to allow them to implement cafeteria-style benefit plans, said Kathryn E. Lane, director of finance for Johnson & Johnson S.A. de C.V. in Mexico City.

"We're not really into managed care yet," she said. "We are moving that way. That is the objective, but right now we are still gathering information."

Their endeavor represents one of many efforts that could advance the spread of managed-care type health systems throughout Latin America as employers, insurers and health care providers develop replacements for deteriorating social security systems or take advantage of market opportunities.

Those efforts are nascent in Mexico. But in Brazil, observers point out, preferred provider organizations and other providers similar to health maintenance organizations have existed for years.

Chile began reforming its health care system in the early 1980s and created prepaid health insurance plans that often are held up as managed care models other countries might copy.

Representatives for Grupo Nacional Provincial S.A., one of Mexico's largest insurance companies, recently have been traveling to the United States and Chile to learn more about the managed care systems in those nations and to find a suitable joint venture partner for the development of a managed care unit in Mexico, said Felipe Lopez, president of sales and marketing in Mexico City for Grupo Nacional's health insurance products.

For about three months, Grupo Nacional has made health maintenance organization-type arrangements available to Mexico City employers, Mr. Lopez said. There are currently 1,700 employees enrolled in the plans.

So far, few large insurers around Mexico City offer managed care products, though there are pioneering exceptions, such as Meximed, a managed care unit of insurer Seguros Monterrey Aetna S.A., Mr. Lopez added. But Mr Lopez expects increased competition as Mexico contemplates privatizing its government-run health system.

"HMOs will have a big opportunity in Mexico because of the financial

See **Managed** *on next page*

Global broker alliances are down but not out

By SALLY ROBERTS

Brokers disagree over whether ownership of foreign offices or using a network of correspondent brokers is the best way to service multinational clients.

Those advocating ownership say brokers need control of the foreign offices to deliver seamless services worldwide and to correct any problems that might arise. Those advocating a system of correspondent networks say clients are better served by a network of well-established local brokers.

By and large, multinational risk managers say they have no preference as long as the quality of service at each location meets their needs.

However, the recent blitz of acquisitions among the world's largest brokers has hit correspondent networks especially hard. That is a concern to some risk managers.

The most notable casualty is the UNISON network.

UNISON had 14 member brokers providing reciprocal business to each other until earlier this year, when Marsh & McLennan Cos. Inc. announced it was acquiring Johnson & Higgins, UNISON's largest member.

J&H's departure from the network left remaining UNISON member brokers—most of them European brokerages—to find new global partners to service their multinational accounts.

While the new J&H Marsh & McLennan has since picked up some of the former UNISON members—it plans to acquire Bonnor & Co. A/S of Denmark, for example—other brokers also have jumped on the opportunity to forge ties with the other UNISON members.

Willis Corroon Group P.L.C., for example, acquired a one-third stake in Paris-based Gras-Savoye S.A., with plans to take a majority ownership within 12 years. In addition, Aon Group Inc. recently announced it would acquire Hamburg, Germany-based Jauch & Huebener KGaA.

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Spotlight report

Managed

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situation of the government, which can no longer provide Social Security coverage," he said. "In a short time, we will provide this service to the public."

Grupo Nacional expects eventually to provide managed care throughout Mexico but has been eyeing the border with the United States in particular as a large potential market for managed care products. The government's social security system has not been able to keep pace with the rapid economic growth in that region, Mr. Lopez noted.

The border region is putting the most pressure on Mexico to allow privatized health care in place of now-mandatory social security, some observers say.

Border assembly plants have boomed as investments stream in from parent companies in the United States, Japan, South Korea and Taiwan. The boom has resulted from Mexico's cheap labor in combination with a North American Free Trade Agreement provision allowing companies to send products duty-free into the United States, Mexico or Canada if the products are made in any of those countries.

As plants expand along the border, they are finding government medical facilities inadequate and overextended, several benefit managers said.

Workers often miss several workdays waiting in line to see a doctor. To counter some of the inadequacies, many employers purchase private medical coverage for managers in addition to contributing to the social security system as mandated by law.

Alternatives to indemnity-type medical plans and social security are beginning to spring up along the border, particularly near California.

Several months ago, Tijuana-based Servicios Medicos Internacionales approached Sony de Tijuana, which buys major medical coverage for about 600 professional-level employees from Grupo Nacional Provincial. SMI operates a staff model HMO and offers employers a variety of arrangements.

Sony passed on buying coverage from SMI in part because the concept was too new, said Mauricio Arellano, human resources manager for the Sony unit. Yet Mr. Arellano said that he is willing to consider buying from SMI in the future. In fact, he thinks managed care has a strong future in the region, especially if a major company like Sony, with 6,300 employees in the Tijuana area, purchases such coverage.

"Once you get a Sony in there, it will be talked of as 'before and after Sony,' " he said. "Sony is considered the human resource management leader, the trend-setter in Tijuana."

Other border companies already are buying SMI's services. A year ago, Hitachi Consumer Products de Mexico S.A. de C.V., with about 2,000 employees in Tijuana, signed up with SMI for coverage of about 150 managers, supervisors and engineers, said Sandra Juarez, deputy manager for Hitachi's Tijuana unit.

Dissatisfaction with employee health care under the social security system also is driving the Mexico City companies that have established the health care consortium to explore managed care options.

"When (government clinics) take tests, the results take several weeks to get back, and if you're critically ill, you may not make it," Johnson & Johnson's Ms. Lane said. "The government system has a lot of flaws; that is the reason the timing is very good for this consortium to start having an impact on things such as managed care."

Because of longstanding leftist influences, Mexico's laws governing employee benefits have attempted to ensure that everyone receive similar health care benefits. Although that has not really worked in practice, one effect has been to prohibit companies from offering cafeteria plans, Ms. Lane said.

A crucial first step for the consortium would be to successfully encourage the government—which is weighing reforms—to allow cafeteria benefit plans, she added. The companies see that as a first step toward implementing managed care.

Mexico could look to Chile, which began the process many years ago. Employees there now can choose the state health system or prepaid, private health plans known as ISAPREs. Employees contribute 7% of their wages for a minimum basket of coverage established by the government under both systems. Employers do not contribute for the ISAPRE coverage. The government also sets premiums.

The ISAPRES tend to market to specific clientele. For instance, some will shape their services to attract blue-collar workers while others will target white-collar workers, said Edmund Goodhue, president and chief executive officer of Avandel Healthcare Inc., a Lynnwood, Wash., company that provides catastrophic care coverage for provider groups that assume risk.

"Each of these health plans establishes a different style of care in order to differentiate itself," said Mr. Goodhue, who evaluated Chile's health care market for a former employer. "Some are staff model HMOs. Some might be called indemnity plans here in the United States. Some might be called PPOs."

Most employees working for large and international employers in Chile receive coverage through one of the private ISAPRES, said Waldo Mayorga, general manager for Mercer Chile in Santiago, Chile. In addition to the minimum basket of coverage, many of these employers buy additional coverage for their employees.

Rates for the supplemental care vary depending on the additional benefits purchased and the level of ISAPRE coverage an employee can buy with the 7% salary contribution.

But while Chile's managed care arrangements sometimes are held out as a model for other Latin American countries, employer costs are rising as health care costs increase, Mr. Mayorga said.

Other observers say managed care has advanced even further in Brazil.

"You talk to most people who are working in international managed care outside the United States, and they will tell you Brazil is probably the most advanced and sophisticated," said Greg Arms, senior vp and director of American International Group Inc.'s Group Management Division.

AIG in 1996 acquired GAMA, a

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Spotlight report

Managed

Continued from page 4

Brazilian PPO and third-party administrator, and shortly after that acquired a second PPO group and TPA, Mr. Arms said. Tens of millions of people in Brazil, with a population of about 158 million, are covered under PPO or HMO plans, he estimated.

However, health companies called HMOs in Brazil look more like PPOs in the United States, said Basilio Pugatchenko, senior vp for Latin America for CIGNA International in Miami. Doctors still dominate Brazil's health care delivery system, so broader cost containment as known in the United States has yet to emerge in Brazil, he said.

"They call themselves HMOs, but they are a lot more open than what we normally call managed care in the U.S.," he said.

CIGNA since 1991 has owned a health plan in Chile named CIGNA ISAPRE and is analyzing market opportunities in Brazil as well as looking into Argentina and Mexico, Mr. Pugatchenko said. CIGNA ISAPRE looks somewhat like a U.S. PPO, he said.In Brazil, employers and employees contribute for private health plans, and Brazilian employers have more influence than employers in most other Latin American countries over the type of plan they provide, Mr. Pugatchenko said. There are indemnity plans, self-insured plans administered by third-party administrators and their HMOs, although the government is jut now weighing regulation of existing HMOs. So far there are no capital or solvency requirements, he added.

With neighboring Argentina weighing privatization of its union-controlled health funds, called obra sociales, Mr. Arms and others expect opportunities will arise there as well for managed care companies.

"So we have been looking very closely to see what the opportunity might be for private managed care arrangements that can have a PPO approach or an HMO approach," he said.

AIG and CIGNA are not the only U.S. insurers evaluating Latin America opportunities for the export of managed care expertise.

"I know there are many others now looking to Latin America," said Maria T. Currier, a partner who represents health care clients for the Miami firm of Steel Hecto & Davis and who now lives in Caracas, Venezuela. "They haven't passed the point of actually setting up operations, but they are looking at the market." BI

California regulators seeking information on 'cross-border' HMOs

By ROBERTO CENICEROS

California Department of Corporations officials recently questioned employers, insurance brokers and health plan operators during an informational hearing on group health plans that are being sold in the United States but primarily provide employees medical services in Mexico.

Because the so called "cross-border HMOs" operate in Mexico, they have so far escaped scrutiny by the Department of Corporations, which licenses U.S.-based HMOs. Yet observers expect membership in the health plans to spread as employers operating in U.S. border towns seek to provide low-cost health benefits to low-paid Hispanic workers (*BI*, Sept. 30, 1996). The workers either live across the border in Mexico but commute legally to work in the United States or live in the United States but regularly cross the border for other personal services.

"This hearing is an effort by the Department to gain input on an emerging trend in health care coverage, said Department of Corporations Commissioner Keith Paul Bishop in announcing the hearing held Sept. 29. in San Diego. The department is concerned the plans are operating in a regulatory vacuum, with little scrutiny over care quality or grievance procedures.

Not all the plans being sold along the San Diego border are backed by insurance, meaning they also escape Department of Insurance regulation, said E. Jack Phelps, president of San Diego based E.J. Phelps & Co. His company markets a plan named Care Mexico, which serves about 1,500 lives in the San Diego area. Care Mexico is fully insured for coverage on both sides of the border by Lake Forest, Ill.-based Trustmark Insurance Co.

But employers have a growing need to provide the health plans, testified John E. Vingas, a general manager for Service America, a food service company with 1,700 full- and part-time employees in San Diego.

In response to questions about who he would complain to if one of the plans he uses were to experience difficulties in delivering promised care, Mr. Vingas told regulators he would welcome some state regulatory scrutiny.

But he hopes such scrutiny is not overburdensome to the point of driving up costs, he said in a later private interview. Service America has "a few hundred" employees currently enrolled under a plan known as SIMSA, for Sistemas Medicos Internacionales de S.A. de C.V., a unit of San Diego-based International Healthcare Inc.

SIMSA has capitated HMO-style and preferred provider organization arrangements with hospitals and doctors in Mexico, according to company officials. Rates for employees are about 50% to 60% less than coverage by U.S. HMOs. Employers must pay at least 50% of the cost, but most pay 100%. The cost for family coverage is $169 a month. About 7,000 lives are covered under the plan.

Mr. Vingas told regulators his employees are pleased with the care.

"We are going through an open enrollment period, and the numbers are coming in significantly that these employees want to change to this type of provider that offers health care to their dependents in Mexico," he said.

Mark B. Allan, vp of the employee benefits division in San Diego for broker Robert F. Driver Co. Inc., told regulators his company knows of five such health plans.

Texas regulators are not looking into these issues and have not had complaints, a Texas Department of Insurance spokesman said. BI

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Opinions

Averting death by 1,000 fees

RISK RETENTION GROUPS may have won another battle over state regulation of the groups, but the war will not be won until they prevail against continuing state efforts to impose various fees on the groups.

As we report on page 2, the Maryland Insurance Administration reversed an earlier decision to impose a $1,000 anti-fraud fee on all risk retention groups that want to do business in Maryland—including groups licensed in other states.

Maryland Insurance Commissioner Steve Larsen's reason for reversing the earlier decision, made prior to his joining the department, is less than satisfying. He said the fee should not be imposed because the Maryland statute establishing the fees—used to help fund the state's anti-insurance fraud efforts—did not specifically say the fee could be imposed on risk retention groups.

We think, though, that there is a much more compelling reason that risk retention groups should not be subjected to fees in Maryland and other non-domiciliary states: Such levies are pre-empted by the federal Risk Retention Act.

We think the language of the act also unambiguously pre-empts other types of charges that are popping up in other states on risk retention groups.

Nevada, for example, imposes a $2,450 registration and renewal fee on groups that want to provide policies to members in the state, while Alaska has $1,000 initial and renewal fees.

The federal Risk Retention Act clearly pre-empts these types of ancillary costs. States can—as is only fair—require risk retention groups to pay premium taxes on a non-discriminatory basis.

The federal act did not authorize additional charges on the groups, however, so that risk retention groups could operate in the most cost efficient way.

We hope buyers and state regulators can meet to resolve the issue of fees and charges amicably. If not, more litigation and perhaps federal intervention seems inevitable.

The two sides should sit down for peace talks before their skirmishes escalate into a war.

Clarify role of safety auditors

IT'S HARD TO ARGUE with the need to reform the Occupational Safety and Health Administration, and the reform bill unveiled last week by a bipartisan group of lawmakers would go a long way toward reaching that goal.

The Safety Advancement for Employees Act, drawn largely from previous measures, incorporates reforms that enjoy widespread support, such as banning quotas based on citations issued and penalties assessed, eliminating penalties for certain paperwork violations and earmarking a small portion—15%—of OSHA's annual appropriation for consultative services. Some of these commonsense reforms already have been instituted administratively by OSHA as part of its reinvention drive, and the new reform bill would simply codify them.

The principal backers of the new measure wisely avoided the temptation to micromanage the agency or to effectively gut its enforcement powers by requiring that the lion's share of its budget be devoted to education and consultation, as have some previous reform bills.

In short, we think this bill strikes the right balance of desirable reform with what is politically feasible.

Our only major caution with the bill is that the power and responsibilities of third-party safety auditors should be very carefully considered before the bill is finalized. As the measure reads now, after being certified by the Labor Department, third-party auditors could be called upon to conduct inspections, make recommendations and then declare their clients in compliance if their recommendations are followed. The clients then would be exempt from OSHA penalties for two years.

Such an arrangement could raise conflicts of interest, however. Would an auditor anxious to keep a contract overlook a violation and hope nothing happened? Who would be liable if something did indeed happen if an auditor missed an obvious hazard? Would some unscrupulous employers use outside audits as smokescreens to avoid inspections? And, who would qualify as a third-party auditor—would loss control professionals have to undergo a new certification process? Would auditors be industry-specific, or would they be generalists?

All these questions will have to be answered carefully and definitively.

The SAFE Act probably is the best OSHA reform vehicle Congress is likely to see in its current session. If the questions surrounding the third-party auditor provision can be satisfactorily resolved, the SAFE Act deserves swift approval and a presidential signature.

Letters

Clearinghouse bill licenses too much fed oversight

To the editor: Your July 7 article, "Brokers Applaud License Clearinghouse Bill," did not go far enough in telling "the other side of the story."

While the intended objectives of the proposed National Assn. of Registered Agents & Brokers as proposed in H.R. 10 are worthy—to streamline the agent licensing process and exempt agents from countersignature laws and residency requirements—the method by which this objective is sought to be achieved gravely endangers state regulation of insurance.

Several points need to be emphasized in this regard.

First, the proposal does not spell out any of the specific standards that would be implemented under NARAB. Who would set these standards? The federal government would.

NARAB would be overseen by the "National Council of Financial Services," a new 10-member governing board that would be dominated by federal regulators. Under the bill, the NCFS would be required to approve all NARAB regulations. Alas, the federally dominated NCFS would be forcing the states to comply with federal standards.

Second, states would be forced to accept agents without a first right of refusal. It is true that an agent licensed under NARAB would remain subject to state regulation and discipline in any state in which he or she practices *after* becoming licensed in a particular state and beginning to conduct insurance sales activities. However, the states would not be permitted to pass on the qualifications of any agent seeking licensure through NARAB *prior* to the issuance of a state license. For example, an agent holding a Michigan license who meets the NARAB licensing criteria must be accepted as an agent in any other state in which he or she chooses to operate. Does this preserve state regulation of agent licensing? Of course not. What

See **Letters** *on page 64*

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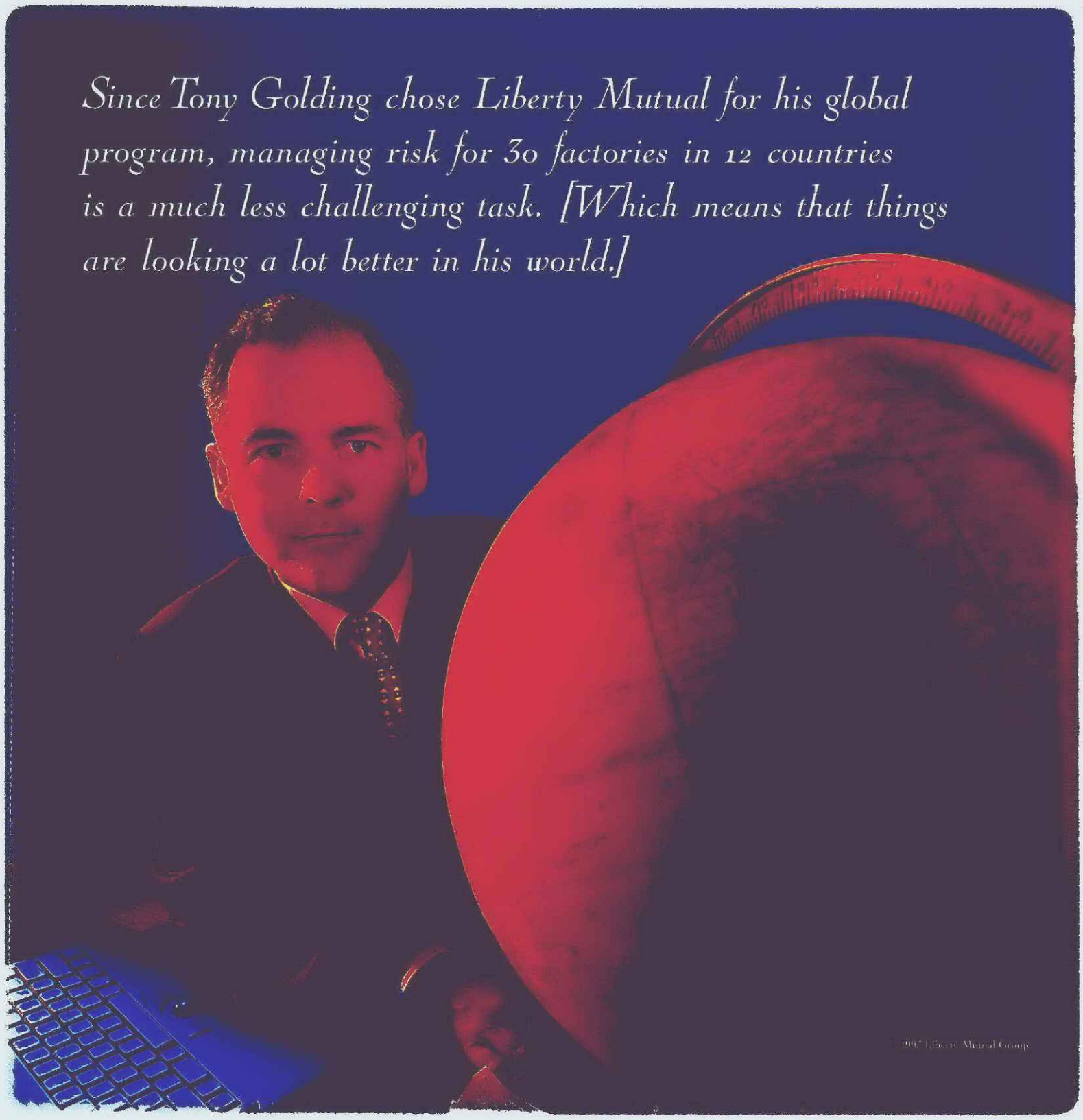

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E.U. countries grappling with pensions

By MARIA KIELMAS

European governments are struggling to find politically acceptable strategies for revamping their pension systems, but employers' costs are still likely to increase.

Employers and employees in several countries are paying higher taxes as their governments try to reduce their pension liabilities.

Increases of 5% or more of gross domestic product in pension spending are projected in European Union countries in the next two decades if the systems are not reformed, said Philip Davis, deputy head of implementing the second stage of European Monetary Union. He works for the Frankfurt, Germany-based European Monetary Institute, a think tank that will become the central bank once EMU begins—set for January 1999.

In a recent report, "Public Pensions, Pension Reform and Fiscal Policy," Mr. Davis said recent analyses by the EMI and other organizations, such as the International Monetary Fund and the Organization for Economic Development, show there will be a narrow "window of opportunity" before the economic effects of aging populations drive up governments' costs.

Action now to reduce the burden of pensions may pay dividends, the paper says. Delay would threaten both European nations' economies and the welfare of the elderly.

European taxpayers pay an average of 10% of the GDP toward pension bills, though Italians pay 14%. U.S. taxpayers pay just 5% of GDP.

Why do employers and employees want to stick with the state-sponsored pay-as-you-go systems?

Mr. Davis said Europeans have confidence in the system because of its tradition of reliability. "The pay-as-you-go system is immune to inflation in a way that financial assets (in a funded system) are not," he said.

Only two E.U. countries, Sweden and Finland, partially fund their state pension systems; the rest rely on pay-as-you-go systems. Mr. Davis said the best state pension system in Europe is in Switzerland—which is not an E.U. member—where law requires full funding of state and employer plans.

Reform options include increasing retirement age and reducing benefits.

"There will be cutbacks in benefits. There are clear movements throughout Europe toward a greater self-reliance. But to say that Europe is going the way of the U.S. is not correct," says Paul Kelly, managing director-Continental Europe at Paris-based Sedgwick Noble Lowndes Conseil S.A. Europe has no plans to privatize pensions as in Chile or Argentina.

Under the Latin American model, pioneered by Chile, workers contribute to independently managed funds. The government regulates the fund managers. Chile still has financial obligations to retirees who participated in the previous system and to additional pensions for the military, which was not privatized.

"It is a question of social attitudes," Mr. Kelly said. "Europe is not one Europe but a number of different social structures and different demographics." Many countries have a clear social contract that revolves around a different view of social responsibility. In France, there is a feeling that one generation owes something to the prior. Such solidarity will take a long time to change, he said.

The French Parliament earlier this year approved legislation permitting private pension funds. But the election of the Socialist government of Prime Minister Lionel Jospin in June delayed implementation (*BI*, June 9).

Mr. Kelly expects private pensions to proceed but said the Jospin government may remove some of the previously offered tax incentives.

Tax incentives to switch to private retirement plans —thus lessening the state's future liabilities—are becoming a political minefield in Britain.

United Kingdom

In the mid-1980s, the British government encouraged people to opt out of the State Earnings Related Pension Scheme. Those who participated in a private pension plan could make lower contributions to the state plan. As a result, 5.6 million people opted out of the state system, and the government lost an estimated $9.6 billion in taxes.

Mr. Davis thinks the U.K. experience shows that the fiscal incentives required to induce a large-scale voluntary switch away from state systems may be so costly that they outweigh any savings.

With more than half the British workforce covered by occupational or personal pension plans, the United Kingdom has made more progress than any other E.U. country in reforming its state system.

But the reform effort increased employers' burden when the Labour government in July repealed the 20% tax credit on advance corporation tax, paid when dividends are distributed to tax-exempt shareholders, such as pension funds (*BI*, July 14).

Eliminating this tax credit will provide a windfall of £35 billion ($56.3 billion) to the national budget, but it will cause pension plans to lose more than £3 billion ($4.83 billion) a year. As a result, employers will have to make up the difference in defined benefit plans they sponsor, while individuals will have to make higher contributions or take smaller pensions.

Most British employers offer defined benefit plans, though the trend is toward defined contribution plans, which are less expensive.

The British government is studying ways to overhaul the pension and welfare system, but ministers at the Treasury and Department of Social Security differ on how to go about it.

Sweden

In Sweden, modifications to the state pension system, proposed in 1994, are expected to become effective in 1999, says Jonas Frycklund, an economist at Stockholm-based Industriforbundet, the Swedish Industry Federation, an industrial trade group. The main idea is to ensure that 22% of the pension system will be funded through privately managed funds.

"It has been impossible to get a fully funded system because of the state system's high outstanding liabilities," said Mr. Frycklund.

Employers and employees will contribute equally a total of 18.5% of gross earnings of the employee, which is about 1% higher than the current contribution level. In 1999, total payroll taxes are scheduled to be 32%.

"The new system will have a much clearer relation between what is paid in and what is paid out," he said.

See **Pensions** *on page 14*

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Pensions

Continued from page 14

Italy

Italy is acknowledged to be in the worst position of all of the E.U. members, spending 14% of GDP on pension payments. Only 5% of the workforce is covered by private plans. The government of Prime Minister Romano Prodi has been negotiating with unions and minority parties in the governing coalition to cut pension spending in the 1998 budget. A reduction is needed to qualify for EMU in 1999. Those cuts could include introducing a higher minimum retirement age, linking pension payments to individual contributions rather than a percentage of an individual's final salary, and freezing early retirement in the public sector. The government has not reached agreement with the unions, though a vote on the budget is scheduled for November.

Eastern Europe

Significant pension reform in Eastern Europe is still some way off, Mr. Kelly said. Pension reform in Poland has been delayed by recent constitutional reform and general elections.

The Czech Republic introduced new regulations in 1994 that provide for voluntary contributions into privately run funds; the contributions were not subject to value-added or insurance tax. Citizens can choose only one plan, and the government will supplement the contributions.

Hungary passed legislation to permit defined benefit and defined contribution plans in 1993. Employer contributions are exempt from the 42.5% social security tax up to 20,000 Hungarian forints ($103) per person, while employees can deduct total contributions from taxable income.

Foreign companies investing in Eastern Europe generally provide death and disability insurance but not pensions and health care. "They are not going to make the same mistakes as in the West by promising big pensions and then finding that they can't keep them," said Mr. Kelly.

European Union

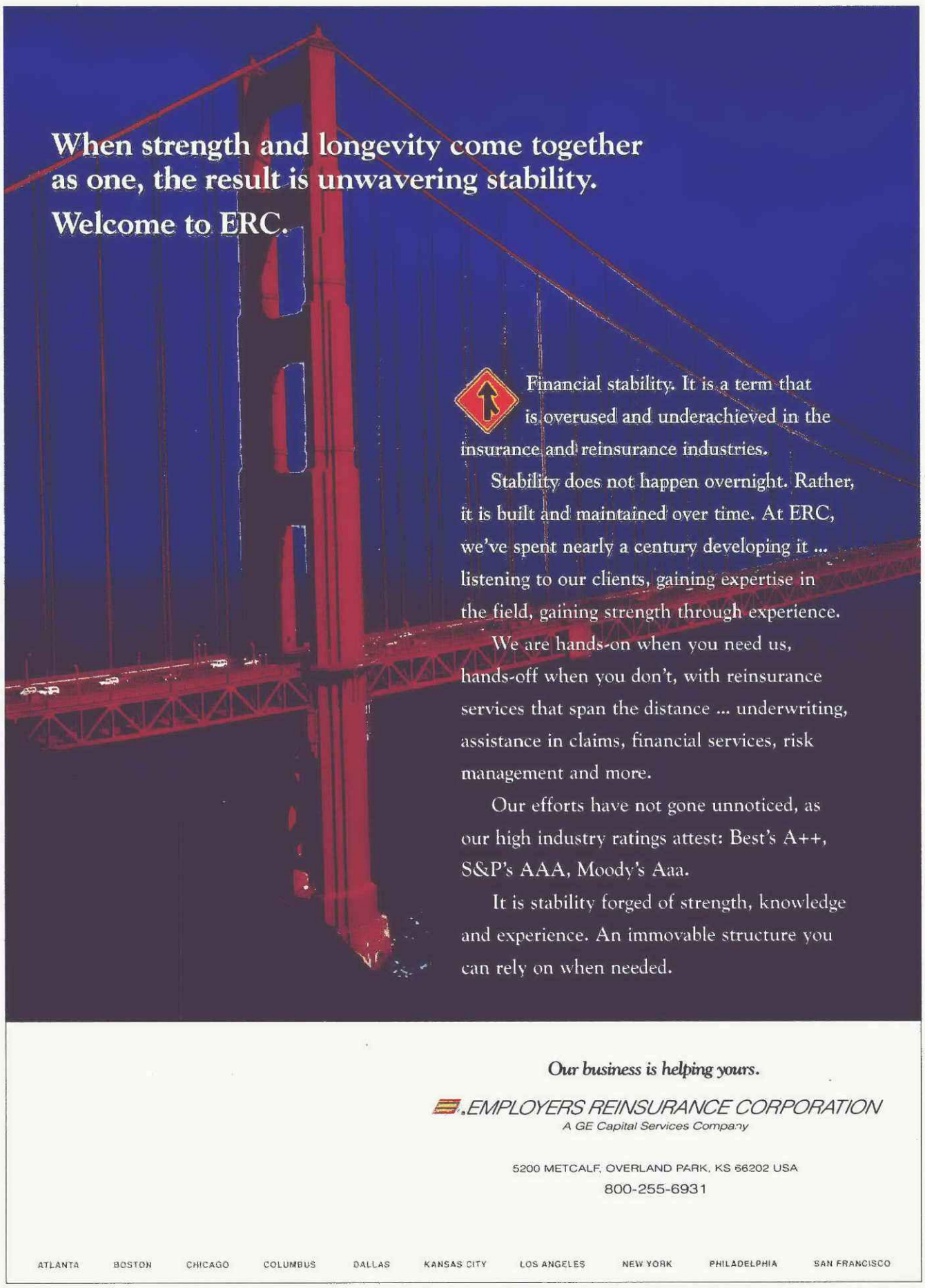
The effects of the planned monetary union on E.U. pension and welfare systems remains unclear. During the past year, critics of EMU have suggested the participants of a future monetary union will have to pool their assets and liabilities, meaning all of the monetary union's participants would bear pension liabilities.

Such a pooling would imply that those countries with low pension liabilities, such as Britain, the Netherlands and Ireland, would be forced to share the high pension liabilities of countries such as Germany, Italy and France.

Pension liabilities are not accounted for as state debt. Mr. Davis said estimates of countries' gross pension liabilities range between 107% and 401% of GDP, or at least three times conventional government debt.

If in order to fund pension liabilities a country must borrow money above the amount of state debt permitted in the monetary union criteria, the stability of the EMU could force the most-indebted countries to leave the system, Mr. Kelly said.

But Mr. Davis said monetary union should not combine E.U. members' pension liabilities unless taxation was unified throughout the European Union. This is unlikely to happen. "Countries jealously guard their taxation system," he said. BI



Canada reforming comp

By MICHAEL PRINCE

A combination of legislative changes and a realization that the system is flawed are fueling efforts to improve the health of Canada's provincial workers compensation system.

Perhaps the largest problem facing Canada's workers comp system is its unfunded liabilities, driven primarily by political decisions to boost benefit levels.

The 12 provincial and territorial governments run Canada's workers compensation program. Most employers must participate and are assessed a payroll tax; the assessment varies depending on the employer's industry.

Six provinces currently have large, unfunded liabilities. For example, at year-end 1996, the cumulative unfunded liability for the Ontario Workers' Compensation Board stood at $10.46 billion Canadian ($7.60 billion); in Quebec it was $2.34 billion Canadian ($1.70 billion); in Nova Scotia it stood at $364.95 million ($265.2 million), and in British Columbia, the unfunded liability was $323.94 million Canadian ($235.4 million).

Compared with earlier in the decade, though, the funding of workers compensation benefit obligations has improved as a result of legislative reforms and cuts in the amount of benefit increases.

Since 1993, for example, nine workers comp systems have reduced or eliminated unfunded liabilities, while only three have worsened.

As of last year, in fact, six territories or provinces have surpluses: Alberta, Manitoba, New Brunswick, Northwest Territories, Saskatchewan and Yukon Territory. Three years earlier, only the two territories and Saskatchewan had surpluses.

The situation started to turn around when people "realized that there was indeed a problem," said Robert Patzelt, group corporate counsel and risk manager for Scotia Investments Ltd. in Bedford, Nova Scotia.

Workers comp boards and employers realized that the burden of covering unfunded liabilities was hurting Canadian companies compared with foreign companies, said Kathy Ortner, consultant-special projects with Royal Insurance Co. of Canada in Toronto.

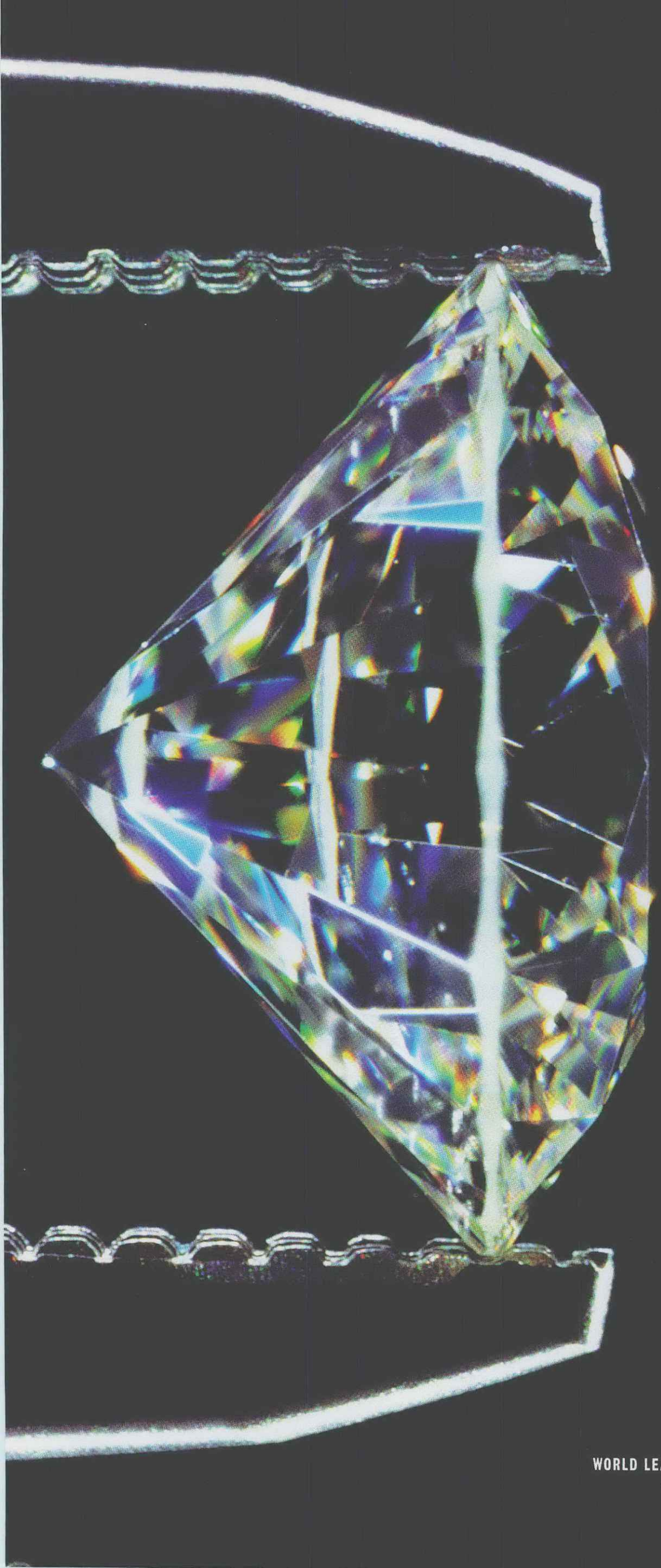
One effect of the unfunded liabilities is that employers will pay higher assessments to eliminate the shortfall, agreed Jason Mandlowitz, national manager-workers compensation services for Crawford-THG in Etobicoke, Ontario.

High workers comp costs along with high taxes have driven some businesses out of Canada to other countries, such as the United States, which has lower taxes, he said.

The Ontario situation demonstrates the effect the unfunded liability has on businesses. Ontario companies pay $2.85 Canadian ($2.06) per $100 Canadian ($72.28) in payroll to the workers comp board, the second-highest rate in Canada next to Newfoundland's rate of $3.05 Canadian ($2.20).

Twenty-nine percent of the assessment in Ontario goes toward reducing the unfunded liability. If the unfunded liability was eliminated, the assess-

See **Canada** *on page 18*



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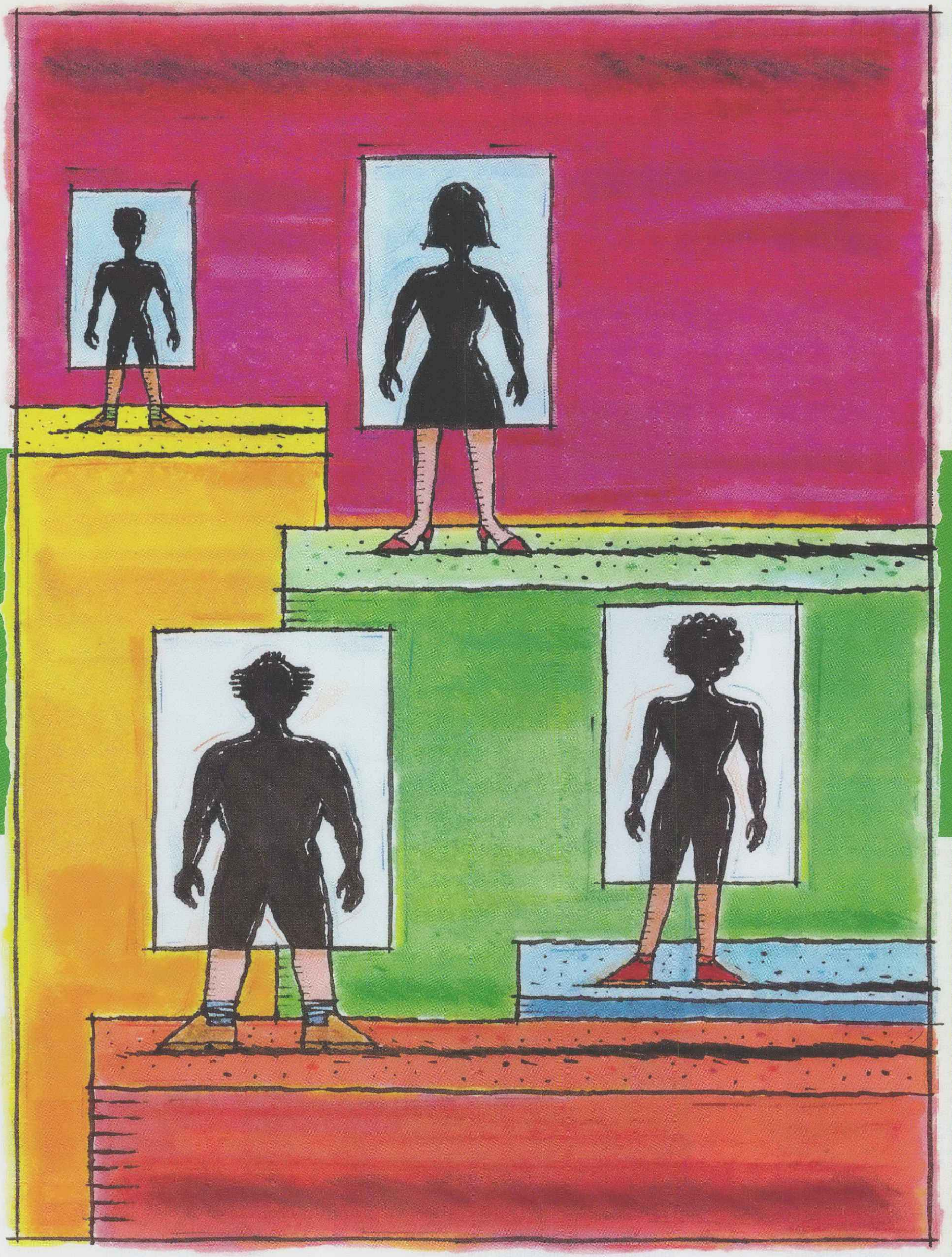

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Canada

Continued from page 14

ment in Ontario would drop to levels comparable to other Canadian provinces and closer to the U.S. rate, thereby helping Ontario's businesses compete, explained Linda Jolley, vp of policy and communications with the Ontario Workers Compensation Board in Toronto.

For multinationals, Ontario workers comp costs are higher and more difficult for employers to control than their U.S. workers comp programs, said Linda Stojcevski, manager-health, safety and environmental loss prevention for Speedy Muffler King Inc. in Toronto. Ms. Stojcevski manages the company's workers comp program for both its U.S. and Canadian operations.

In the past few years, Ontario and other provinces have taken steps to reduce workers comp costs.

A 1995 change to Ontario's workers comp law reduced the automatic benefit increases from an amount equal to the consumer price index to three-fourths of of the index minus 1%.

"That made the first major impact into the unfunded liability," Ms. Jolley said.

She said that change along with others helped lower the province's cumulative unfunded liabilities to $10.46 billion Canadian ($7.6 billion) at the end of 1996 from $10.89 billion Canadian ($7.98 billion) at year's end 1995.

Also, partly because of the change, Ontario has run a surplus in accident years 1995 and 1996 and is on track to have a surplus this year, as well.

But the 1995 reform pales in comparison to proposals contained in a bill working its way through the Ontario legislature. Bill 99 is expected to become law and would take effect Jan. 1, 1998.

Bill 99 would overhaul the province's workers comp system. Under the current system, the priorities of the workers comp board were compensation first, followed by rehabilitation. Return-to-work and health and safety programs lagged far behind, Mr. Manclowitz said.

But under Bill 99, the order will be reversed, and health and safety would assume the highest priority, followed by return-to-work, rehabilitation and then compensation, he said.

Bill 99 "will reduce the unfunded liability significantly," said Ms. Jolley of the Ontario board.

Another significant change the law would make is decreasing benefit levels. An injured worker is paid 90% of pre-tax income, but under Bill 99, that would drop to 85%. "That will take some strain off the system," said James Melchin, manager of health and safety for Schneider Corp. in Kitchener, Ontario.

The bill also would reduce future benefits by setting increases at half of the consumer price index less 1% and applying this formula to more categories of workers than under the 1995 law. The board estimates this change would shave $8.4 billion Canadian ($6.07 billion) from the projected unfunded liability of $18.4 billion Canadian ($13.29 billion) in 2014, Ms. Jolley said.

Overall the board projects Bill 99 will leave Ontario with an unfunded liability of $4.3 billion ($3.11 billion) in 2014. This is expected to be eliminated by the reduction in claims that would result from an increased emphasis on improving health and safety in the workplace and shorter periods of disability due to return-to-work programs, Ms. Jolley said.

Under Bill 99, changes to the system designed to help lower claims would include: new worker claim reporting requirements; involving the employer in determining the worker's fitness to return to work—currently the province's workers comp board makes that decision exclusively; mandating that the worker and employer communicate during the worker's absence; requiring the worker provide the employer with functional abilities information; requiring health care providers cooperate with the employer; and eliminating compensation for stress except for cases of traumatic events.

Two provinces have been especially successful in recent years in changing their unfunded liabilities into a surplus. Alberta, which had a debt of $276 million Canadian ($208.5 million) in 1993, ended 1996 with a $295.3 million Canadian ($214.6 million) surplus. Manitoba turned a $54.1 million Canadian ($40.9 million) unfunded liability in 1993 to a $38.5 million Canadian ($27.8 million) surplus in 1996.

Wally Fox-Decent, chairman and chief executive officer of the Workers Compensation Board of Manitoba, said that eliminating the province's debt by the year 2000 was his top priority when he took over in 1992.

"Unless we achieved the black side of the ledger, we were not on a stable financial basis," he said.

A number of factors contributed to the system's turnaround and reaching a surplus four years ahead of schedule, he explained.

First, the Manitoba system devoted more attention to getting injured workers back to work. Between 1991 and 1995, the average time a worker was receiving benefits dropped by 2.2 days, to 33.2 in 1995 from 35.4 in 1991. This drop created $24 million in savings per year, he said.

Next, a change in provincial law in 1992 cut benefits to workers to 90% of net wages from 75% of gross wages. Despite this drop, Manitoba still maintains one of the most generous benefit levels in Canada, Mr. Fox-Decent said.

Third, while claim costs had declined, Manitoba comp premiums remained the same. "We charged employers a bit more than they needed to pay for current costs" to reduce the program's debt, Mr. Fox-Decent said.

To reward employers, this year the board provided refunds of 11.1% of 1997 premiums, and more refunds are anticipated next year as well, he said.

A more aggressive investment approach, along with the rising stock market, brought in extra income, part of which the board earmarked to lower the debt.

Despite the progress to date, changing the Canadian workers comp system won't occur overnight, people involved with it said.

Many Canadians view the system as part of the social safety net and not an insurance system, said Ms. Ortner of Royal Insurance. "Somehow the system is not working that efficiently," she said. "But that may be a cost of having a slightly different look at society" in Canada compared with the United States, she said.

Mr. Patzelt of Scotia Investments agreed that change will be slow. "It took us a long time to create this problem, and it will take us a long time to get rid of it, but we're moving in the right direction," he said. BI

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Brokers

Continued from page 3

As a result, some multinational risk managers who were J&H clients and relied on the UNISON network's members to service their foreign subsidiaries' risk management needs now have concerns.

"I'm concerned only because there are some local relationships between the local subsidiaries and the local brokers," said John G. Pinner, assistant treasurer for Mattel Inc.

The El Segundo, Calif.-based toy manufacturer, which has operations in 34 countries, has had a long-standing relationship with J&H and the UNISON network, which handled all of its international exposures.

J&H Marsh & McLennan is its current international broker.

Mr. Pinner said Mattel's German operation, in particular, has a long-term relationship with Jauch & Huebener, formerly with UNISON and now an Aon subsidiary.

"I do not know if we'll stay with them or make them switch to J&H Marsh & Mac's German operation," Mr. Pinner said. "We haven't decided yet."

Scott K. Lange, director of risk management for Redmond, Wash.-based Microsoft Corp. and another former J&H/UNISON client, also is undecided what he will do as a result of UNISON's dissolution.

"I didn't need all this disruption and change," Mr. Lange said. "I'm still dealing with the J&H-M&M integration."

Microsoft's affiliates in Germany, France and Australia are content with their local broker representation, which happens to be or was a part of the UNISON network, Mr. Lange said. "My immediate challenge is to re-establish local service in those countries."

He said he has yet to decide whether to use a single broker and its network worldwide or whether to let the local Microsoft operations decide their own service providers and have multiple entities serving Microsoft.

'I have no preference, just as long as it satisfies our needs in the local environment where we're located,' says corporate insurance director Lee Miller of Rubbermaid.

While Mr. Lange said he is no longer "locked into the broker paradigm" to service his international risk management needs, Mr. Pinner is a bit more optimistic.

"In the total scope of things, we can't let the little things get in the way of the big picture," Mr. Pinner said. "J&H does an absolutely fantastic job for us."

While Mr. Pinner said he does not really have a preference whether his broker uses corresponding relationships or owns the foreign offices, he did admit that in some countries, he is "happy" that the UNISON-member broker will be replaced with a J&H Marsh & McLennan-owned affiliate.

Other former J&H/UNISON multinational clients had few concerns.

"What we believe is (J&H Marsh & McLennan) will have a good international network that will work and fulfill our international needs," said Lee Miller, corporate insurance director for Rubbermaid Inc.

J&H had provided services for the Wooster, Ohio-based rubber and plastics manufacturer's international exposures since the beginning of 1996, and M&M was its international broker prior to that time.

As for his experience and preference on the ownership of foreign offices vs. correspondents, Mr. Miller said, "Both systems worked."

"I have no preference, just as long as it satisfies our needs in the local environment where we're located," he said.

While it is the largest, UNISON by no means is the only brokerage network to fall victim of consolidation.

ExcelNet, formed by Indianapolis-based Acordia Inc. and London-based Bain Hogg Group P.L.C., was a little more than a year old when Aon acquired Bain Hogg and two other ExcelNet partners: Boels & Begault of Brussels, Belgium, and Dale Parizeau of Montreal. M&M acquired the network's remaining member, Paris-based Cie. Europeene de Courtage d'Assurances et de Reassurances.

Despite the fate of its first attempt to form a brokerage network, Acordia still thinks affiliating with select foreign brokers is the best way to serve its multinational clients.

"We're taking the position at the moment that we'll continue to seek out the best local brokers to work with us as needed," said Robert C. Nevins, executive vp at Acordia. "The management of Acordia all have personal relationships around the world."

Of Acordia's $305 million in 1996 revenues, international business represented only 2%.

In addition to Acordia, Lockton Cos., which reported $82.1 million in 1996 gross revenues and ranks as the 12th-largest broker of U.S. business, also believes in servicing multinational clients through arrangements with foreign brokers as oppose to owning foreign subsidiaries.

"We have considered certain strategic ventures; however, at this time, we are firmly of the opinion that we can more than satisfy the needs of our existing and prospective clients through the use of our worldwide partnership," said Tim Higgins, senior vp-international for the Prairie Village, Kan.-based broker, which services more than 100 multinational accounts all over the world.

Late last month, Lockton announced it had completed an agreement with Nelson Hurst P.L.C., which recently was acquired by Johannesburg, South Africa-based broker Forbes Group Ltd., to provide local insurance services to Lockton's international clients in Asia-Pacific, Latin America and the United Kingdom. Lockton serves other international clients through its 2-year-old cooperation agreement

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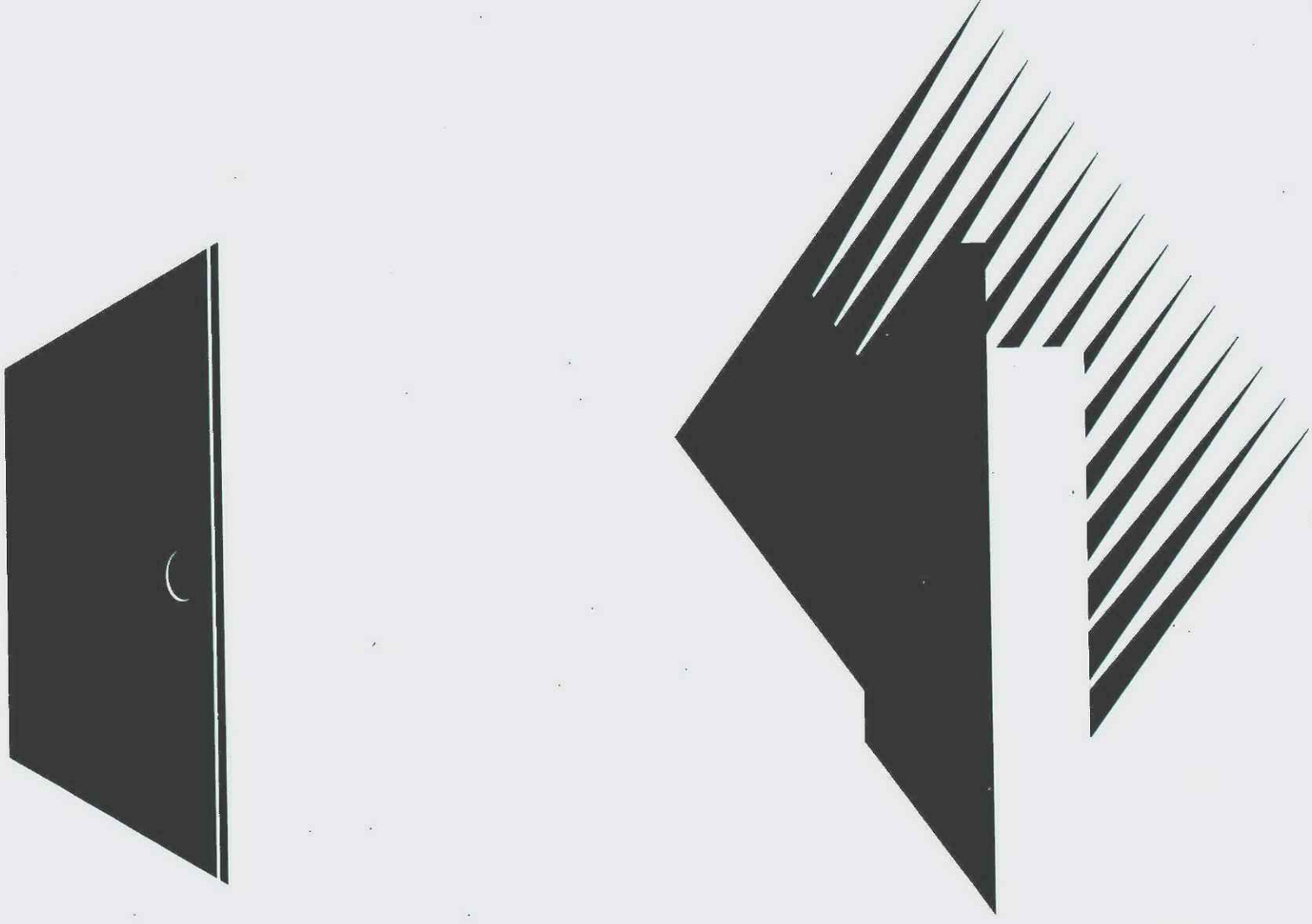

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Spotlight report

More captives fulfilling international needs

By GAVIN SOUTER

As U.S. companies' international exposures grow, more are turning to captives to cover those risks.

Risk managers who want to establish comprehensive global insurance programs often are using their existing captives or forming captives to attain that goal, captive and risk managers report.

By consolidating international risks in captives, risk managers are able to more efficiently manage those risks, obtain wider coverage, cut premiums and reduce taxes, they say.

U.S. companies with captives in Dublin, Ireland, for example, are able to use their captives to cover risks directly throughout the European Union and eliminate the cost of using fronting insurers.

Companies increasingly are using their captives creatively to cover international exposures, said Roger C. Gillett, senior vp of J&H Marsh & McLennan Inc. in Bermuda.

In particular, U.S. companies can reduce their taxation costs by channeling their international risks into captives, he said.

"It doesn't necessarily shelter the profits from tax, but it makes the profits subject to U.S. taxation, which is lower than in many other countries," Mr. Gillett said.

A company can use its captive to write a wide range of international risks that normally might not be insured, he said.

For example, international product recall or foreign exchange risks might be handled in a tax-efficient manner through a captive, he said. "You use the captive as a consolidating vehicle."

While few captive owners are using the captives to cover non-traditional risks, some risk managers are beginning to break new ground, Mr. Gillett said.

Union Carbide Corp. uses its Bermuda captive to consolidate its international risks and manage them more efficiently, said Richard M. Inserra, assistant treasurer-risk management at the Danbury, Conn.-based chemical manufacturer.

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Brokers

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with the Luxembourg-based broker network FDG S.A.

While Acordia and Lockton seek to expand their foreign affiliations, J&H Marsh & McLennan is of the firm belief that brokers need to have direct ownership, rather than just an agreement with foreign brokers.

"If you don't have full financial control and don't have full professional control, and if the client looks to the broker to oversee that the delivery of service is the same quality around the world, it seems to me that a broker literally has to have life-and-death control over those services," said John T. Sinnott, a vice chairman of the world's largest broker.

"If something goes wrong, one has to have the ability to directly correct the situation," he said.

Mr. Sinnott pointed out that when M&M began offering global services in the 1970s, it performed them through correspondent relationships or by acquiring minority equity interests in foreign brokers. However, as the economy became more global in the 1980s, M&M changed its position.

"We're in a professional service business where certain standards of professional levels are required," he said. "We didn't see how you could do that in our business, unless all the leaders were full partners, both financial and professional, of M&M."

Willis Corroon takes a slightly different approach from most brokers.

"Our attitude is to have an equity stake with a clear route to 51% ownership, rather than a corresponding relationship," said John Reeve, executive chairman of Willis Corroon Group P.L.C. in London. "Our approach is somewhat different. . .it is not our attitude that we have to own 100%."

Willis Faber P.L.C. was a member of the UNISON network until 1990, when it merged with Corroon & Black Corp. Since then, Willis Corroon Group has been building up its international network by opening new international offices and acquiring stakes in major independent brokers rather than relying on associations with other brokers.

A majority ownership is very important, Mr. Reeve stressed. When a majority rather than minority interest exists, "the local management's attitude is different, because they regard themselves as part of the group," he said.

In addition to its interest in Gras Savoye, Willis Corroon late last month announced it will have a 30% stake in the soon-to-be-formed German broker Jaspers Wuppesahl Industrie Assekuranz GmbH & Co. KG. The new company will emerge from a union of Jaspers Industrie Assekuranz GmbH & Co. KG and Wuppesahl & Co. and will be based in Frankfurt. The agreement contains provisions for Willis to eventually raise its interest to a majority holding (*BI*, Sept. 29). BI

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Continued from previous page

For the past two years, Union Carbide has written a multiline single-aggregate coverage for most of its international property, boiler and machinery risks and liability risks through the captive, he said.

The local operations are allowed to select their own retention levels, and then the captive provides $5 million in coverage above the chosen retentions, Mr. Inserra said.

Excess coverage above the captive's limit then is purchased from the traditional insurance market, he said.

"I guess we could have tried to insure the whole program with an insurer, but generally they don't offer this type of coverage," Mr. Inserra said.

The use of the captive also simplifies the process, as many countries insist that local operations are covered under admitted policies, so fronting companies are used. By using a captive, the various different risks can be amalgamated before they are insured by the conventional market.

The combined aggregate so far has not led to any dilution in coverage for Union Carbide, Mr. Inserra said.

"It is rare for us to have a claim that even goes into this layer of coverage," he said.

The more efficient use of insurance capacity, through the combined aggregate approach and through the purchase of combined excess coverage, saves the company between $100,000 and $200,000 per year, Mr. Inserra said.

A few U.S. companies are beginning to use their captives to cover their international employee benefit programs, said Alan C. Cossar, executive director of Aon Insurance Managers (Bermuda) Ltd.

The captive can be used to help standardize the benefit packages and give the parent company some of the profits of the business, he said.

"You have to tailor the programs for local countries and conditions, but you can use an international carrier who is willing to reinsure a portion of it into a captive or structure it so that the captive receives an experience dividend," Mr. Cossar said.

However, for the program to be worthwhile, the captive owner needs more than 15,000 overseas employees, he said.

Another burgeoning area among international captive developments is the establishment of captives in Dublin.

Several U.S. companies have established captives in Dublin to cover their European risks, said Gary Cullen, director at Sedgwick Management Services (Ireland) Ltd.

Often the companies owning Dublin captives also have captives in other domiciles that cover the U.S. exposures.

The main advantage of having a captive in Dublin is the ability to take advantage of the European Union's Freedom of Services Directive, which allows captives there to insure risks directly throughout the European Union, Mr. Cullen said.

"They can write directly and issue their own policies, including manuscript policies, and they avoid fronting fees," he said.

Direct captives domiciled outside the European Union would have to pay a fronting insurer between 5% and 10% of any premium to issue the local policies, Mr. Cullen said.

"Often the fronting company wants to take part of the risk, and that could be another 5% to 10%, so you can get quite significant savings by setting up a captive in Dublin," he said.

Direct writing is not limited to E.U. exposures, Mr. Cullen said. Risks in other countries, such as Australia and Norway, where non-admitted insurers are permitted, also can be covered by the Dublin captives.

Many risk managers with direct-writing captives in Dublin were unwilling to comment on their captives' successes or failures.

However, one risk manager, who did not want to be identified, said his direct-writing captive provided significant savings to the parent company by removing the need for fronting insurers.

Also, the location in Dublin gives the captive easy access to large European reinsurers, he said.

"You could access those reinsurers from Bermuda or Vermont, but it is easier to do it from Europe, and they like programs that are European by origin," the risk manager said.

The company has operations in five European countries and has successfully issued its own policies in all of them, he said.

However, another risk manager who did not want to be identified said "wrinkles" still need to be ironed out before the cost savings outweigh some of the problems of direct writing from a captive in Dublin.

"Despite the regulations, we've heard that some countries in Europe still won't accept your certificates of insurance. . . .They'll probably get there in the end, but at the moment the cost savings are not worth the bother of dealing with that," he said.

Until he is more confident in the direct-writing system, the risk manager said he will use the Dublin captive only to reinsure the company's European exposures.

McDonald's Corp. is making conservative use of its Dublin captive, said Larry Long, vp-risk management at the Oak Brook, Ill.-based restaurant company.

In the future, it may use the captive as a direct writer, but currently the captive is used to reinsure fronted policies for McDonald's European exposures.

"If you can direct write, it cuts out some of the frictional costs and gives you more control over your insurance program, because there is one less party involved," he said.

However, it is not yet clear whether the theory of direct writing throughout the European Union is allowed in practice by all regulators there, Mr. Long said.

"It's nice to have the option of direct writing, but there are a lot of different items to look at before you do it," he said. BI

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Continued from page 3

Mr. Arms. It is easier now to have a geographic spread with only one or two networks because the networks are in more countries and have more partnerships, he said.

More and more multinationals are paring the number of networks they deal with, agreed Robert Pickrell, president of Brussels, Belgium-based Insurope. "I know of a case right now, for example, in which they've got about four networks, and they're going out to bid with the concept of: 'Why do we need four? Let's pare this down to two, and at the same time let's pick the best networks that offer the best financial arrangements and the best services,' " said Mr. Pickrell.

Hewitt's Ms. Partyka agreed there is a trend toward paring networks. However, she added, clients just becoming involved with networks may decide to work with two or three "in order to encourage competition among the networks," she said.

"It's not necessarily true across the board" that companies are paring down, said Applied Materials' Mr. Coplin, whose company works with Insurope and is considering working with another network as well.

"I think it really is a function of how companies make strategic decisions. Some companies have a strong central control and therefore prefer to pare down and put their eggs in one basket and negotiate hard with one network."

Others prefer a more decentralized approach, he said. "I don't think you can make an unequivocal recommendation one way or another," Mr. Coplin said.

Meanwhile, competition among the networks is strong. "We've seen a movement of the networks to recommunicate and differentiate themselves from other networks to include almost a remarketing of their focus on regions as well as target markets," said Sedgwick's Mr. Wesselkamper.

The networks are becoming more attuned to client demands, he said, adding he was impressed by the creativeness of networks in making recent presentations to a U.S. client with 50,000 employees in Europe.

In addition, while the networks cannot dictate local market conditions and the rates charged at that level, they are cutting their own costs, said Mr. Wesselkamper.

Competitive pressures are driving this trend, he said. "There are only so many networks, and there are only so many multinational corporations that can make use of their product," he said.

"I think that it comes down to the fact that most of the networks from a financial perspective are fairly competitive with each other," said Insurope's Mr. Pickrell. "I don't think any one of the networks holds dominance over the other," he said.

"I think there are really two issues, essentially, the first being what kind of a financial arrangement will a network give to the extent that it can lower the ongoing cost to a corporation, and the second is the service that network will provide to a client," Mr. Pickrell said.

In addition to price, "the networks are competing based on reporting capabilities and the kinds of information they're able to provide and the timeliness of it," said Ms. Partyka.

"Competition among the networks is always very fierce," said Aetna/Generali's Mr. Ban. Both the European and the American markets are becoming "more and more mature, more knowledgeable, and consequently, the competition is stronger and stronger."

However, Barry Blecher, an international benefits consultant and a principal with The Kwasha Lipton Group in Fort Lee, N.J., said: "I don't see a lot of movement from one network to another by U.S. corporations. They found one or two networks that they want to deal with, and they seem to stay relatively put unless their global geography is changing, unless they're moving from one country to another and they need to find a different network that can better serve them in a new part of the world that they're expanding into."

One network response has been to pursue business among smaller multinational companies. Almost all the large multinational companies have at least one pooling agreement, and "I think that market is saturated," said Paul Shimer, a consultant with William M. Mercer Inc. in Hartford, Conn.

"I'm seeing more interest among the international insurance networks for smaller business," which they are pursuing aggressively, said Mr. Shimer.

"I think this a tendency for all the networks," said Generali's Mr. Ban, adding that large multinational companies already have "something that is established and difficult to move."

"From All Net's perspective, a target definitely would be more towards the smaller to midsize international organizations as opposed to larger," said Carol J. Buteyn, assistant vp at Allianz Life Insurance Co. of North America in Minneapolis.

All Net, the Allianz network for international employee benefit plans, entered the market Jan. 1, 1996.

"Much of the emerging market is from the midsize companies that are expanding overseas, and we also see that all companies are expanding overseas. It is not something that's confined to the giant multinational corporations anymore," said Mr. Blecher.

"I think the kind of issues they have are different," added Mr. Blecher. "They are looking for help in establishing new programs" rather than seeking advice on existing programs, he said. "I guess also because of the size at which they're expanding overseas, they tend to start off more modestly.

"If you have a handful of employees, you're not about to jump into setting up an employer-sponsored pension fund, and on the other hand, you may look for an insured product" rather than a self-insured one, he said.

"It's a totally different environment" from dealing with the large multinationals, said Eric Janssen, San Francisco-based managing director of GAIN, which always has focused on the smaller employers. "You have to do a lot more hand-holding." He added, though: "It's not a new trend. That's been going on for a few years now."

AIG's Mr. Arms also said, "I think that there are a lot of emerging companies that are

See **Benefits** *on next page*

WHEN THE TOUGH GET GOING.

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Swiss Life

THE RIGHT DECISION

Benefits

Continued from previous page

going international for the first time, and they represent an excellent opportunity for new business for the networks.

"But frankly, there have always been a lot of companies that are newly emerging. You just have to target them."

At the same time, his network also is "still getting a lot of business from existing clients, major companies that are expanding internationally. We are getting business as they enter new countries" as well as successfully attracting business from other networks.

Insurope's Mr. Pickrell also said that though Insurope has pursued smaller companies' business, the market among large multinational firms still is growing. "I always hear the statement that. . .the market has been saturated, and I find it interesting that if you took all the major networks and combined their in-force business—that is, number of clients—you would probably reach a level of, let's say, 2,000.

"Now, are you telling me there are only 2,000 large multinationals in the U.S.? I don't think so. The question is better asked: Are corporations, or for that matter international corporations, taking responsibility for the international benefits, or are they simply allowing their subsidiaries to do whatever they want? And there, I think, it becomes more a question of whether that corporation is committed to lowering its benefits cost." BI

Making sense of multinational benefits

Networks give employers cost-effective way to cover workers in multiple countries

A multinational benefit network is a working arrangement among insurers through which companies with employees in multiple foreign countries can obtain various benefit coverages.

The multinational benefit network provides coverage for one or more foreign sites through one master contract. The network pools the claims experience of all the employees of the participating foreign subsidiaries, and a favorable loss experience is rewarded with an "international dividend."

Benefits covered through multinational pooling arrangements often include medical, life, accidental death and dismemberment, short- and long-term disability, travel insurance and pensions.

Networks vary in structure. Some are formed by a single insurer with units in many foreign countries.

Others are formed by two large life insurance companies—usually one U.S. company and an overseas partner—that operate under a cooperative arrangement.

The third most common type of network consists of several independent foreign insurers.

Most networks' master contracts include two agreements. The first agreement is between the multinational company's local subsidiary and the local insurer that is a member of the network.

Under this contract, the local insurance company charges a premium plus a risk charge that covers losses that exceed the income from the master contract, catastrophe coverage and costs involved if the contract is canceled.

In this case, the premium usually is paid by the local unit of the parent company.

At the local level, a dividend may be paid to the subsidiary if the local insurer's income exceeds costs.

However, local insurance practices and the subsidiary's size may determine the amount of the local dividend.

The second agreement, which is between the network and the parent company's headquarters, provides for pooling experience among all local contracts. The experience of all the local units is combined to determine whether the parent corporation will receive an international dividend.

When determining an international dividend, the benefit network first tallies all paid premiums, investment income and reserves at the start of the year compared with claims, commissions, risk and expense charges, local dividends and year-end reserves. If a dividend is warranted, the parent company then decides whether to send it to corporate headquarters or share it locally.

Pooling is advantageous because it allows multinational employers to spread their risks. Through such arrangements, a company's unfavorable claims experience in one country may be offset by more favorable performance in other countries.

However, if on a worldwide basis an international pool produces a loss, the network may treat it by using one of three common procedures:

- Stop-loss system. An employer's losses are fully underwritten by the network insurers in that year with no loss carried forward. The risk charge for this type of arrangement is significantly higher than the charge in other methods.
- Loss carry-forward system. All losses are charged to the current account, and any negative balance is carried forward to the next experience year. The risk charge under this system is reduced to covering catastrophic losses and cancellation of a master contract with a deficit.
- Loss carry-forward system with contingency fund. All losses and negative balances are treated as they would be under a standard loss carry-forward system.

To reduce the risk charge for loss carry-forward, however, a contingency fund is established and maintained with an annual allocation to offset future losses.

In years of unfavorable loss experience, the contingency fund is first drawn upon to cover losses, after which any negative balance is carried forward.

The contingency fund accrues interest and, if a client cancels a contract with the network, that client's portion of the fund is refunded, less any amount that was used. This type of fund is not being used as much as it once was because of low investment yields generated by the funds.

BI annual directory of international benefit networks

A

AGRI Benefits Network

Waaistraat 6, B-3000 Leuven, Belgium; 32-16-24-31-61; fax: 32-16-24-30-24

	1996	1995
Foreign countries	17	17
Offices	1	1

Formed: 1987.

Member companies: ABB, Belgium; Agrotiki Life, Greece; Argosz Biztosito, Hungary; Assimoco Vita, Italy; Bonanca Vida, Portugal; Bundeslander, Austria; Ceska Rakouska Pojistovna, Czech Republic; Groupama, France; Groupama Iberica, Spain; Interpolis, Netherlands; Irish Life, Ireland; La Luxembourgeoise-Vie, Luxembourg; Lansforsakringar, Sweden; NFU Mutual, United Kingdom; RGA Seguros, Spain; R&V Versicherung, Germany; Raiffeisen-Versicherung, Austria; Tapiola, Finland; Vaudoise/Waadt, Switzerland.

Minimum requirements: 250 life years, two countries.

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

Officers: Johan Daemen, chairman; Herman Jacobs, secretary.

The AIG/Winterthur Alliance

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

Winterthur Insurance - International Division, Gruzefeldstrasse 41, P.O. Box 286, CH-8401 Winterthur, Switzerland; 41-52-261-5343; fax: 41-52-261-5750

	1996	1995
Int'l premiums	NA	NA
U.S.	45%	43%
Non-U.S.	55%	57%
Pension funds	$6,268,000,000	$5,040,000,000
Employees	726	618
U.S.	89	84
Non-U.S.	637	534
Lives covered	958,000	908,000
Master contracts	806	781
Foreign countries	155	145
Offices	123	116

Formed: 1991.

Member companies: AFP Union, Chile; AFJP Previnter Internacional/International Retiro, Argentina; Afore Previnter, Mexico; AHICO, Hungary; AIA, Australia, China, Hong Kong, Indonesia, Malaysia, New Zealand, Singapore, Thailand; AIA Life, Canada; AIA/Calvo's Insurance Underwriters, Guam; AIG do Brazil, Brazil; AIG, India; AIG Life, Puerto Rico, Virgin Islands; AIG Life/A.I. Life, United States; AIG-Romania S.A., Romania; AIICO, Nigeria; AIU, Ecuador, Honduras; ALGICO, Trinidad and Tobago; ALICO, Anguilla, Antigua, Argentina, Aruba, Bahrain, Bangladesh, Barbados, Belize, Bermuda, Curacao, Cyprus, Dominica, Egypt, Greece, Grenada, Japan, Jordan, Kenya, Kuwait, Lebanon, Oman, Pakistan, Panama, Portugal, Qatar, Saudia Arabia, South Korea, Spain, St. Kitts, St. Lucia, St. Maarten, St. Vincent, Taiwan, Turkey, United Arab Emirates, United Kingdom, Uruguay; AMPLICO, Poland; AMSLICO, Slovakia; American Home Assurance Co., Honduras; American Life & General Insurance Co., Dominican Republic; Aseguradora Salvadorena, El Salvador; CLICO, Suriname; Colmena, Colombia; Compagnie D'Assurance D'Haiti S.A., Haiti; Europeia Seguros, Portugal; First American Czech Insurance Co., Czech Republic; GAMA, Brazil; Global Life Assurance, Bahamas, Cayman Islands; Gjensidige, Norway; Great West Life, Canada; La Interamericana, Chile, Colombia; Instituto Nacional de Seguros, Costa Rica; Interamericana Cia de Seguros Gerais, Brazil; Itau Winterthur, Brazil; Life of Jamaica, Jamaica; London Life, Canada; MLC, Australia; NALICO, Guyana; Nan Shan, Taiwan; New Ireland Life, Ireland; Norwich Life, South Africa; El Pacifico Vida, Peru; Philam Life/Philamcare, Philippines; RUS AIG, Russia; La Seguridad de CentroAmericana, Guatemala; Seguros Interamericana, Mexico; Seguros de Venezuela, Venezuela; Skandia, Sweden; Tapiola, Finland; Tryg-Baltica, Denmark; UAICO, Uzbekistan; Uganda American, Uganda; Union AFP, Peru; Unionvita, Italy; Winterthur, Austria, Belgium, Czech Republic, France, Germany, Hong Kong, Italy, Liechtenstein, Luxembourg, Netherlands, Spain, Switzerland, United Kingdom; Winterthur Life, Indonesia.

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

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

International dividends: Stop-loss system, loss carry-forward system, loss carry-forward system with contingency fund, loss free system, captive.

Officers: Willi Suter, president-international division-Winterthur Swiss Insurance Co.; Robert J. O'Connell, president/CEO-AIG Life Cos.; Urs Zwicky, senior vp-employee benefits-Winterthur Swiss Insurance; Greg Arms, senior vp-AIG Life Cos./director-group management division; Jim Long, vp/head of U.S. international employee benefits division; John Hamblet, director-multinational accounts.

U.S. contact: John Hamblet, 212-770-2244 or Jim Long, 212-416-5792.

Aetna/Generali International Benefits

1 Liberty Plaza, 37th Floor, New York, N.Y. 10006; 212-602-7634; fax: 212-587-9539

	1996	1995
Int'l premiums	NA	NA
U.S.	60%	60%
Non-U.S.	40%	40%
Pension funds	$850,000,000	$850,000,000
Employees	96	94
U.S.	32	32
Non-U.S.	64	62
Lives covered	410,000	396,900
Master contracts	141	135
Foreign countries	45	45
Offices	11	8

Formed: 1966.

Member companies: A/P Pension, Denmark; Aetna Inc., United States; Aetna Canada, Canada; Aetna Chile Vida S.A., Chile; Aetna Health New Zealand Ltd., New Zealand; Aetna Life Insurance Co. of America, Taiwan; Aetna Universal Insurance Co., Malaysia; Aetna Vida S.A., Argentina; Aseguradora General S.A., Guatemala; Cia. International de Seguros de Vida S.A., Panama; Clerical Medical Investment Group, United Kingdom; La Concorde, France; P.T. Danamon Aetna Life Insurance Co., Indonesia; La Federation Continentale, France; Le Foyer, Cie luxembourgeoise d'assurances, Luxembourg; East Asia Aetna/Blue Cross (Asia-Pacific) Insurance Co. Ltd., Hong Kong; Fortuna Holding, Switzerland; Assicurazioni Generali, China, Italy, Spain and United Kingdom; Generali-Allgemeine Lebensversicherung A.G., Austria; Generali Argentina, Argentina; Generali Belgium S.A., Belgium; Generali do Brasil, Brazil; Generali Budapest Insurance Co., Hungary; Generali Colombia, Colombia; Generali France S.A., France; Generali Krankenversicherung A.G.; Generali Levensversekering Mij, Netherlands; Generali Muenchener Lebensversicherung A.G., Germany; Generali Life A.E., Greece; Generali Peru, Peru; Generali Pjoistovna, Czech Republic, Slovakia; Generali Sigorta, Turkey; Generali Vida-Companhia De Seguros, Portugal; Gjensidige Forsikring, Norway; Insurance Corp. of Singapore, Singapore; Irish Life Assurance Co., Ireland; Kyobo Life Insurance Co. Ltd., South Korea; Ljubljanska Zavarovalnica, Slovenia; Migdal Insurance Co. Ltd., Israel; Mitsui Mutual Life Insurance Co., Japan; La Nacional, Cia. de Seguros, Ecuador; Prime S.p.A., Italy; The Prudential Assurance Co. New Zeland Ltd., New Zealand; The Prudential Corporation Australia Ltd., Australia; Rossiya Insurance Co., Russia; Seguros Monterrey Aetna S.A., Mexico; Seguros Nuevo Mundo S.A., Venezuela; Siam Life Insurance Co. Ltd., Thailand; Standard General Insurance Co., South Africa; Tapiola Insurance Group, Finland.

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

Business: 17% medical, 25% life, 2% accidental death, 5% short-term disability, 11% long-term disability, 40% pension/investment products.

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

Officers: Gianni Ban, executive vp-Generali U.S.A.; Elaine B. McDonald, vp-Aetna International Inc.

U.S. contact: Doug Durdan, 860-872-7170 or Dave Bryan, 312-441-3077, regional managers.

G

GAIN

40 Rue Breydel, 1040 Brussels, Belgium; 32-2-230-3385; fax: 32-2-230-3492

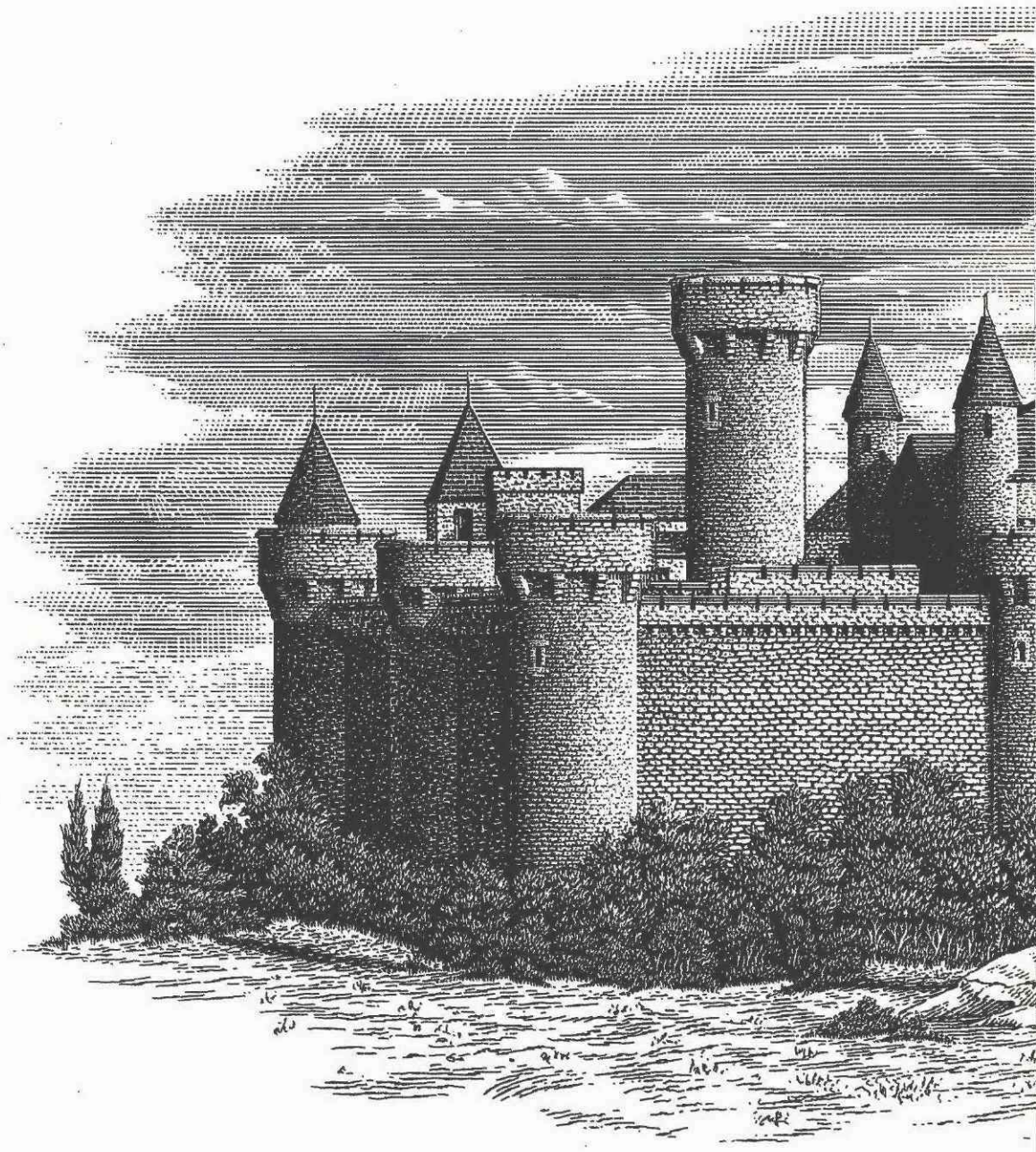
	1996	1995
Employees	8	9
U.S.	4	4
Non-U.S.	4	5
Foreign countries	29	29
Offices	3	4

Formed: 1976.

Member companies: AB AEGON Altalanos Biztosito R.T., Hungary; AEGON Verzekeringen, Netherlands; AFP Proteccion, Chile; AGF Assubel S.A., Belgium; AGF Brasil Seguros, Brazil; AGF Chile, Chile; AGF Garanti Sigorta A/S, Turkey; AGF Kosmos Vie S.A., Greece; AGF Union Felix, Spain; Aachener & Munchener Lebensversicherung AG, Germany; Assubel-Vie S.A., Belgium-; Assubel-Vie S.A., Luxembourg; Assurances Generales de France, France; Brazil Companhia de Seguros Gerais, Brazil; Chinfon Life Insurance Co. Ltd., Taiwan; Fidelity Life Assurance of Zimbabwe (Private) Ltd., Zimbabwe; First Life Insurance Co. Ltd., South Korea; The First Life Insurance Co. Ltd., Taiwan; France Life Insurance Co. Ltd., South Korea; Galicia Vida/ITT Hartford Sudamericana, Argentina; HSBC Life (International) Ltd., Hong Kong; The Hartford, United States; Irish Life Assurance P.L.C., Ireland; ITT-Hartford Life, United States; Keppel Insurance pte Ltd., Singapore; Legal & General Life of Australia, Australia; London & Manchester (Pensions) Ltd., United Kingdom; MBA Life Assurance Sdn Bhd, Malaysia; Mutual Life of Canada, Canada; Siam Commercial Life Assurance Co. Ltd., Thailand; Sociedade Portuguesa de Seguros, Portugal; Toho Mutual Life Insurance Co., Japan; Tower Life Australia Ltd., Australia; Tower Retirement Investment Ltd., New Zealand; Tryg-Baltica Forsikring, Denmark; United Coconut Planters Life Assurance Corp., Philippines;

Continued on page 30

INTRODUCING
A UNIQUE CONCEPT IN DISABILITY CLA



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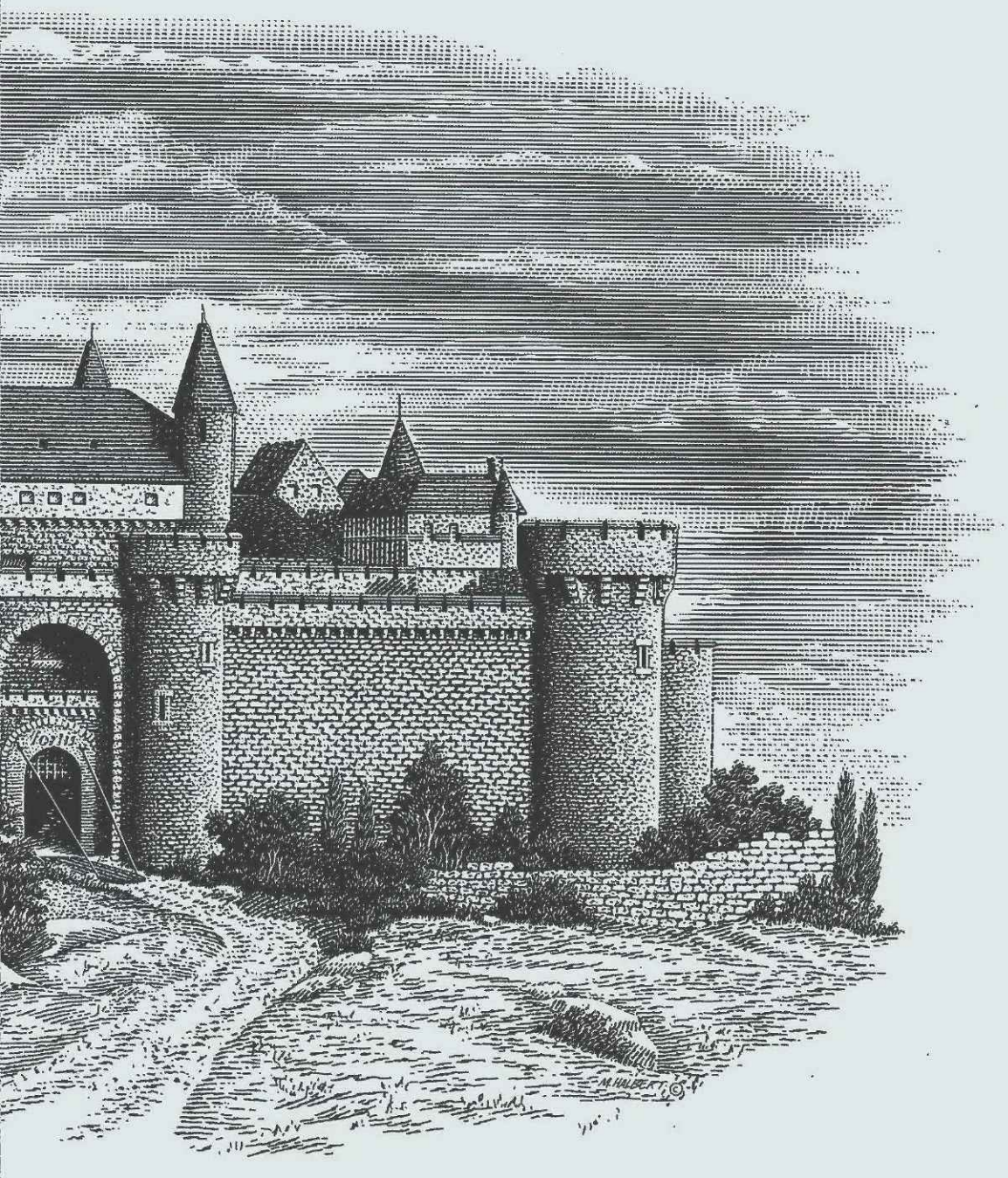

The program's second component, the Will-to-Work indicator, was developed in partnership with **The Gallup Organization**. *Using profiles based on claimants' attitudes, feelings, will-power and behavior, claims management can develop a personalized rehabilitation strategy for each claimant which plays to their strengths and compensates for their weaknesses.*

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Explanation of terms used in this directory

The *Business Insurance* directory of international benefit networks lists networks that responded to a *BI* questionnaire.

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

Listings begin with the name of the network, as well as the address, phone and fax numbers.

If supplied by the network, this financial and operational information for 1996 and 1995 is provided: Foreign gross premiums in U.S. dollars (this includes medical, life, accidental death and short- and long-term disability insurance) and the percentage generated by foreign operations of U.S. employers against that generated by non-U.S. employers; funds under management for foreign pension plans of network clients; total network employees, including those in U.S. and non-U.S. locations; and number of foreign lives covered.

Also, the number of master contracts, the number of foreign countries represented and the number of actual network offices are given.

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

Also provided are the year the network was **formed**, names of **member companies** or offices participating in the network and **minimum requirements** for employers' participation in the network.

A percentage breakdown of business the network conducts is given, as are the methods by which the network handles worldwide losses in determining **international dividends**.

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

Please refer to the geographic index after the directory to locate networks by country. The index includes the network name under each country in which it has branch offices, subsidiaries or affiliated companies participating in the network.

Please refer to individual listing for the specific names of the office or member company in a particular country.

Listings are based on each network's response to a *BI* questionnaire. Although every effort is made to publish complete and accurate information, *BI* is unable to verify all data received.

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Continued from page 25

Vaudoise Vie Compagnie d'Assurances, Switzerland; coverage provided in additional countries through members listed above.

Minimum requirements: 25 lives and two countries for small-group pool; 250 lives and two countries for stand-alone pool.

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

Officers: C. Pietralonga, France; E. Janssen, San Francisco; J. Saxton, Brussels, Belgium.

U.S. contact: Eric Janssen, managing director, 415-394-8677.

A detailed explanation of the terms used in this directory appears on page 28. The geographical listing of international benefit networks begins on page 32. The directory of international p/c insurers begins on page 38.

Gerling Pooling Instrument

Gerling INSTITUT GIBA,
50597 Cologne, Germany;
49-221-144-5183; fax: 49-221-144-5256

	1996	1995
Int'l premiums	$12,900,000	$13,000,000
U.S.	11%	12%
Non-U.S.	89%	88%
Employees	22	21
U.S.	5	5
Non-U.S.	17	16
Lives covered	20,800	19,000
Master contracts	27	25
Foreign countries	42	41

Formed: 1982.

Member companies: Gerling pooling instrument is used to set up individual pools for multinational organizations.

Minimum requirements: 250 lives and two countries.

Business: 8% medical, 23% life, 20% accidental death, 6% short-term disability, 17% long-term disability, 26% pension/endowment.

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

Officers: Paulgerd Kolvenbach, managing director; Michael Ehlers, managing director; Heiner Salmen, director-pool management division.

U.S. contact: Wolfgang Schlaeger, 212-756-5600.

I

Insurope

Boulevard Bischoffsheim 39, Box 18,
1000 Brussels, Belgium; 32-2-217-8163;
fax: 32-2-213-5660

	1996	1995
Employees	19	19
U.S.	6	6
Non-U.S.	13	13
Foreign countries	66	66
Offices	5	5

Formed: 1966.

Member companies: A.G. 1824, Belgium; Al Wataniya, Morocco; Alte Leipziger, Germany; Asahi Mutual, Japan; BUPA, United Kingdom; Baloise Life, Liechtenstein, Switzerland; Barbados Mutual Life, Antigua, Bahamas, Grenada, Guyana, Haiti, St. Kitts/Nevis/Anguilla, Trinidad and Tobago; Basak Sigorta, Turkey; British American, Cayman Islands; La Buenos Aires-New York Life Vida, Argentina; Bundeslander, Austria; China Life, Taiwan; Canada Life, United Kingdom; CRP, Czech Republic; CIGNA, United States; CIGNA Chile, Chile; Commercial Union, Poland; Danica, Denmark; Delta Lloyd, Netherlands; Docthus, Argentina; Dong Ah, South Korea; Ecuatoriana-Suiza, Ecuador; El Pacifico-Peruano, Peru; Espana, Spain; Europa-Gan Biztosito, Hungary; Grupo Nacional Provincial, Mexico; La Fondiaria, Italy; Fortis-Luxembourg Assurances, Luxembourg; GAN, France; G.A.T, Tunisia; Great Eastern, Malaysia and Singapore; Jiwasraya, Indonesia; Manulife, Hong Kong; National Mutual, Australia, New Zealand; Nippon Dantai, Japan; Otcina, Slovakia; Pension-Varma, Finland; Phillippine Life, Philippines; Phoenix Home Life, Provident Life, Prudential, United States; Sanlam, South Africa; Siam Commercial Life, Thailand; Standard Life, Canada, Ireland; Tranquilidade, Portugal; SPP, Sweden; UNI Storebrand, Norway; Universal Life, Cyprus, Greece.

Minimum requirements: Two countries providing group contracts for multiple-employer pool; two countries and 200 lives for client-specific pool.

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

Officers: Frank Smolar, deputy chairman-Insurope executive committee; Bernard Camaret, network manager; Jim Wallace, network actuary; Hugh Gallagher, sales/marketing manager.

U.S. contact: Robert Pickrell, president, 203-854-9144.

J

John Hancock International Group Program

P.O. Box 111, Boston, Mass. 02117;
617-572-8677; fax: 617-572-8622

Formed: 1967.

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U.S. contact: Geraldine F. Pangaro, second vp.

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fax: 411-284-3957

	1996	1995
Int'l premiums	NA	NA
U.S.	35%	35%
Non-U.S.	65%	65%
Employees	95	96
U.S.	12	12
Non-U.S.	83	84
Foreign countries	43	42
Offices	6	6

Formed: 1960.

Member companies: Aseguradora Mundial de Panama, Panama; Bangkok Life, Thailand; Canada Life, Canada; Ceska Kooperativa, Czech Republic; Danica, Denmark; Euroamerica Seguros, Chile; First Allmerica, United States; First Guarantee Life, Philippines; Gloria-Swiss Life, Hungary; Hanover Life Re of Australasia, Australia, New Zealand; Hong Leong Assurance, Malaysia; Icatu Hartford Seguros, Brazil; Ilmarinen, Finland; Imperio, Portugal; International Health Insurance, Denmark; Irish Life, Ireland;

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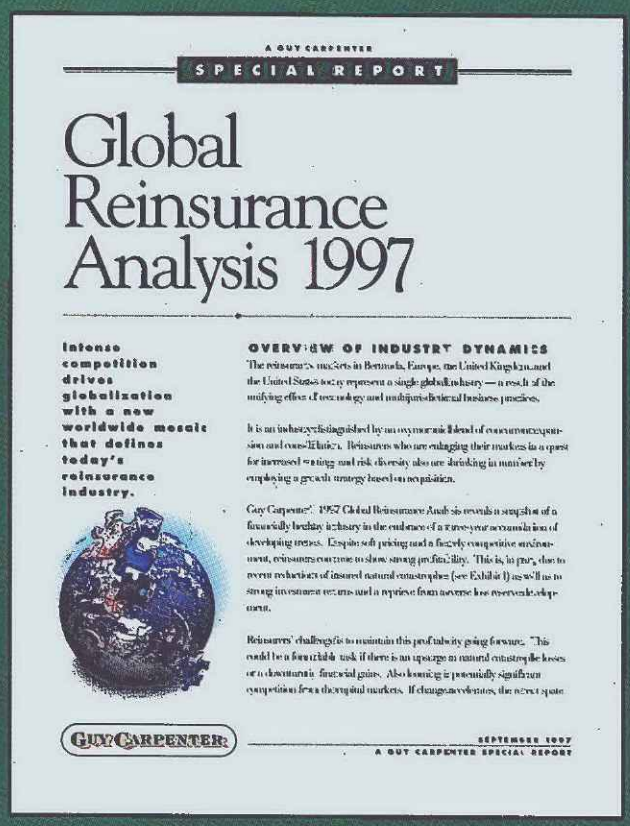
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Intense competition drives globalization with a new worldwide mosaic that defines today's reinsurance industry.

OVERVIEW OF INDUSTRY DYNAMICS

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Guy Carpenter's 1997 Global Reinsurance Analysis reveals a snapshot of a financially healthy industry in the embrace of a three-year accumulation of developing trends. Despite soft pricing and a fiercely competitive environment, reinsurers continue to show strong profitability. This is, in part, due to recent reduction of insured natural catastrophes (see Exhibit I) as well as to strong investment returns and a reprieve from adverse loss reserve development.

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Business: 7% medical, 16% life, 2% accidental death, 7% short-term disability, 10% long-term disability, 58% old age pension.

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

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U.S. contact: Philipp Frei, president-Swiss International Services, 201-670-1515. BI

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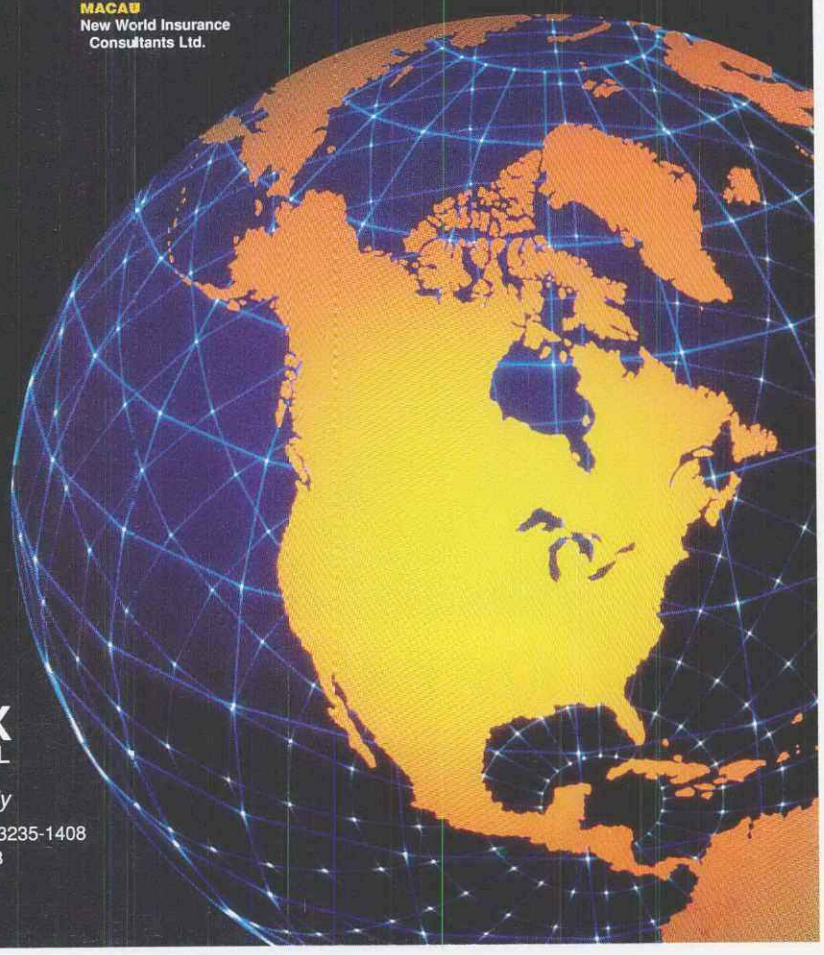

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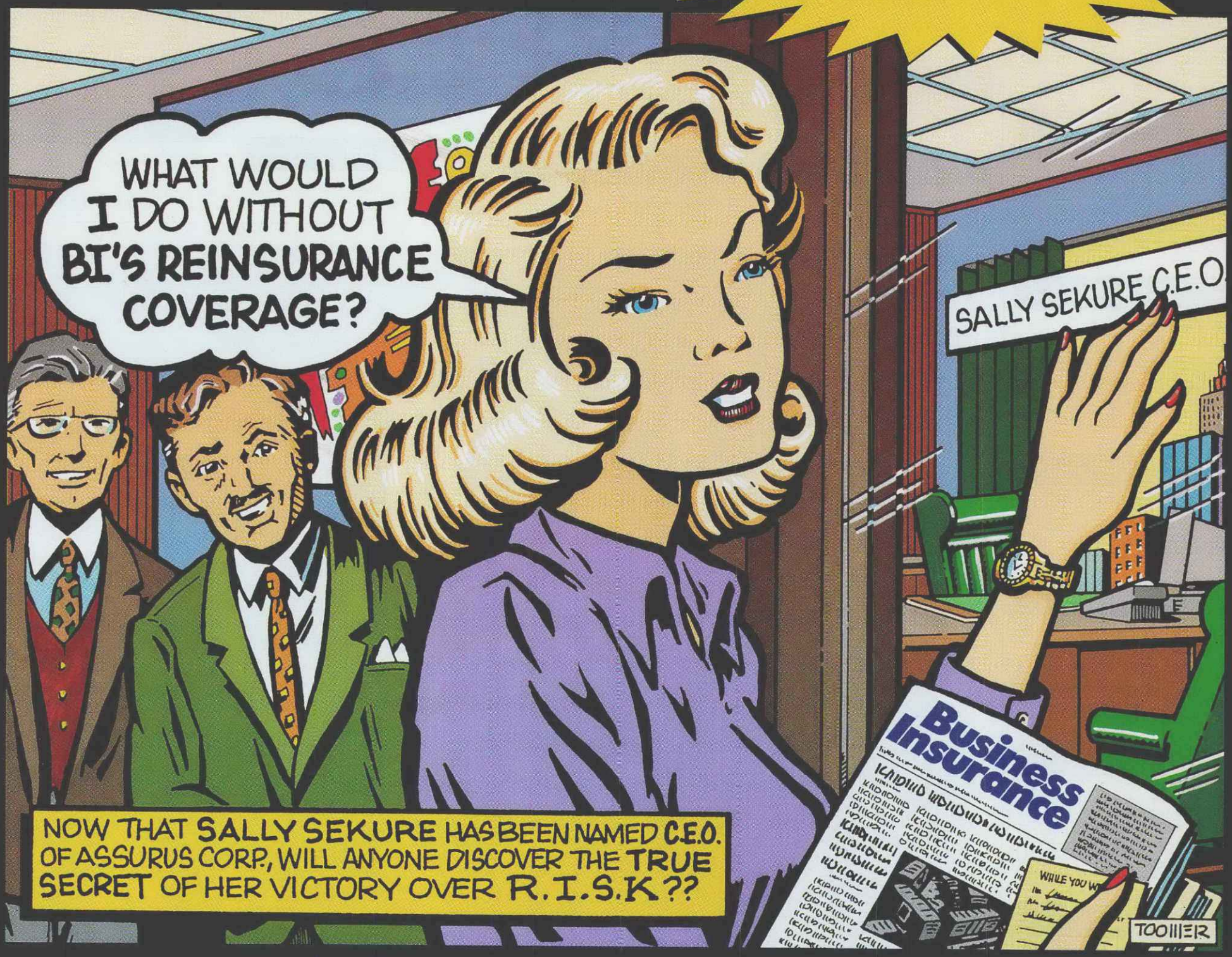

*THANKS TO SALLY SEKURE, ASSURUS' CEO, PARLOUS VANDAL, HAS BEEN EXPOSED AS A SECRET OPERATIVE FOR R.I.S.K.! HIS DIABOLICAL DEEDS TARGETED MAJOR CLIENTS — THREATENING TO RUIN THE RENOWNED INSURANCE COMPANY. BUT WITH PARLOUS OUT OF THE WAY, OUR SAVVY SALLY TURNED TO **BI'S** DIRECTORY OF REINSURANCE BROKERS — AND QUICKLY FOUND SEVERAL COMPANIES ABLE TO HELP HER PROTECT ASSURUS' ASSETS. AS A RESULT, SHE'S THE NEW CEO ... BUT TO HER, THE REAL HERO IS **BI**.*

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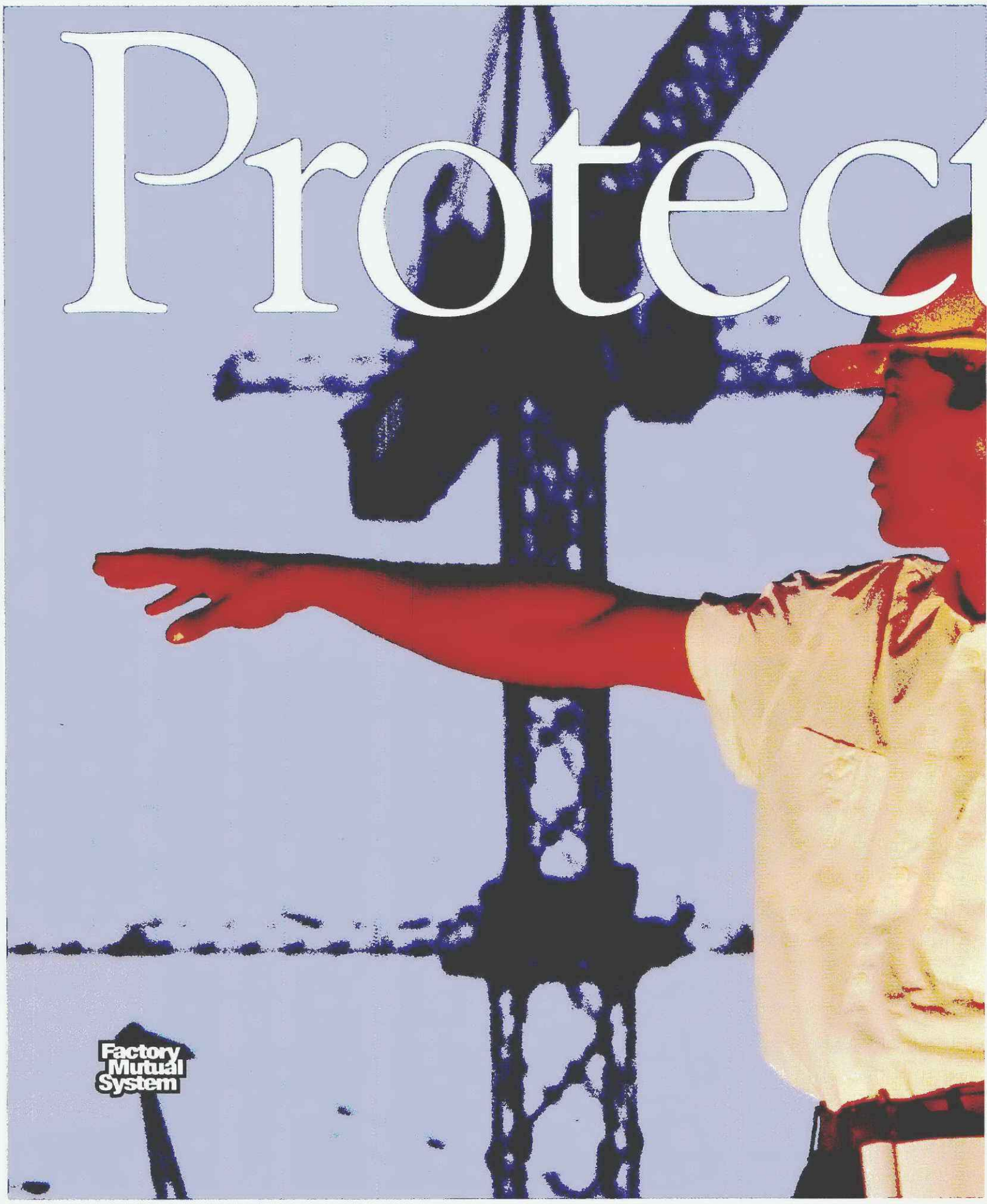

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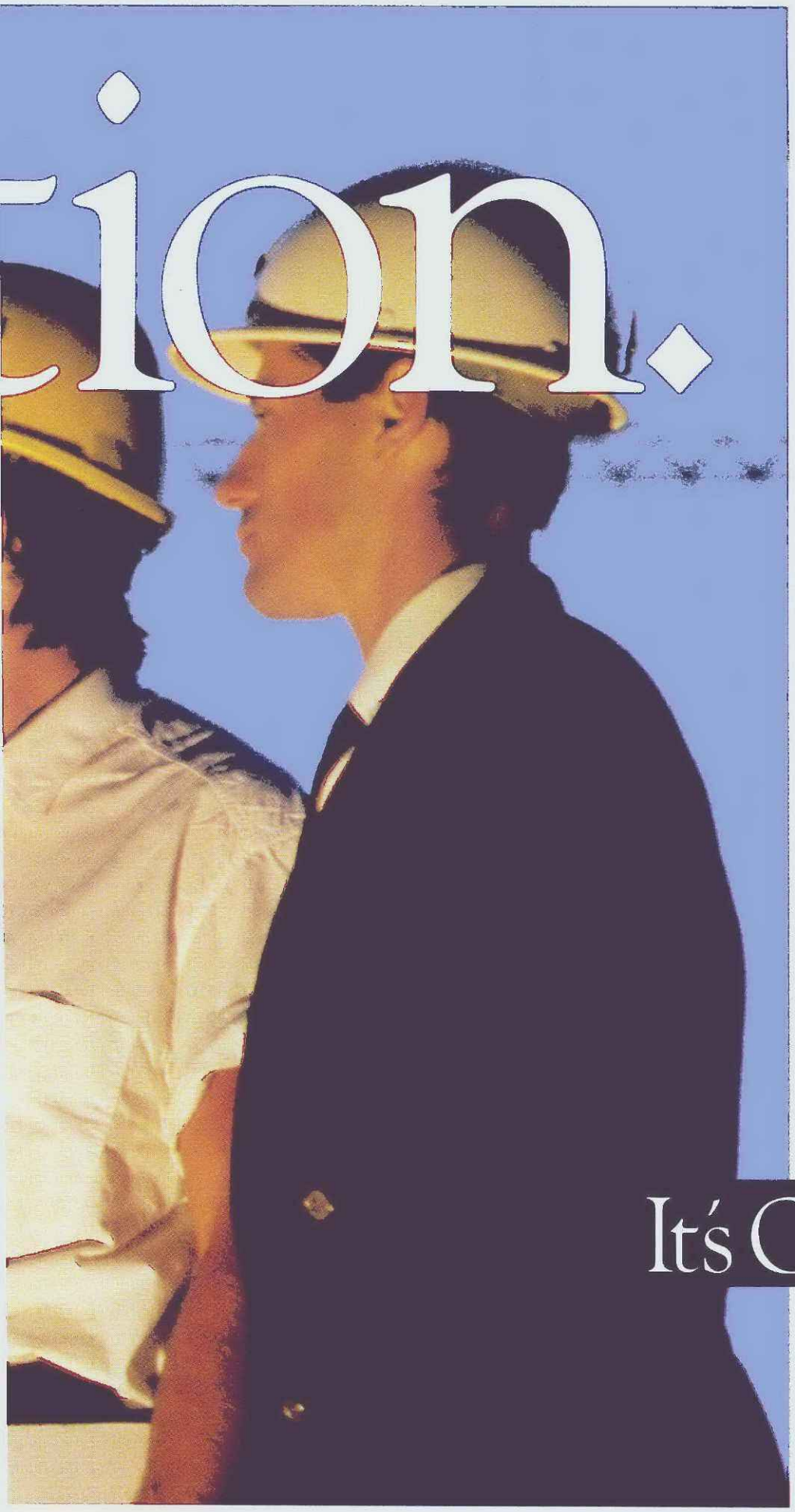

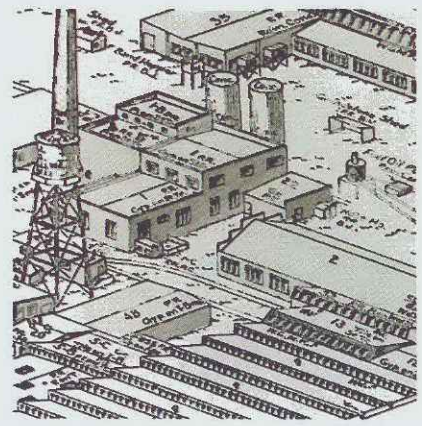

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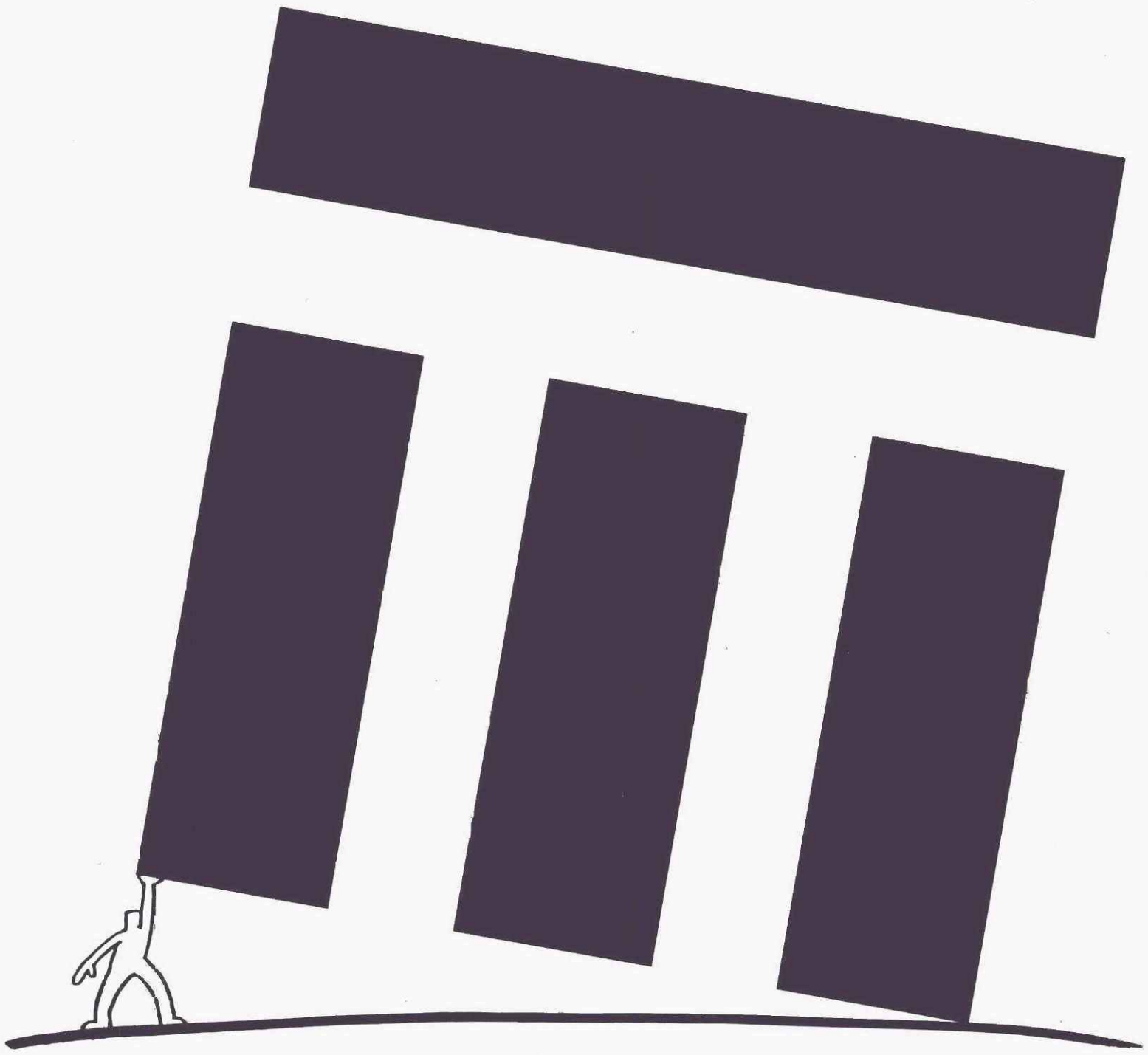

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Virgin Islands

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• EVENTS •

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BI annual directory of international property/casualty insurers

A

Allendale Insurance

P.O. Box 7500, Johnston, R.I. 02919; 401-275-3000; fax: 401-275-3029

	1996	1995
Int'l premiums	**$231,000,000**	$246,000,000
U.S.	**36%**	38%
Non-U.S.	**64%**	62%
Offices: Claims*	**NA**	NA
Underwriting*	**NA**	NA
Employees	**168**	162
U.S.	**2**	2
Non-U.S.	**166**	160
Underwriting in foreign countries	**64**	64
Foreign countries-owned offices	**7**	7
Combined ratio	**107%**	130%

** See listing for FM Insurance Co. Ltd.*

Intl. P/C operations began: 1963.

Parent: Allendale Mutual Insurance Co.

Specialties: Industrial, commercial and institutional property.

Services: Captive programs; loss control services for industrial, commercial and institutional property; retrospectively rated programs; statistics in support of international programs for industrial, commercial and institutional property.

Licensed or accepted insurer in: United States, Canada.

Affiliates/fronting arrangements: Mexico; service through FM Insurance Co. Ltd. in other locations. See FM Insurance Co. Ltd. listing for specific countries.

Officers: Daniel W. Schaffer, managing director-Allendale Ltd. (London); Michel L. Millescamps, vp-international operations-Allendale Ltd. (Annecy, France).

U.S. contact: Michael Turner, vp-marketing.

Allianz A.G.

Koniginstrasse 28, 80802 Munich, Germany; 49-89-3800-2628

	1996	1995
Int'l premiums*	**$16,689,638,000**	$15,165,934,600
U.S.	**16.1%**	15.1%
Non-U.S.	**83.9%**	84.9%
Employees	**35,432**	34,298
U.S.	**9,210**	9,031
Non-U.S.	**26,222**	25,267
Underwriting in foreign countries	**57**	55
Foreign countries-owned offices	**32**	28

** Converted at applicable exchange rates.*

Intl. P/C operations began: 1905.

Services: Captive programs; loss control services; retrospectively rated programs.

Licensed or accepted insurer in: Argentina, Austria, Belgium, Brazil, Canada, Chile, Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Liechtenstein, Mexico, Namibia, Netherlands, Norway, Poland, Portugal, Russian Federation, Singapore, Slovakia, South Africa, Spain, Sweden, Switzerland, United Arab Emirates, United States, Venezuela.

Affiliates/fronting arrangements: Australia (MMI Insurance Group); Brazil (Allianz-Bradesco Seguros S.A.); Cyprus (Cooperative Central Bank Ltd.); Egypt (Arab International Insurance Co.); Malaysia (Hong Leong Assurance Sdn. Bhd.); New Zealand (MMI General Insurance Ltd.); Russian Federation (Closed Joint Stock Insurance Co.); Saudi Arabia (Saudi National Insurance Co. E.C.); Taiwan (Fubon Insurance Co. Ltd.); Thailand (The Navakij Insurance Public Co. Ltd.); Tunisia (Societe Tunisienne d'Assurances et de Reassurances); Turkey (Sark Sigorta T.A.S.); representative offices in China, India, Vietnam.

Officers: Henning Schulte-Noelle, chairman; Diethart Breipohl, Detlev Bremkamp, Herbert Hansmeyer, board members; Rainer Hagemann, personnel director.

U.S. contact: John Kozero, public relations-Fireman's Fund Insurance Co., 415-899-2166.

American International Underwriters

70 Pine St., New York, N.Y. 10270; 212-770-7000; fax: 212-770-6786

	1996	1995
Int'l premiums	**$6,669,000,000**	*$6,510,000,000
Offices: Claims	**167**	162
Underwriting	**314**	307
Employees	**9,450**	8,969
U.S.	**834**	720
Non-U.S.	**8,616**	8,249
Underwriting in foreign countries	**76**	73
Foreign countries-owned offices	**70**	67
Combined ratio	**89.6%**	92%

** Restated.*

Parent: American International Group Inc.

Services: Captive programs; loss control programs; retrospectively rated programs; statistics in support of international programs.

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

Affiliates/fronting arrangements: Bolivia, Egypt, Estonia, Lithuania, Nigeria, Peru.

Officers: Robert Sandler, chairman; Martin Sullivan, president; Hamilton Da Silva, executive vp; William Freda, senior vp-claims; Nicholas Tyler, senior vp-finance; Edward Cloonan, vp-external affairs; Thomas Kaiser, president-energy division; Julio Portalatin, president-personal lines division; Joseph Smetana, president-commercial lines; Jeffrey Kestenbaum, accident/health division.

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

Arkwright Mutual Insurance Co.

225 Wyman St., Waltham, Mass. 02265-9198; 617-890-9300; fax: 617-890-0075

	1996	1995
Int'l premiums	**$109,613,000**	$120,707,000
U.S.	**58%**	52%
Non-U.S.	**42%**	48%
Offices: Claims	**7**	7
Underwriting	**8**	8
Employees	**200**	207
U.S.	**121**	125
Non-U.S.	**79**	82
Underwriting in foreign countries	**62**	62
Foreign countries-owned offices	**6**	5
Combined ratio	**84%**	74.3%

Intl. P/C operations began: 1963.

Parent: Arkwright Mutual Insurance Co.

Specialties: Property damage, business interruption, boiler and machinery, fidelity and crime, ocean cargo, inland marine.

Services: Captive programs; statistics in support of international programs and loss control services for property damage, business interruption and boiler and machinery.

Licensed or accepted insurer in: Canada, United States.

Affiliates/fronting arrangements: Mexico; service through FM Insurance Co. Ltd. in other locations. See FM Insurance Co. Ltd. listing for specific countries.

Officers: W.J Poutsiaka, president/CEO; Joseph P. Roth, senior vp/COO; R.J.M. O'Hare, senior vp/secretary/general counsel; W.F. Friedel, senior vp-strategic development; K.W. Davey, vp/managing director, Arkwright International Ltd.

U.S. contact: Joseph P. Roth.

AXA-UAP

9, Place Vendome, 75001 Paris, France; 33-1-40-75-5700; fax: 33-1-60-75-57-25

	1996*	1995**
Int'l premiums	**$12,132,400,000**	$2,432,100,000
Employees	**73,000*** **	NA
Underwriting in foreign countries	**32**	12
Foreign countries-owned offices	**32**	12

*Financial figures converted at applicable exchange rates. * Figure is pro forma and reflects premiums for AXA-UAP. ** Figure reflects AXA premiums only. *** Figure includes all AXA-UAP employees.*

Services: Captive programs; loss control services; retrospectively rated programs; statistics in support of international programs.

Licensed or accepted insurer in: Ar-

Continued on page 40

Delails.

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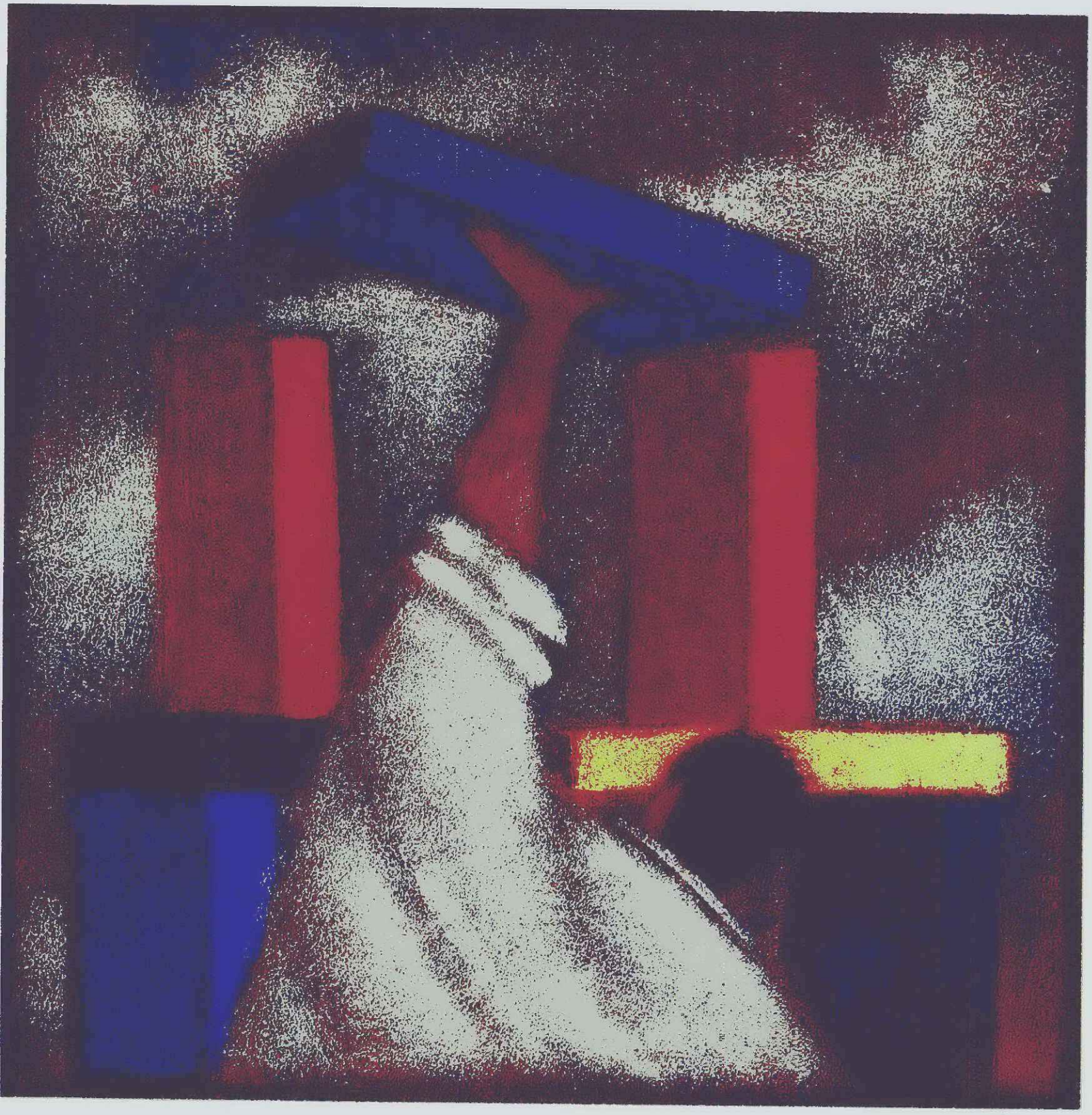
WORKERS COMPENSATION



A Spotlight Report on
WORKERS COMPENSATION
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SAFETY CONSULTANTS & REHABILITATION SERVICES
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Continued from page 38

gentina, Australia, Austria, Belgium, Brazil, Canada, Chile, France, Germany, Greece, Hong Kong, Italy, Japan, Luxembourg, Malaysia, Portugal, Singapore, Spain, Switzerland, Taiwan, Turkey, United Kingdom, Uruguay.

Affiliates/fronting arrangements: Colombia, Mexico, United States, Venezuela.

Officers: Claude Bebear, chairman-executive board; Donald Brydon, Henri de Castries, John Chalsty, Francoise Colloch, Jean-Pierre Gerard, Mark Wood, Denis Kessler, Claas Kleyboldt, Gerard de la Martiniere, Joe Melone, Ed Miller, Jean-Louis Meunier, Michel Pinault, Claude Tendil, Geoffrey Tomlinson, Dave Williams, members-executive board.

U.S. contact: Anne C. Cazes, 212-314-2567.

CNA

CNA Plaza, Chicago, Ill. 60685;
312-822-5000; fax: 312-755-5111

	1996	1995
Int'l premiums	**$240,000,000**	$210,000,000
Offices: Claims	**2**	1
Underwriting	**5**	4
Employees	**116**	117
U.S.	**91**	NA
Non-U.S.	**25**	NA
Underwriting in foreign countries	**97**	97
Foreign countries-owned offices	**6**	1

Int'l. P/C operations began: 1964.

Specialties: Global programs, controlled master and property/casualty programs, foreign package policies, treaty and facultative reinsurance.

Services: Captive programs; loss control services; retrospectively rated programs; statistics in support of international programs.

Licensed or accepted insurer in: Australia, Canada, Cyprus, Denmark, France, Guam, Hong Kong, Malaysia, United Kingdom, United States.

Affiliates/fronting arrangements: Andorra, Argentina, Australia, Austria, Bahrain, Barbados, Belgium, Bermuda, Bolivia, Botswana, Brazil, Bulgaria, Cameroon, Canada, Cayman Islands, Chile, China, Colombia, Congo, Cyprus, Czech Republic, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Fiji, Finland, France, Germany, Gibraltar, Greece, Grenada, Guam, Guatemala, Guyana, Haiti, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Jordan, Kenya, Kuwait, Lebanon, Luxembourg, Macao, Madagascar, Malaysia, Malta, Mauritius, Mexico, Monaco, Morocco, Netherlands, New Zealand, Nigeria, Norway, Oman, Panama, Peru, Philippines, Poland, Portugal, Puerto Rico, Qatar, Romania, Russia, Saudi Arabia, Singapore, Slovakia, South Africa, South Korea, Spain, Sri Lanka, St. Lucia, St. Vincent, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, Turks and Caicos Islands, United Arab Emirates, United Kingdom, U.S. Virgin Islands, Venezuela, Vietnam, Zambia, Zimbabwe.

Officers: Dennis Chookaszian, chairman/CEO; Adrian Tocklin, president-diversified operations; Robert T. Van Gieson, chairman/CEO-global operations; Michael J. Marchesani, president-CNA Worldwide.

Chubb & Son Inc.

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

	1996	1995
Int'l premiums*	**$1,079,753,000**	$1,045,381,000
U.S.	**13%**	23%
Non-U.S.	**87%**	77%
Offices: Claims	**40**	28
Underwriting	**60**	44
Employees	**1,937**	1,825
U.S.	**130**	150
Non-U.S.	**1,807**	1,675
Underwriting in foreign countries	**32**	30
Foreign countries-owned offices	**30**	30

** Reinsurance premiums excluded.*

Int'l. P/C operations began: 1960.

Parent: Chubb Corp.

Specialties: Property, general liability, D&O liability, inland and ocean marine, boiler and machinery, travel, accident.

Services: Captive programs; loss control services for property, general liability, inland and ocean marine, boiler and machinery; retrospectively rated programs

Licensed or accepted insurer in: Argentina, Australia, Belgium, Bermuda, Brazil, Canada, Chile, Colombia, Denmark,

Continued on page 42

What if

Picasso

had attempted

cartography?

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Guide to using this directory

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

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

If provided by the insurer, financial and operational information for 1996 and 1995 is listed. Foreign gross premiums, in U.S. dollars, for property and casualty risks are given as well as the percentage generated by foreign operations of U.S. employers vs. foreign operations of non-U.S. employers. Also provided are the numbers of foreign claims and underwriting offices; the number of employees involved in foreign property/casualty services, including those in U.S. and non-U.S. locations; the number of foreign countries represented and the number of countries in which the company owns offices (51% or more ownership). The insurer's combined ratio for foreign business may also be noted.

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

Next is the year the insurer's **international operations began**, its **parent** company and risks the company specializes in insuring. Special **services** provided that relate to international business follows.

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

To find companies that do business in a specific country, refer to the geographical index after the directory. The index includes only the names of the property/casualty insurers listed in the directory. Information on subsidiaries and fronting arrangements is in the directory listings.

Although every effort is made to obtain complete and accurate information, *BI* is unable to verify all information. The yearly average exchange rates are: British pound=$1.56 (12/31/96), $1.578 (12/31/95); deutsche mark= $.665 (12/31/96), $.698 (12/31/95); French franc=$.196 (12/31/96), $.201 (12/31/95); Italian lira=$.0001 (12/31/96), $.00062 (12/31/95); Swiss franc=$.805 (12/31/96), $.853 (12/31/95).

Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

Independent agents say 'aloha' to Hawaii

Coverage of IIAA's annual convention begins on page 40B

Marketing programs require back-office support .....page 40J

Insurance lobbyists needn't worry about job security...page 40J

Embracing change a theme in addresses to agents

IIAA execs urge agents to upgrade technology, get involved in politics and hire and mentor young professionals

By SALLY ROBERTS

Agents need to embrace their changing independent agency system and take a more active role in shaping its future.

This is the message of the outgoing and incoming presidents of the Independent Insurance Agents of America Inc., who addressed the association during opening and closing general sessions at the recent IIAA annual conference in Waikoloa, Hawaii.

Outgoing President Ronald A. Smith implored agents to not be put off by change.

"Ride the sea of change, so you won't be washed aside and left as a remnant of that change," he said.

Mr. Smith specifically told agents to make a commitment to improving their operations. "Commitment means dollars. t

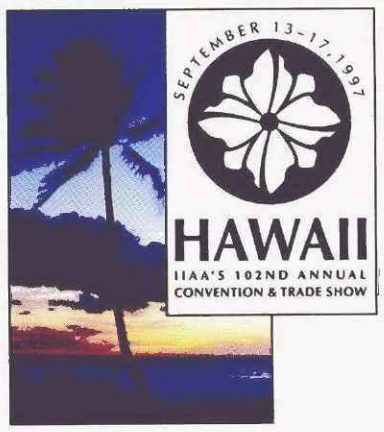
Mr. Smith

their customers are saying. "Take the necessary steps to thrive, not just to survive."

Agents also must take advantage of the fast-changing technology, said Mr. Smith, president of Smith, Sawyer & Smith Inc. in Rochester, Ind.

"If you're not putting at least 2% of your net revenue toward upgrading technology in your budget, you will fall woefully behind," he said.

In addition to technology, alliances with insurers, technology vendors, mutual fund companies and banks will become more essential for agents in the future, Mr. Smith said.



'It's all going to be more and more critical because we're going to be asked to perform more and more services by our customers,' " he said.

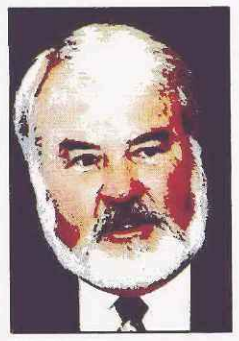
Mr. Smith also stressed the need for independent agents to get more involved with government relations.

He said 38% of all the bills introduced this year by Congress had some relation to the insurance industry.

"Don't tell me you can sit on the sidelines and say 'let the other guy worry about government affairs,' " Mr. Smith said. Whether it's local, state or federal, I don't care. You need to get involved."

Bud Wilson, chairman of Wilson Insurance Agency Inc. in Chula Vista, Calif., and incoming IIAA president, also implored agents to embrace change.

More and more young people are carving a place for themselves in the insurance industry.



Mr. Wilson

"They are forcing issues that must be addressed. They are daring us to change the way we work, and they are demanding their place in our world," Mr. Wilson said.

"And you know what? I say let them have it," Mr. Wilson said.

Like it or not, it is time to step aside "for this new generation of agents," he said.

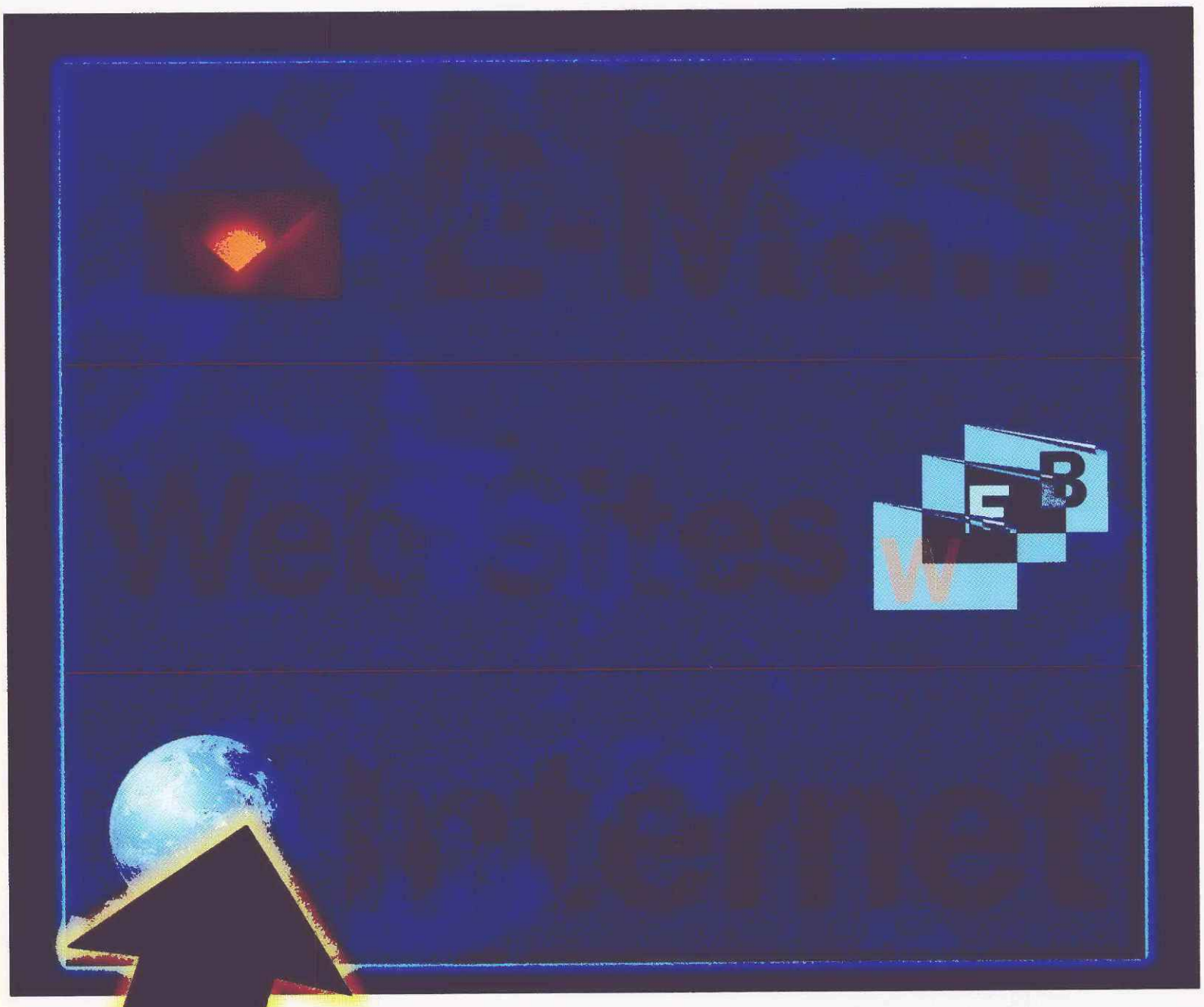
Experienced agents cannot allow the independent agency system they have helped build to wither and die, Mr. Wilson said. Agents need to "breathe new life into it."

He urged agents to hire new people, mentor them and be willing to listen and learn from them.

"Let the face of this industry be youthful, diverse and dynamic. Let our customers and our companies alike witness our embrace of change," Mr. Wilson said.

In delivering his outlook for the upcoming year as IIAA's president, Mr. Wilson said his vision includes the independent agency

See **Presidents** *on page 40D*



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Agent/Broker Topics

Agencies urged to explore opportunities of forming joint ventures with banks

By SALLY ROBERTS

The entry of banks to the insurance industry is inevitable, but that doesn't mean there won't be opportunities for agents to still play a role in selling coverages, a consultant says.

"I'm convinced there is more opportunity than threat," said Edgar W. Armstrong, managing director of the Risk Management Services division of Aon Specialty Group in Washington.

Banks inevitably will become bigger players in the insurance industry, he said. Not only are there opportunities for banks in homeowners insurance and lower-income life insurance products, but also some forms of insurance are viewed as commodities and are being sold via the Internet, direct mail or telemarketing—methods that make it easier for banks to sell insurance.

Moreover, banks are feeling the pressure of low interest rates and are seeing a diminishing share of the financial assets of this country, Mr. Armstrong said. "They have to find other interests," he said, adding that banks "know they already have a customer base and transactional opportunities."

Banks selling insurance is not a fad, he said. "I think it would have passed by now if it were a phenomenon," he said, adding that even the Independent Insurance Agents of America Inc. has dropped its longstanding opposition to banks selling insurance.

However, banks only have been "modestly successful at best" in the past with selling insurance, he said. This is where insurance agents' opportunities lie. Agents are the most "awesome" marketing people.

Mr. Armstrong gave agents insights into how to pursue bank/insurance opportunities during a session at the IIAA annual conference held recently in Waikoloa, Hawaii.

First, Mr. Armstrong said, agents need to know banks are different from most businesses in that they are more conservative and slower to move on new ventures.

"Banks are the most highly regulated industry in the country," he said. "They have so many regulations and are so closely watched."

Banks can enter insurance in three basic ways, Mr. Armstrong said. They can start up a new agency; acquire an existing agency; or develop a joint venture with an agency.

"The chances of a community bank starting a de novo agency successfully are zero, zip, nil," he said. "There is no way a bank can have a start-up in this environment. Forget de novo; it's not going to happen."

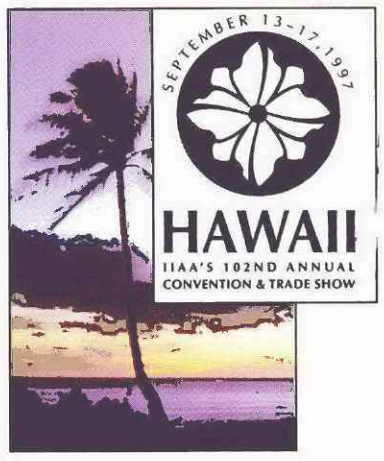
A bank purchase of an agency, however, "is very doable," Mr. Armstrong said. The bank, however, has to put out a large chunk of money to do that and would take on the entire agency. "It's viable but fraught with danger."

With a joint venture, though, a bank can partner with an agency with which it already has a relationship and can start one insurance product at a time.

Joint ventures "bring a lot of valuable benefits to each other," he said.

To identify joint venture opportunities, Mr. Armstrong suggested agents find a good potential bank partner, analyze and understand the bank's demographics, recognize key insurance product opportunities, and then communicate those benefits to the prospective bank partner.

Mr. Armstrong said some key product opportunities for a joint venture include; annuities, personal property/casualty, individual life, commercial property/casualty, employee benefit and other niche products, such as auto warranties, title insurance and flood insurance.



According to a yet-to-be-released study conducted by the IIAA in cooperation with the

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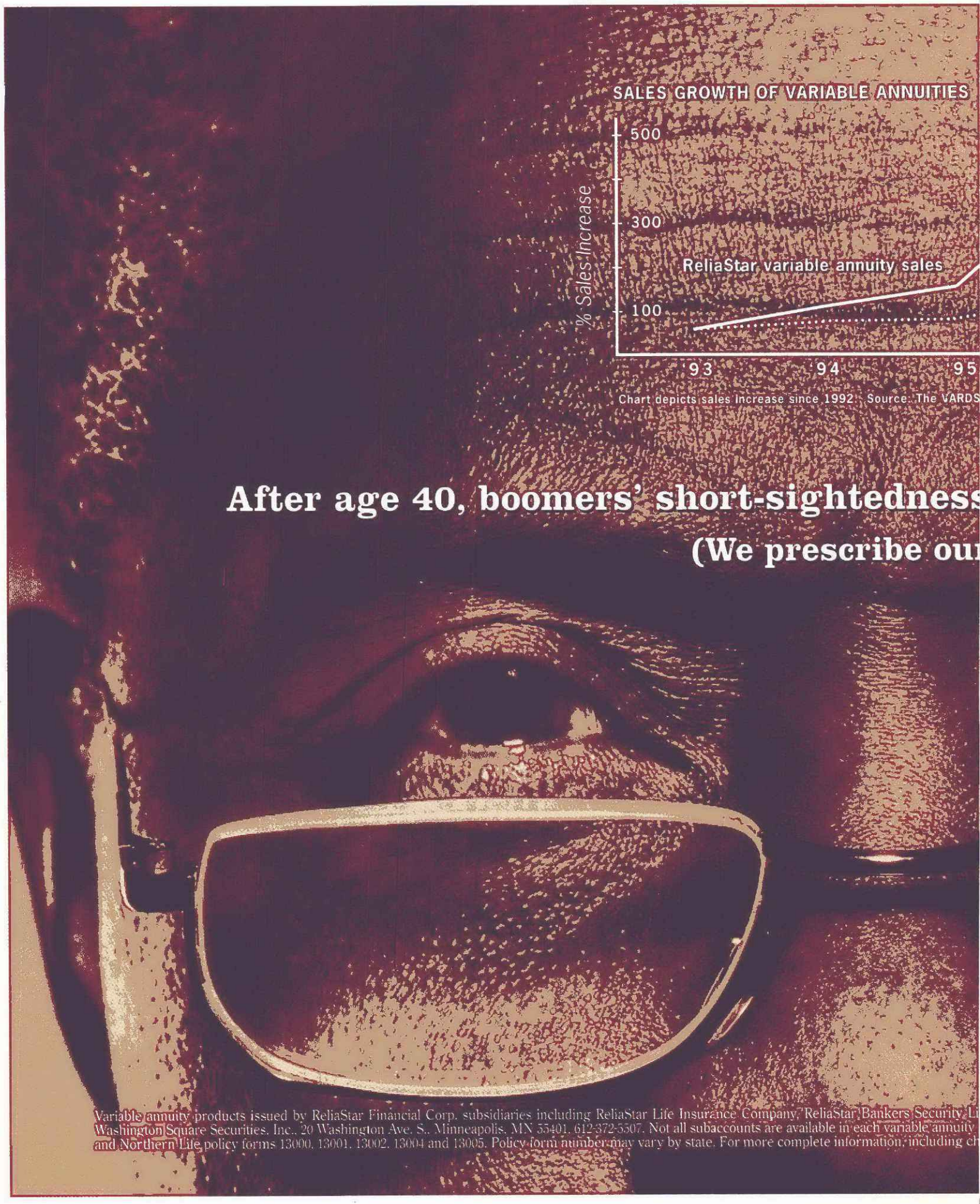

Continued from previous page

American Bankers Assn. and Aon Risk Management Services, personal lines property/casualty insurance is seen as the most profitable from the perspective of both agents and banks, said Paul A. Buse, vp of the Risk Management Services division of Aon. He also spoke during the session.

When asked how much experience each had with banks in insurance, 22% of the banks said they had two or more years' experience, compared with only 6% of the agencies surveyed.

Only 6% of the banks and 2% of the agencies said they had less than two years' experience with banks in insurance. Twenty-one percent of the banks and 19% of the agencies surveyed said they are actively investigating the idea.

More than half—51%—of the banks and 74% of the agencies said they had no experience with banks in insurance.

"That's a lot of banks that are potential partners for you," Mr. Buse told agents.

The survey also revealed that both banks and agencies look to form relationships with the most prestigious companies in their respective communities.

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The complete "Banks-in-Insurance Survey Report: Independent Agent & Banker Perspectives and Strategies" will be available for $89 for IIAA members and $129 for non-members in November.

Agents also can receive information and help in developing joint-ventures with banks through the IIAA's Agency/Bank Joint Venture Kit, which includes a series of six one-hour tapes recorded from the IIAA's joint-venture seminar and a comprehensive workbook with sample agreements, forms and proposals.

To reserve a copy of the survey or to order the kit, contact the IIAA at 127 S. Peyton St., Alexandria, Va. 22314.

PEOs seen as source of revenue for agents

Partnerships also may protect accounts

By SALLY ROBERTS

Independent agents looking to maximize their agency revenues should consider joining the fast-growing professional employer organization market.

PEOs, the new term for employee leasing companies, are a means for smaller employers—those with 500 or fewer employees—to eliminate time-intensive and expensive functions, such as payroll, insurance, personnel administration and record-keeping.

According to Judith H. Newman, a consultant with Phaze II Consulting Inc. in Fort Myers, Fla., the average employer pays $5,400 per employee annually in administration, payroll and benefit costs.

"It's real hard to justify separate human resource departments and loss control people on-site when you're a small employer," Ms. Newman said.

For insurance agents, contracting with an existing PEO or starting up a new PEO to provide these employment services to clients is "a real opportunity for those willing to step outside of the box," Ms. Newman said.

She spoke during a session on how agents can maximize revenue opportunities at the Independent Insurance Agents of America Inc.'s annual conference, held recently in Waikoloa, Hawaii.

Not only will a PEO help agencies bolster revenues in this challenging market, but it also is a way to protect current accounts, Ms. Newman contends.

"If you write small to medium-sized accounts, you'll be at risk. PEOs will go after your accounts," she said. When an employer contracts with a PEO, that employer no longer may have a need, for example, to buy workers comp coverage, she explained. "You'll feel the pinch someday."

More than 3,500 PEOs operate nationwide, with the largest numbers in Florida, California and Texas. In addition, roughly seven new PEOs are licensed each month, Ms. Newman said, adding that the annual internal growth rate for PEOs is about 25% to 30%.

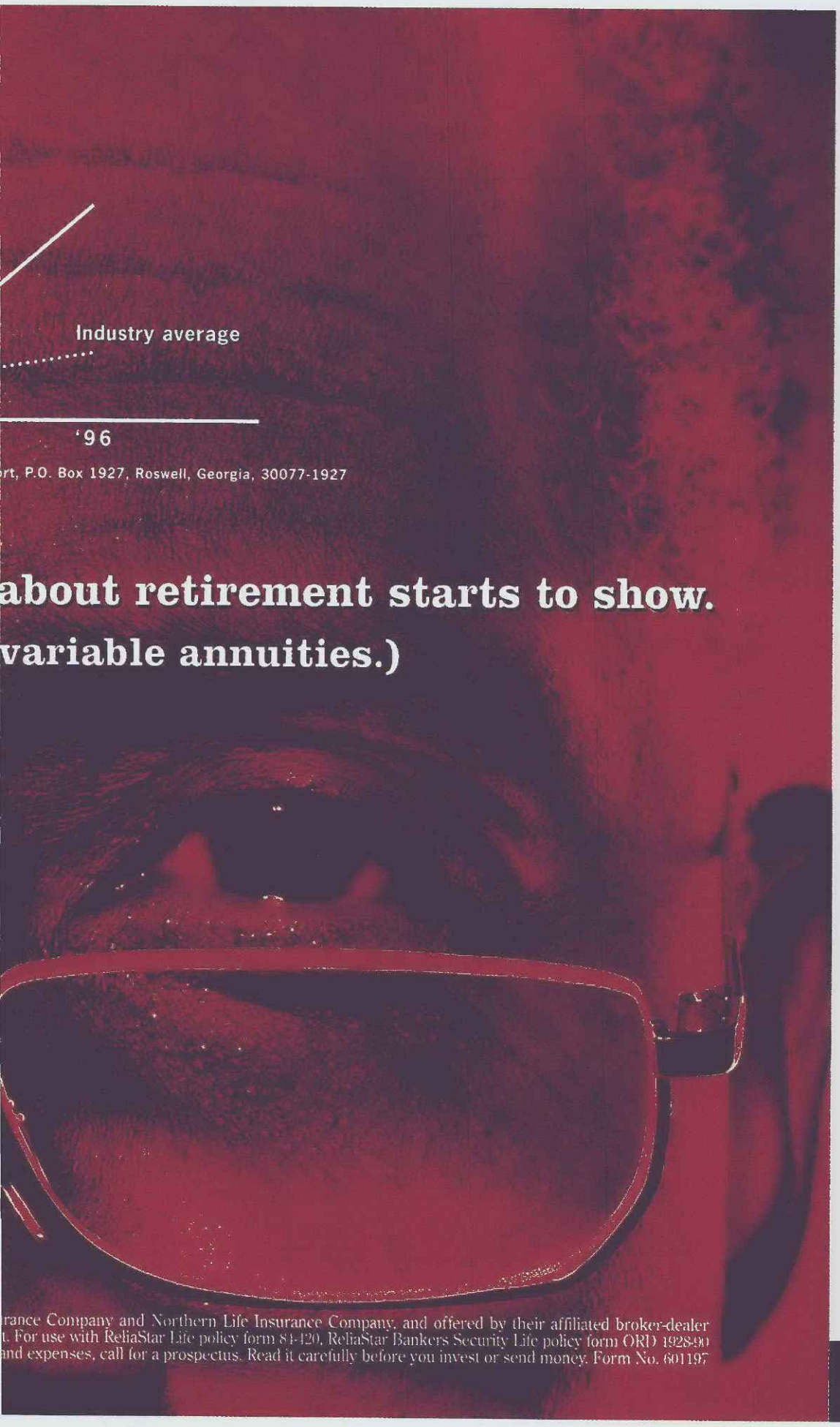
However, fewer than 10% of the PEOs have any affiliation with an insurance agency. The potential for growth is illustrated by the fact that, PEOs currently have only about 2% of what is being estimated as a $1 trillion potential market, she said.

Agents can pursue PEO business in one of three ways:

• Agents can contract with a recognizable PEO to sell insurance services to the PEO's clients.

Agents need to ensure their partner is properly licensed. Fifteen states require PEOs to have certification or a license to operate. In

See **PEOs** *on next page*



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Insurer reps won't have to lobby for work

Congressman and former NAIC head says large insurers should remain vigilant

By MARK A. HOFMANN

Insurance industry lobbyists will always have work, a member of Congress says.

Speaking at a recent conference, Rep. Earl Pomeroy, D-N.D., offered a list of reasons backing his assertion that the insurance industry's representatives don't have to worry about unemployment. Blocking congressional initiatives—not the least of those reasons, as Rep. Pomeroy and other participants in the discussion warned their audience—is far easier than getting a bill passed and signed into law.

As one veteran industry lobbyist noted, that fact of political life can make the lobbyist's lot a frustrating one.

The discussion—"The Lobbying Game: Insurers in the Political Arena"—was part of Oldwick, N.J.-based A.M. Best Co.'s 10th annual insurance information services conference in Washington last month.

"Large multiline insurers can never rest easy," said Rep. Pomeroy, a former president of the National Assn. of Insurance Commissioners. Issues of concern to large insurers always will pop up in Congress, he said. "No one is safe. Never, ever rest easy," he admonished.

Rep. Pomeroy

Another political rule is that the question of state vs. federal regulation of insurance always will be under discussion in some form or another, he said. He noted that the McCarran-Ferguson Act, which upheld the primacy of state insurance regulation, was passed more than a half-century ago. "To have a 50-year delegation of authority intact" is quite remarkable, said Rep. Pomeroy, who was North Dakota's insurance commissioner before winning election to Congress in 1992.

But now that primacy is being subjected to "death by 1,000 cuts" rather than a frontal attack, such as the effort earlier this decade to repeal the McCarran-Ferguson Act, said Rep. Pomeroy. "While I miss the Democratic majority, I don't miss Jack Brooks as Judiciary chairman at all," he said, referring to former House Judiciary Chairman Jack Brooks, D-Texas, who tried—and failed—repeatedly to scrub the McCarran-Ferguson Act from the nation's law books. Instead, Congress is nibbling at state regulation by passing laws dealing with particular facets of insurance, such as requiring that insurers cover a specified minimum maternity hospital stay.

Insurers must also "never underestimate the power of congressional inertia," said Rep. Pomeroy. That inertia helped stymie comprehensive health care reform and efforts to create federal insurance solvency oversight, Rep. Pomeroy said.

He reminded his audience that "Congress is the arena of the generalist," in the sense that individual members have to know a little bit about a great many subjects.

"We are a mile wide and an inch deep. We have to respond to questions from A to Z," he said. That makes Congress an inappropriate arena for resolving technical questions.

Finally, he warned his listeners that "civil war is fatal." An industry should "resolve these fights elsewhere, not on the floor of the House."

"Always play it straight. Pick your fights carefully Never confuse interest group politics with partisan politics," concluded Rep. Pomeroy.

Peter A. Lefkin, senior vp-federal affairs in Washington for Fireman's Fund Insurance Co., agreed with Rep. Pomeroy that insurers should not confuse interest group politics with partisan politics.

Mr. Lefkin, himself a former House Republican staffer, predicted there will be no permanent majority in Congress for the next decade and that regardless of which side dominates, it will do so by a narrow margin. Insurers will need to have good relations with both parties, he said.

'Always play it straight. Pick your fights carefully. Never confuse interest group politics with partisan politics,' says Rep. Earl Pomeroy, D-N.D., a former NAIC president.

"Washington is an extremely interesting place for the insurance industry, but it's also a very frustrating place," he said.

Insurers are "only marginally effective in Washington," said Mr. Lefkin. One of the reasons they lack as much clout as might be expected is they don't have an outside advocate as banks do, for example. Federal banking regulators are sympathetic to the industry they oversee and can speak with authority about banks when they appear before Congress. "We have nobody here who speaks with authority" on behalf of insurers the way the federal banking regulators do, he said.

In addition, "we are disunified as an industry," said Mr. Lefkin. Insurance industry representatives spend much of their time in internal industry meetings. As a result, there is less time for contacts with Capitol Hill staffers and other important players.

"I'm not tremendously optimistic about our getting anything done this year," he said.

A third panelist emphasized that the congressional system was designed to stop things from happening.

"The founding fathers were very smart," said Doyle Bartlett, chief of staff to Rep. Bill McCollum, R-Fla.

Mr. Bartlett said he agreed with Rep. Pomeroy that it is easier to kill a bill than to get one passed. Given that, an industry must determine whether it wants to play offense or defense, to be active or reactive, he said.

Mr. Bartlett offered some advice on how to make contacts. It's very critical to actually see or touch people to establish direct contact, he said. People can make indirect contact as well, such as through their trade associations, he said. An even less direct contact, yet one common in Washington, is using the media to make a point, he said. During the 11 o'clock news, "every other ad is an advocacy ad," said Mr. Bartlett.

During a question-and-answer period, Mr. Bartlett was asked which he paid more attention to: lobbying by a single company or by a trade association.

He replied that it varies. Trade associations deal with broader issues, he said. Individual companies concentrate on issues of significance to them, which is particularly attention-grabbing if the company happens to be located in the congressman or congresswoman's home district, he said.

Robert H. Gettlin, Washington editor for A.M. Best's publications, moderated the session. BI

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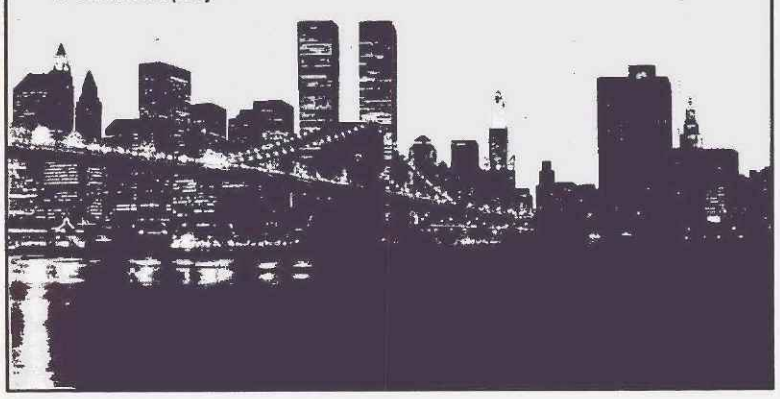

NAMIC forming bank to allow members to offer more products

The National Assn. of Mutual Insurance Cos. plans to launch a bank next year that will allow member insurers and their agents to offer more financial products.

Selected loan products and other services will be offered through participating insurers and their agents. New products are "one of the most potent marketing forces in the business world," NAMIC President Larry Forrester said in a statement.

Business will be conducted nationwide from the bank's headquarters in the Indianapolis area. Personal, agricultural and small commercial loans will be offered initially.

Certificates of deposit from the bank's insurer customers will be the main source of money for the loan portfolio, Indianapolis-based NAMIC said.

NAMIC will form the bank, which will be a federally chartered thrift owned by NAMIC Bancorp, incorporated to be the bank's holding company.

In turn, NAMIC, along with member insurance companies that buy stock in a subscription offering to begin this month, will own the holding company, the association said in a statement.

According to NAMIC, the bank project timetable calls for applying to the Office of Thrift Supervision and soliciting capital from NAMIC member companies before the end of the year.

"We anticipate the bank will begin with at least $15 million in capital," Mr. Forrester said in the statement.

The NAMIC board approved the bank's formation earlier this year. A permanent chief executive officer and other senior officers will be selected after the stock offering is complete, NAMIC said.

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Managing leads, tracking results essential to marketing plan success

By Kimberly Paterson

Was your agency or brokerage's last marketing program a success? Was it worth the time and money invested?

For years, agents and brokers have asked these questions about their advertising and marketing efforts. But, because few put systems in place to handle leads and track the results their programs generate, answers are rarely more than a guesstimate.

Whether an agency or brokerage is planning an advertising campaign, direct-mail program, trade show exhibition, public relations initiative or any other marketing endeavor, it's essential to have a system in place to handle and track leads from the moment they arrive until the deal is closed.

Without a system to manage inquiries, there's a good chance valuable leads may end up filed in the bottom of your producers' "in" bins. By the time they're discovered, the opportunity has been lost, and the damage to your agency's image has been done.

Listed are keys to constructing and implementing a lead management system that fosters the buying process and gives prospects a good impression of your organization from the start.

Response option

Today's prospects want convenient options that suit the way they do business. While traditional choices such as giving a phone number and including a business reply card still can be very effective in certain situations, a host of new considerations may be more appropriate for a particular audience.

A/BT Perspective

Careful analysis of the recipients helps determine the options that will maximize the response rate from a particular program.

For example, a direct-mail campaign to an industry that relies heavily on computers and the Internet would benefit from offering the Internet as a response option.

Programs that target young, two-income families draw greater response when options include a way for prospects to contact the marketer on evenings and weekends.

Regardless of the characteristics and preferences of the audience, it's important to offer cost-free options, whether toll-free numbers, postage-paid envelopes or other methods.

Inquiry handling

How inquiries are handled can have a tremendous effect on a marketing program's success. For example, results drop noticeably when phone respondents encounter voice mail or multilevel, computer-driven phone systems that feature menus and submenus. That's because today's time-pressed insurance buyers simply don't have the patience to wait for a return call or plod through an automated answering system.

In fact, whenever prospects respond via phone, it's best to have a knowledgeable person taking the call directly. No voice mail. No answering system. Prospects want someone who can help them immediately by answering their questions, setting up appointments and generally making it easy to get information.

Whether inquiries come via the phone, mail, Internet or some other source, having one person coordinate the processing is paramount to the program's success. It's also important that the person responsible for processing has enough time to do the job effectively. When handling leads is one more responsibility on someone's already overloaded schedule, prospects rarely get the attention they deserve. What's more, when one person is coordinating the processing, it's much easier to track the program's results, which is critical when it comes time to quantify the program's value and effectiveness down the road.

Qualifying the leads

There may be nothing worse than sending a salesperson out on a call that is doomed from the start because the prospect wasn't qualified. Not only is it a waste of time and money, it probably will sour the producers on all the leads the marketing program generates. For these reasons alone, it's important to qualify leads before they're turned over to producers.

In many cases, a few simple questions can be enough to get the information needed. For example, when prospects respond via mail, two or three multiple-choice questions can uncover the prospect's general needs and whether they coincide with the products and services being marketed. With phone inquiries, a few quick screening questions from people who have had time to practice with a carefully prepared script usually is enough to qualify prospects initially.

However respondents are qualified, the overall results of the marketing program improve when the screening is quick, easy and barely noticeable from the prospects' perspective.

Follow-up materials

For many prospects, gathering information is the first step in the decision-making process. In many cases, they want something they can put their hands on before they'll even consider speaking to a salesperson. In fact, agencies that don't have material to send respondents may not even be considered when final decision time arrives.

As far as quality, agents and brokers tend to fare much better when the material they send to prospects is polished and professionally designed. That's understandable, because follow-up material often helps prospects make judgments that have significant bearing on their ultimate decisions.

Another factor that weighs heavily on the outcome of marketing programs is the follow-up material's content. It must be valuable to the prospect. When arranging a sales call is the ultimate goal of the program, the most effective material piques prospects' interest and makes them want to learn more. When sales can be generated directly from the material sent, contents that include all the information relevant to the sale in an easily read and understood format have the best chance at success.

When it comes to distributing follow-up materials, time is of the essence. In recent years, the definition of "quick" delivery has changed as dramatically as technology. Because many no longer have the patience to wait for information in the mail, the most successful marketing programs are those that include options enabling prospects to get information instantly.

Making employees aware

Have you ever called a company in response to an advertisement only to find that the person you spoke with had no idea what you were talking about? This not only makes the company look bad, it virtually eliminates the chances of making a sale. What's more, it takes all credibility away from the individual employee, who's left feeling like an insignificant outsider.

When agents and brokers take the time to roll out new marketing campaigns to their entire staffs prior to the public, respondents always reach an informed employee.

Aside from this sales benefit, sharing information with the entire staff also makes everyone feel like a valuable and appreciated member of the agency team.

Time well spent

Devising and implementing a system that provides effective follow up can give agents and brokers a significant competitive advantage. Because while the competition is letting inquiries pile up, prepared agencies can be converting leads to sales—and there's no better way to grow a book of business or solicify a return on a marketing investment. BI

Kimberly Paterson is president of Creative Insurance Marketing Co., a consulting company based in Red Bank, N.J.

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Issue of October 6

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2. Number of employees:
1 ❑ 150 or less · 2 ❑ 151 - 499 · 3 ❑ 500 - 999 · 4 ❑ 1,000 - 4,999 · 5 ❑ 5,000 or more · 6 ❑ Unknown

3. My title is best defined as:
A ❑ Administrative Mgt · B ❑ Financial Mgt · C ❑ Risk Mgt · D ❑ Benefits Mgt · E ❑ Loss Prevention Mgt · F ❑ Other_____

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Continued from page 40

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

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	1996	1995
Int'l premiums	**$1,989,177,000**	$2,050,032,000
U.S.	**10%**	10%
Non-U.S.	**90%**	90%
Offices: Claims	**220**	211
Underwriting	**220**	211
Employees	**3,820**	3,701
U.S.	**420**	394
Non-U.S.	**3,400**	3,307
Underwriting in foreign countries	**40**	42
Foreign countries-owned offices	**40**	42
Combined ratio	**93.3%**	94.2%

Int'l. P/C operations began: 1792.

Parent: CIGNA Corp.

Specialties: Energy and technical lines; marine; accident and health; casualty, primary and excess, fire multinational risk management programs.

Services: Captive programs; loss control services for energy and technical, casualty, marine and fire; retrospectively rated programs; statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Bermuda, Brazil, Canada, Chile, China, Colombia, Denmark, Equador, Finland, France, Germany, Greece, Guam, Guatemala, Hong Kong, India, Indonesia, Ireland, Israel, Italy, Japan, Macao, Malaysia, Malta, Mexico, Netherlands, New Zealand, Norway, Pakistan, Panama, Philippines, Poland, Portugal, Puerto Rico, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Turkey, United Kingdom, United States, Venezuela, Vietnam.

Affiliates/fronting arrangements: Strategic alliances and/or joint ventures in Brazil, China, Indonesia, Korea, Malaysia, Philippines, Poland, Vietnam.

Officers: Kingsley Schubert, president; Bendt Themstrup, senior vp-accident/health; Gary Schmalzriedt, senior vp-international property/casualty; Alan May, senior vp-global risk management; Tim Tammany, senior vp-life/benefits; Allen Schaffer, senior vp-global health care.

U.S. contact: Paul Gallanda, director-international public affairs, 215-761-4746.

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St. Helen's, 1 Undershaft, London
EC3P 3DQ, United Kingdom;
44-171-283-7500; fax: 44-171-662-8182

	1996	1995
Int'l premiums*	**$5,684,640,000**	$6,278,862,000
U.S.	**32%**	32%
Non-U.S.	**68%**	68%
Employees	**12,035**	12,289
U.S.	**3,326**	3,348
Non-U.S.	**8,709**	8,941
Combined ratio	**106%**	107%

** Converted at applicable exchange rates.*

Int'l. P/C operations began: 1870.

Specialties: Marine.

Services: Captive programs; loss control services.

Licensed or accepted insurer in: Australia, Belgium, Canada, Cyprus, France, Greece, Indonesia, Italy, Malaysia, Netherands, Poland, Portugal, South Africa, Spain, Switzerland, Thailand, Turkey, United Kingdom, United States, Vietnam, Zimbabwe.

Officers: John Carter, CEO; Tony Wyand, executive director; Peter Ward, executive director; Peter Foster, finance director.

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

F

FM Insurance Co. Ltd.

Southside, 105 Victoria St.,
London SW1E 6QT, England;
44-171-828-7799; fax: 44-171-630-5335

	1996	1995
Int'l premiums*	**NA**	NA
Offices: Claims	**5**	5
Underwriting	**1**	1
Employees	**523**	509
Underwriting in foreign countries	**79**	79

** See Allendale Insurance, Arkwright Mutual Insurance Co. and Protection Mutual Insurance Co.*

Int'l. P/C operations began: 1963.

Parent: Allendale Insurance, Arkwright Mutual Insurance Co., Protection Mutual Insurance Co.

Specialties: Industrial and commercial property.

Services: Captive programs; loss control services for industrial and commercial property; retrospectively rated programs; statistics in support of international programs for industrial and commercial property.

Licensed or accepted insurer in: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden, United Kingdom.

Affiliates/fronting arrangements: Argentina, Austria, Bahamas, Bahrain, Belgium, Bolivia, Brazil, Brunei, Chile, China, Colombia, Czech Republic, Denmark, Djibouti, Dominican Republic, Ecuador, El Salvador, Egypt, Finland, France, Germany, Greece, Guatemala, Haiti, Honduras, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kuwait, Luxembourg, Malaysia, Morocco, Netherlands, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Poland, Portugal, Romania, Russia, Saudi Arabia, Singapore, Slovakia, Slovenia, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Tunisia, Turkey, United Arab Emirates, United Kingdom, Uruguay, Venezuela, Vietnam, Yemen.

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Contact: Justine Mackett.

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Assicurazioni Generali S.p.A.

Piazza Duca degli Abruzzi 2,
34132 Trieste, Italy;
39-40-671-111; fax: 39-40-671-600

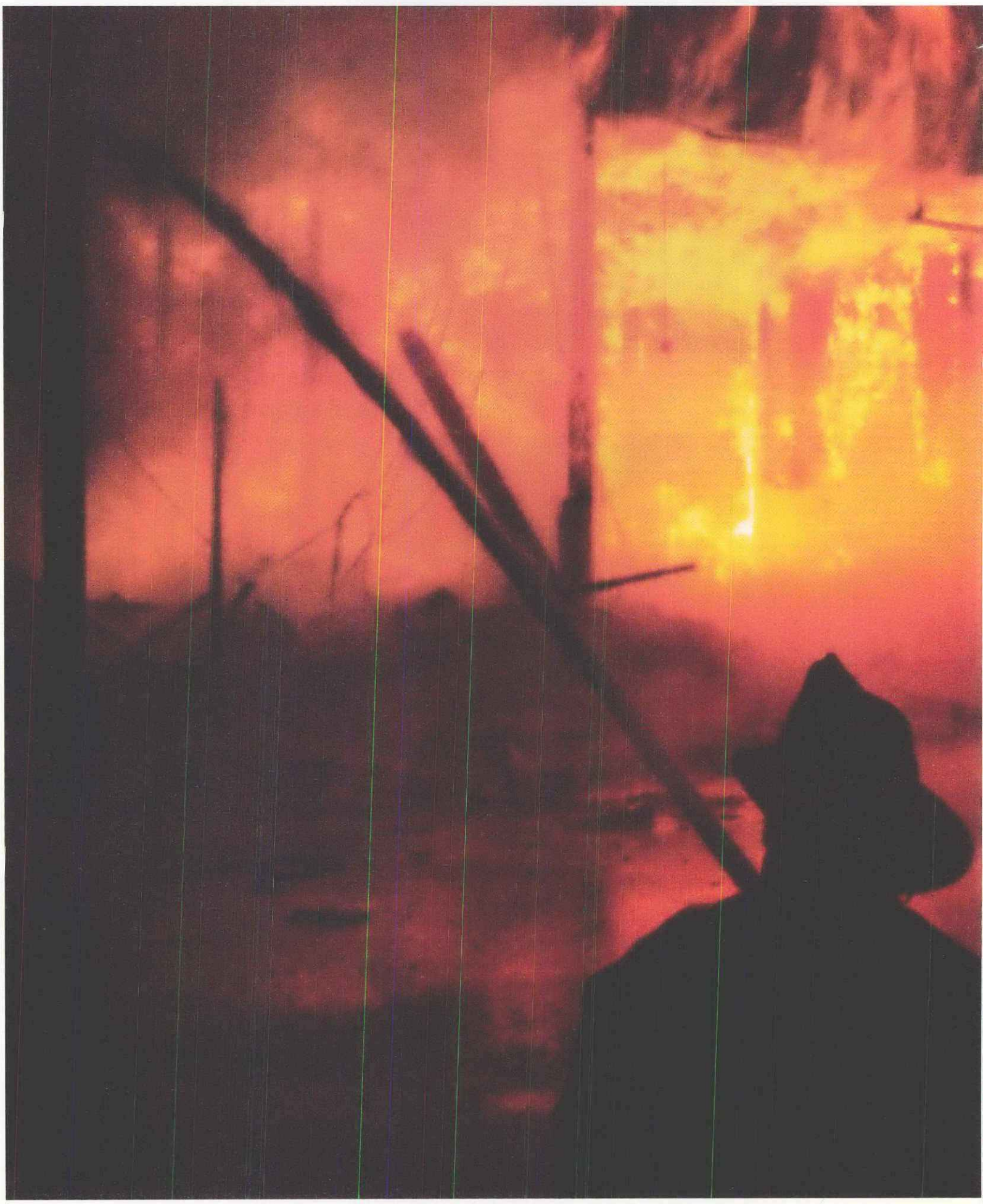
	1996	1995
Int'l premiums*	**$12,974,258,000**	$8,804,086,180

** Converted at applicable exchange rates.*

Int'l. P/C operations began: 1831.

Specialties: All classes of risk, including

Continued on next page



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space, aviation and package policies for corporate clients.

Services: Captive programs; loss control services for industrial and technological risks; retrospectively rated programs; statistics in support of international programs for industrial and technological risks.

Licensed or accepted insurer in: Argentina, Austria, Belgium, Canada, Colombia, Denmark, Dubai, Germany, Hong Kong, Ireland, Japan, Lebanon, Malta, Mexico, Netherlands, Panama, Peru, Portugal, Singapore, Spain, United Kingdom, United States.

Affiliates/fronting arrangements: Argentina, Austria, Belgium, Brazil, Canada, Colombia, Curacao, Czech Republic, Ecuador, Germany, Greece, Guatemala, Guernsey, Hungary, Finland, France, Italy, Liechtenstein, Luxembourg, Mexico, Netherlands, Peru, Portugal, Romania, Russia, Slovakia, Slovenia, South Africa, Spain, Switzerland, Turkey, United Kingdom, United States.

Officers: Antoine Bernheim, chairman; Gianfranco Gutty, vice chairman/managing director; Fabio Cerchiai, managing director; Benito Rocco, general manager; Benito Pagnanelli, deputy general manager.

U.S. contact: Riccardo Nicolini, president/CEO-Generali U.S. branch, 212-602-7600.

Gerling Insurance Group

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

	1996	1995
Int'l premiums*	$1,077,152,000	$931,132,000
Offices: Claims	90	83
Employees	10,148	9,599
Underwriting in foreign countries	30	29
Foreign countries-owned offices	29	28

** Converted at applicable exchange rates.*

Int'l. P/C operations began: 1955.

Parent: Gerling-Konzern Versicherungs-Beteiligungs-Aktiengesellschaft.

Specialties: Industrial and commercial risks.

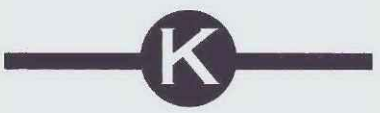
Services: Captive programs; loss control services; retrospectively rated programs; statistics in support of international programs.

Licensed or accepted insurer in: Argentina, Australia, Austria, Belgium, Brazil, Canada, China, Czech Republic, Denmark, France, Germany, Greece, Hong Kong, Hungary, Italy, Japan, Luxembourg, Malaysia, Mexico, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, South Africa, Spain, Sweden, Switzerland, United Kingdom, United States.

Affiliates/fronting arrangements: Lux Life, Luxembourg.

Officers: Jurgen Zech, chairman; Thomas Reineke, deputy chairman; Jochen Aymanns, Michael Dill, Uwe-Volker Bilitza, Norbert Strohschen, Frank Thomas, members-board of management.

U.S. contact: Wolfgang Schlaeger, president-Gerling America Insurance Co., 717 Fifth Ave., 14th Floor, New York, N.Y. 10022; 212-754-7500.



Kemper International Corp.

1 Kemper Drive, Long Grove, Ill. 60049; 847-320-2000; fax: 847-320-4271

	1996	1995
Int'l premiums	$115,000,000	$117,019,000
U.S.	31%	39%
Non-U.S.	69%	61%
Offices: Claims	16	16
Underwriting	16	16
Underwriting in foreign countries	77	77
Foreign countries-owned offices	9	9

Int'l. P/C operations began: 1969.

Parent: Lumbermens Mutual Casualty Co.

Specialties: Specialized small and middle market packages; industrial, including engineered loss prevention programs.

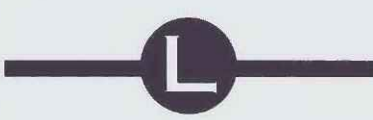
Services: Captive programs; loss control services; retrospectively rated programs; statistics in support of international programs for property and casualty.

Licensed or accepted insurer in: Australia, Belgium, Bermuda, France, Germany, Japan, Singapore, United Kingdom, United States.

Affiliates/fronting arrangements: Algeria, Antigua, Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Brazil, Brunei, Cameroon, Canada, Cayman Islands, Central African Republic, Chile, China, Colombia, Comoros, Cook Island, Curacao, Cyprus, Denmark, Djibouti, Dominican Republic, Dubai, Ecuador, Egypt, El Salvador, Fiji, Finland, France, French Guiana, French Polynesia, Gabon, Germany, Gibraltar, Greece, Guadeloupe, Guam, Guatemala, Haiti, Honduras, Hong Kong, Indonesia, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Jordan, Kenya, Kuwait, Liechtenstein, Luxembourg, Malaysia, Malta, Martinique, Mexico, Monaco, Morocco, Netherlands, New Caledonia, New Zealand, Niger, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Portugal, Qatar, Reunion, Rwanda, Saudi Arabia, Senegal, Singapore, Solomon Islands, South Korea, Spain, Sudan, Suriname, Sweden, Switzerland, Tahiti, Taiwan, Thailand, Togo, Tonga, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Vanuatu, Venezuela, Virgin Islands, Western Samoa, Yemen.

Officers: J.S. Kemper III, chairman; R.L. Smialek, CEO; T.J. Hoeh, president; D.R. Colcord, M.R. Del Rosso, E. Genya, W.E. Simmons, W.L. White, vps.

U.S. contact: Theodore J. Hoeh, president, 847-320-3767.



Liberty Mutual Insurance Co.

175 Berkeley St., Boston, Mass. 02117; 617-357-9500; fax: 617-574-6635

	1996	1995
Int'l premiums	$747,095,000	$587,692,000
U.S.	3%	3%
Non-U.S.	97%	97%
Offices: Claims	76	32
Underwriting	76	32
Employees	2,331	2,383
U.S.	42	26
Non-U.S.	2,289	2,357
Underwriting in foreign countries	26	20
Foreign countries-owned offices	7	5
Combined ratio	99.8%	102.3%

Int'l. P/C operations began: 1972.

Specialties: Workers compensation.

Services: Captive programs; loss control services for workers compensation, commercial property/casualty; retrospectively rated programs.

Licensed or accepted insurer in: Bermuda, Brazil, Canada, Japan, Mexico, United Kingdom, United States, Venezuela.

Affiliates/fronting arrangements: Access to 50 companies in more than 80 countries through Global Risk Management Group.

Officers: Edmund F. Kelly, president; Gordon McBurney, COO; Robert H. Gruhl, executive director; David F. Skinner, CFO; Stewart H. Steffey, president-international development.

U.S. contact: Stefa Normantas, communications manager, 617-574-5782.

Protection Mutual Insurance Co.

300 S. Northwest Highway, Park Ridge, Ill. 60068; 847-825-4474; fax: 847-825-1937

	1996	1995
Int'l premiums	$71,000,000	$75,800,000
U.S.	33%	35%
Non-U.S.	67%	65%
Offices: Claims*	NA	NA
Underwriting	7	7
Employees	74	76
U.S.	4	9
Non-U.S.	70	67
Underwriting in foreign countries	65	65
Foreign countries-owned offices	2	2
Combined ratio	110%	105%

** See FM Insurance Co. Ltd. listing.*

Int'l. P/C operations began: 1963.

Specialties: Industrial and commercial property.

Services: Captive programs; loss control services for property; retrospectively rated programs; statistics in support of industrial and commercial property.

Licensed or accepted insurer in: Canada, United States.

Affiliates/fronting arrangements: Mexico; service through FM Insurance Co Ltd. in other locations. See FM Insurance Co Ltd. listing for specific countries.

Officers: James W. Black, president/CEO; Dennis M. Anderson, vp/director-engineering; Jeffrey A. Burchill, vp-finance/treasurer; William R. Linhares, vp/director-underwriting; James M. Oskandy, vp-corporate affairs.

U.S. contact: Jeffrey A. Burchill.

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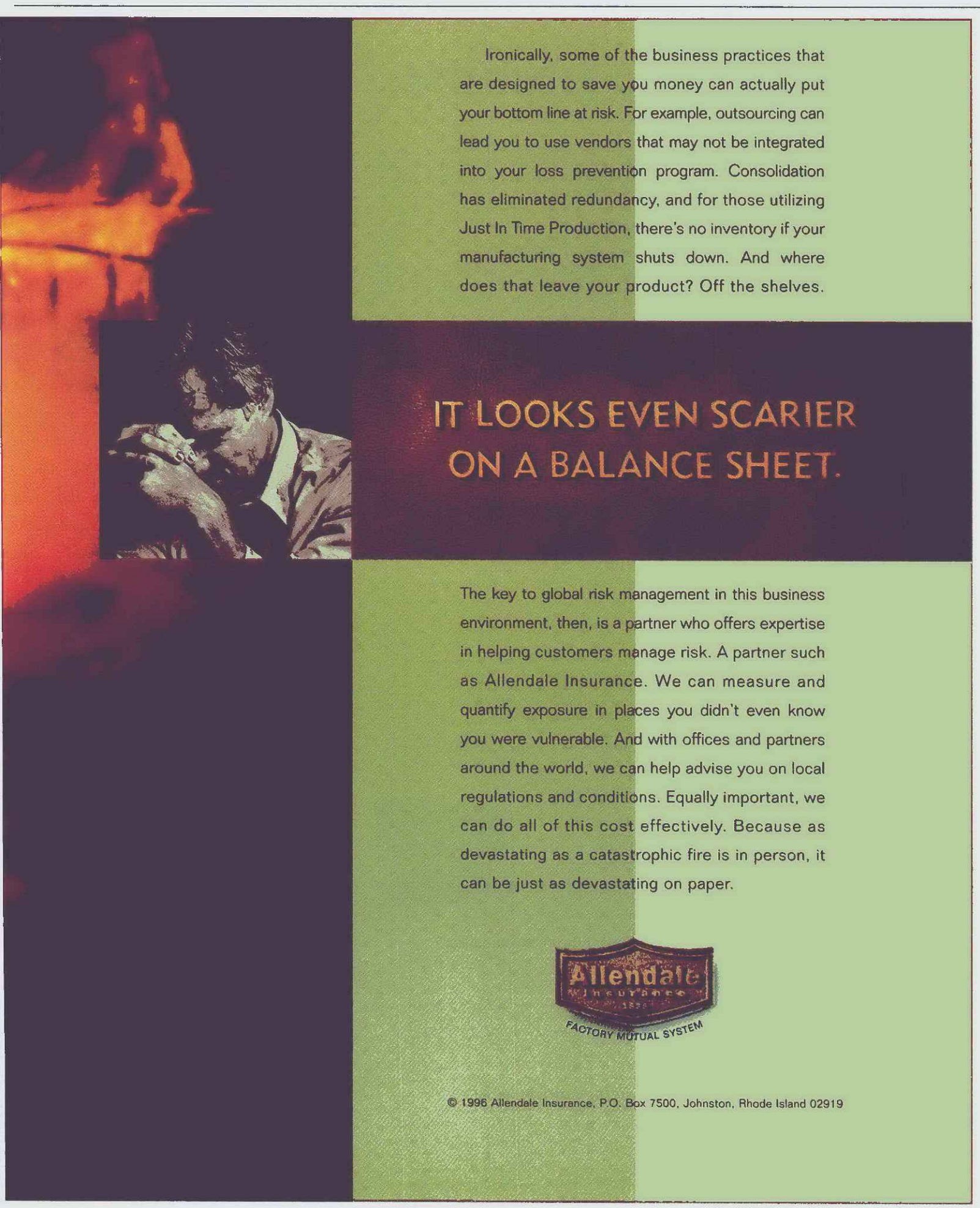

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Reliance National Insurance Co.

77 Water St., New York, N.Y. 10005;
212-858-5002; fax: 212-858-6595

	1996	1995
Int'l premiums	$289,959,000	*$246,850,000
U.S.	4.8%	6.7%
Non-U.S.	95.2%	93.3%
Offices: Claims	15	11
Underwriting	15	11
Employees	250	211
U.S.	41	34
Non-U.S.	209	177
Underwriting in foreign countries	100	100
Foreign countries-owned offices	13	13
Combined ratio	96.2%	103.4%

** Restated.*

Int'l. P/C operations began: 1990.
Parent: Reliance Insurance Co.
Specialties: Financial products, professional indemnity, excess property/casualty, marine, accident and health, aviation.
Services: Captive programs; loss control services for property/casualty; retrospectively rated programs.
Licensed or accepted insurer in: Argentina, Canada, Germany, Mexico, Netherlands, Norway, Singapore, Spain, Sweden, United Kingdom.
Affiliates/fronting arrangements: Brazil (ITAU Seguros), Chile (Euroamerica Insurance Group), Czech Republic (Pojistovna), Germany (Goethar Group), Indonesia (Asuransi Lippo), Japan (Dai Tokyo), Poland (Warta Group).
Officers: Joseph A. Graziano, executive vp; Christopher J. Cron, first vp-finance; William J. Parisi, first vp-underwriting.
U.S. contact: Anthony Perez, vp; 212-858-3864.

Royal & Sun Alliance Insurance Group P.L.C.

1 Cornhill, London EC3V 3QR, England;
44-171-283-4300; fax: 44-171-623-5282

	1996	1995
Int'l premiums*	$7,350,720,000	$8,275,032,000
U.S.	23%	28%
Non-U.S.	77%	72%
Employees	38,000	40,000
U.S.	3,800	4,000
Non-U.S.	34,200	36,000
Underwriting in foreign countries	120	115
Foreign countries-owned offices	55	54

** Converted at applicable exchange rates.*

Int'l. P/C operations began: 1710.
Services: Captive programs; loss control services; retrospectively rated programs; worldwide loss statistics.
Licensed or accepted insurer in: Australia, Bahamas, Barbados, Bermuda, Canada, Channel Islands, Chile, Hong Kong, Indonesia, Isle of Man, Italy, Kenya, Malaysia, Puerto Rico, Spain, United Kingdom, United States, Uruguay, Venezuela.
Affiliates/fronting arrangements: Antigua, Argentina, Australia (Sun Alliance & Royal Insurance Australia Holdings Ltd.), Austria, Bahamas, Barbados, Belgium, Bolivia, Brazil, Brunei, Canada, Chile, China, Colombia (Cia. de Seguros La Andina S.A.), Curacao, Cyprus, Czech Republic, Denmark, Dominica, Dubai, Ecuador, Egypt, Estonia, Falkland Islands, Fiji, Finland, France, Germany, Gibraltar, Greece, Greenland, Grenada, Guadeloupe, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Ivory Coast, Jamaica, Japan, Latvia, Luxembourg, Macao, Malawi, Malta, Martinique, Mauritius, Mexico, Montserrat, Morocco, Namibia, Netherlands, Netherlands Antilles, New Caledonia, New Zealand, Nigeria, Norway, Oman, Pakistan, Peru, Philippines, Poland, Portugal Puerto Rico, Russia, St. Helena, St. Lucia St. Vincent, Saudi Arabia, Senegal. Singapore, Slovakia, South Africa (Mutual & Federal Investments Ltd.), South Korea, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Turkey, Turks and Caicos United Kingdom (British Aviation Insurance Co. Ltd., Nissan Insurance Co. Europe Ltd.), Uruguay, United Arab Emirates, United States, Venezuela, Vietnam, Virgin Islands, Zimbabwe.
Officers: R.J. Taylor, executive deputy chairman; R.A. Gamble, group chief executive; P. Spencer, group finance director; Arthur Hayes, group executive director; D.F. Barker, group director-worldwide life operations; W.R. Rowland, group director-international operations.
U.S. contact: Rod Hoover, finance officer, 704-522-3201.

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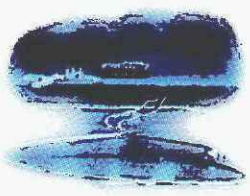

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The St. Paul Group

385 Washington St., St. Paul, Minn.
55102-1396; 612-310-7911;
fax: 612-310-7318

	1996	1995
Int'l premiums	$337,000,000	$334,000,000
U.S.	13%	11%
Non-U.S.	87%	89%
Offices: Claims	15	11
Underwriting	15	11
Employees	633	519
U.S.	26	25
Non-U.S.	607	494
Underwriting in foreign countries	43	42
Foreign countries-owned offices	7	5
Combined ratio	108%	109%

Int'l. P/C operations began: 1988.
Parent: The St. Paul Cos. Inc.
Specialties: Home-foreign and reverse-flow business for multinational corporations, construction, medical services, financial and professional services, public sector, technology, ocean marine and surety.
Services: Captive programs; loss control services; retrospectively rated programs; statistics in support of international programs.
Licensed or accepted insurer in: Argentina, Canada, France, Ireland, Netherlands, South Africa, Spain, United Kingdom, United States.
Affiliates/fronting arrangements: Argentina, Australia, Austria, Belgium, Bermuda, Botswana, Brazil, Canada, Chile, Colombia, Cyprus, Denmark, Ecuador, Fiji, Finland, France, Germany, Ghana, Greece, Hong Kong, Hungary, Iceland, India, Indonesia, Ireland, Israel, Italy, Japan, Kenya, Korea, Lesotho, Luxembourg, Malaysia, Mexico, Netherlands, Netherlands Antilles, New Zealand, Nigeria, Norway, Oman, Panama, Papua New Guinea, Peru, Philippines, Portugal, Romania, Russia, Saudi Arabia, Sierra Leone, Singapore, South Africa, Spain, Sri Lanka, Suriname, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Tunisia, Turkey, United Arab Emirates, United Kingdom, Venezuela.
Officers: Douglas W. Leatherdale, CEO/chairman/president-The St. Paul Cos.; Patrick A. Thiele, president/CEO-worldwide insurance operations; Paul J. Liska, executive vp/CFO; Mark L. Pabst, president/COO-international underwriting-The St. Paul Cos.; Kent D. Urness, CEO/president-St. Paul International Insurance Co. Ltd.
U.S. contact: Joan Palm, 612-310-2685.

Winterthur Swiss Insurance Co. Ltd. - International Division

Gruetzefeldstrasse 41, P.O. Box 286,
8401 Winterthur, Switzerland;
41-52-261-1111; fax: 41-52-212-1629

	1996	1995
Int'l premiums*	$4,508,000,000	$4,009,100,000
U.S.	24%	25%
Non-U.S.	76%	75%
Offices: Claims	25	25

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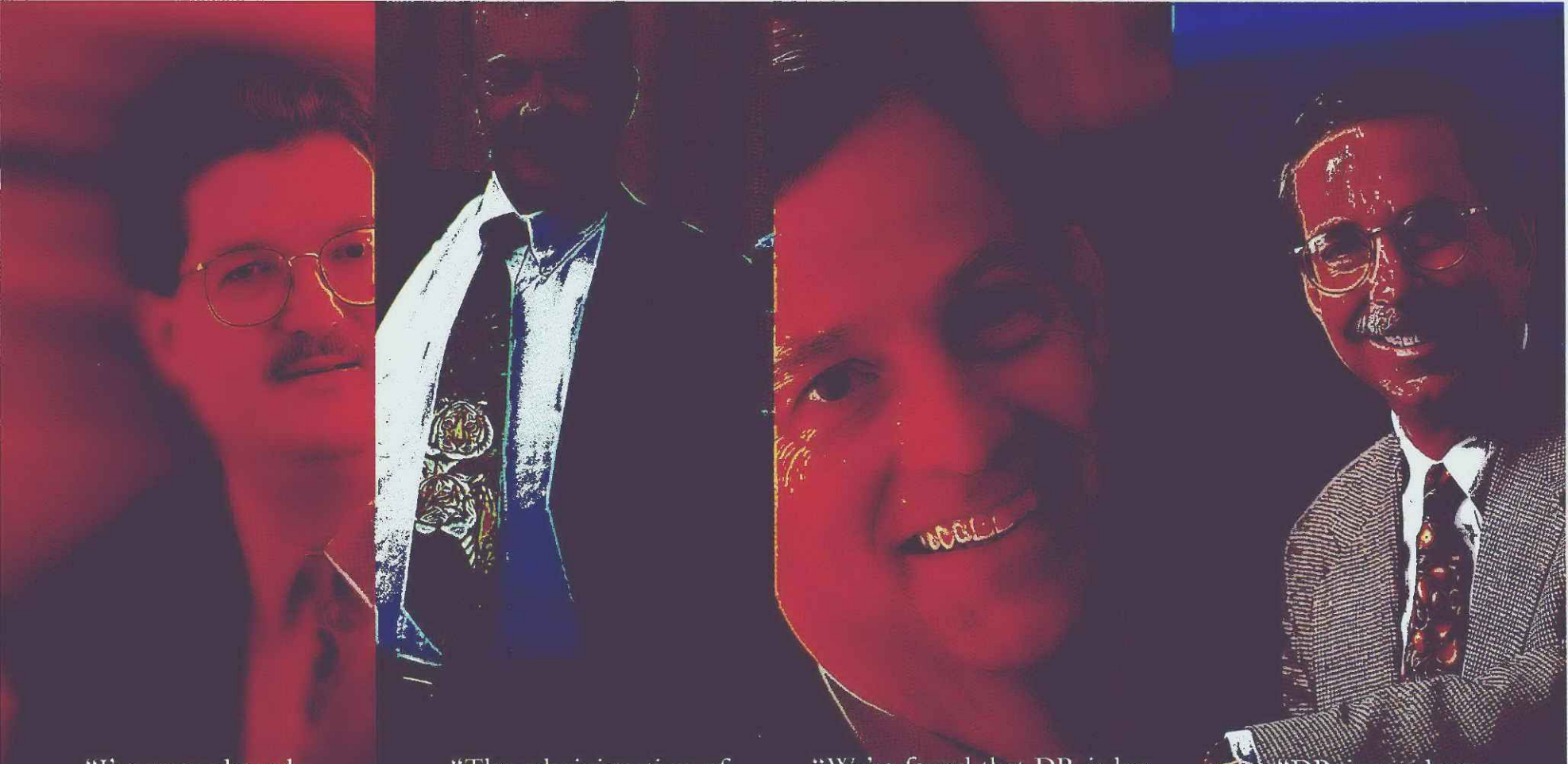

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–Dale Johnson,
Town of Cary
Cary, NC
(605 employees)

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–Jeff Yoder,
First Security Bank
Salt Lake City, UT
(8,000 employees)

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–Edward Askew,
Greenville Utilities Commission
Greenville, NC
(353 covered employees)

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–Bill A. Tarro,
Independent School District
Lubbock, TX
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Continued from page 44

	1996	1995
Underwriting	51	50
Employees	600	500
U.S.	80	70
Non-U.S.	520	430
Underwriting in foreign countries	51	50
Foreign countries-owned offices	51	50

** Converted at applicable exchange rates.*

Intl. P/C operations began: 1875.

Parent: Winterthur Swiss Insurance Co.

Specialties: Casualty, property, accident/health, motor, marine, engineering.

Services: Captive programs; loss control services; retrospectively rated programs; statistics in support of international programs.

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

Affiliates/fronting arrangements: Joint ventures in Brazil and Mexico.

Officers: Peter Spalti, CEO/chairman; T. Wellauer, CEO (as of October 1, 1997); W. Suter, executive vp; H. Gmunder, senior vp.

U.S. contact: G. Keller, president-Winterthur International, 214-559-1543.

Zurich Group

Mythencuai 2, CH 8022 Zurich, Switzerland; 41-1-205-21-21; fax: 41-1-205-35-55

	1996	1995
Int'l premiums*	$16,663,500,000	$14,620,000,000
Employees	40,981	36,500
U.S.	14,000	12,225
Non-U.S.	26,981	24,275
Foreign countries-owned offices	90	90

** Converted at applicable exchange rates.*

Int'l. P/C operations began: 1872.

Parent: Zurich Insurance Co.

Specialties: Chemical and pharmaceutical; manufacturers of machinery, equipment, electrical/electronic, food and beverage; computer/high tech companies.

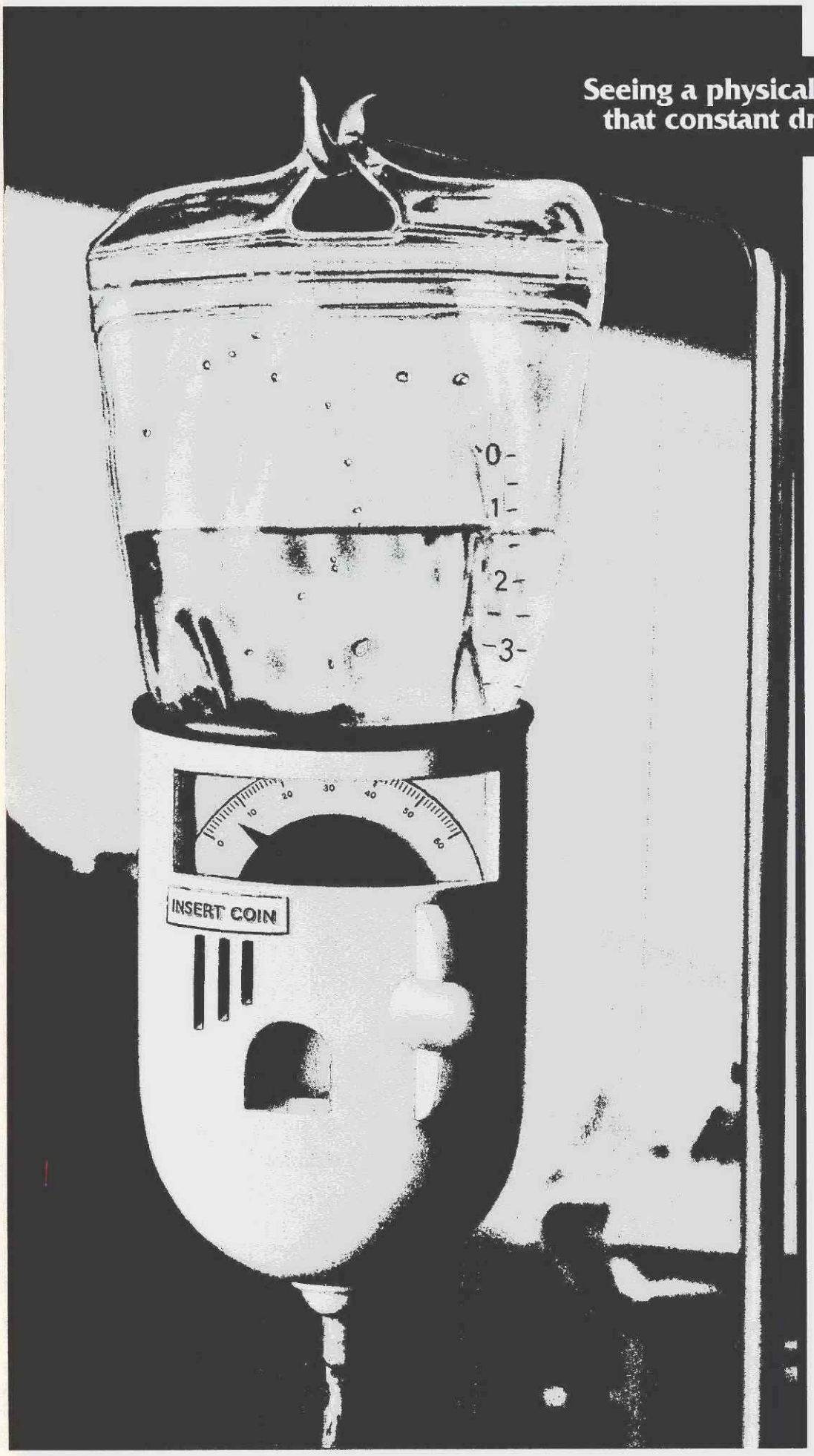
Services: Captive programs; loss control services for property, business interruption, general liability, products, auto fleet, workers compensation; retrospectively rated programs; statistics in support of international programs for coordinated covers in property, liability, marine, motor fleet.

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

Affiliates/fronting arrangements: Bahamas (General Brokers & Agents Ltd.), Bahrain (Zurich Insurance Services), Barbados (Insurance Corp. of Barbados), Belize, Bolivia (La Boliviana Ciacruz de Seguros), Brazil (Zurich-Anglo Seguradora S.A.), Brunei, Bulgaria, Cayman Islands, China, Colombia, Costa Rica, Caracao, Czech Republic (Zurich Pojistovna), Dominican Republic (Compania Nacional de Seguros C. Por A.), Dubai, Dutch Antilles, Ecuador (Compania de Seguros), Egypt (Arab International Insurance Co.), El Salvador (Aseguradora Suiza Salvadorena S.A.), Finland (SAMPO Insurance Co. Ltd.), Guatemala (Seguros Granai & Townson S.A.), Haiti (La Generale d'Assurance S.A.), Honduras (Aseguradora Hondurena S.A.), Hungary (Zurich Biztositas), Iceland (Vatryggingafelag Islands HF), India, Iran (Asian Insurance Co.), Iraq (National Insurance Co.), Jamaica (Insurance Co. of the West Indies Ltd.), Jordan (Arabia Seas Insurance Co.), Kenya (African International Insurances), Korea (Hyundai Marine & Fire Insurance Co. Ltd.), Kuwait (Kuwait Insurance Co. S.A.K.), Lebanon, Libya (Libya Insurance Co.), Malta, Morocco (La Garantie Generale Marocaine), Nigeria (The United Nigeria Insurance Co. Ltd.), Oman (Oman National Insurance Co.), Pakistan (New Jubilee Insurance Co. Ltd.), Panama (ASSA Compania de Seguros S.A.), Papua New Guinea (Zurich Pacific Insurance Pty. Ltd.), Peru (Compania de Seguros "Rimac"), Philippines (Malayan Zurich Insurance Co.), Qatar, Romania, Russian Federation, St. Lucia, Saudi Arabia (National Insurance Co.), Slovakia (Zurich Poistovna), South Africa, Sri Lanka (Insurance Corp. of Sri Lanka), Sudan (The Blue Nile Insurance Co. Ltd.), Syria, Taiwan (Malayan Overseas Insurance Corp.), Thailand (Muang Thai Life Assurance Co.), Trinidad and Tobago (Trinidad & Tobago Insurance Ltd.), Tunisia (Compagnie d'Assurances et de Reassurances), Turkey (Gunes Sigorta A.S.), United Arab Emirates, Uruguay, Venezuela (Zurich Internacional de Venezuela), Vietnam, Yugoslavia.

Officers: Rolf Huppi, chairman/CEO, William H. Bolinder, corporate executive board member/chairman Zurich-American Insurance Group; Constantine P. Iordanou, president/CEO-Zurich American Insurance Group.

U.S. contact: Thomas H. Hite, executive vp-corporate development/marketing, 847-605-6156; John Ormerod, vp-marketing Zurich-American Risk Management, 847-605-6531; John Greene, vp-marketing Zurich-American Diversified Products, 212-676-4387. BI



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Allianz A.G.
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Arkwright Mutual Insurance Co.
AXA-UAP
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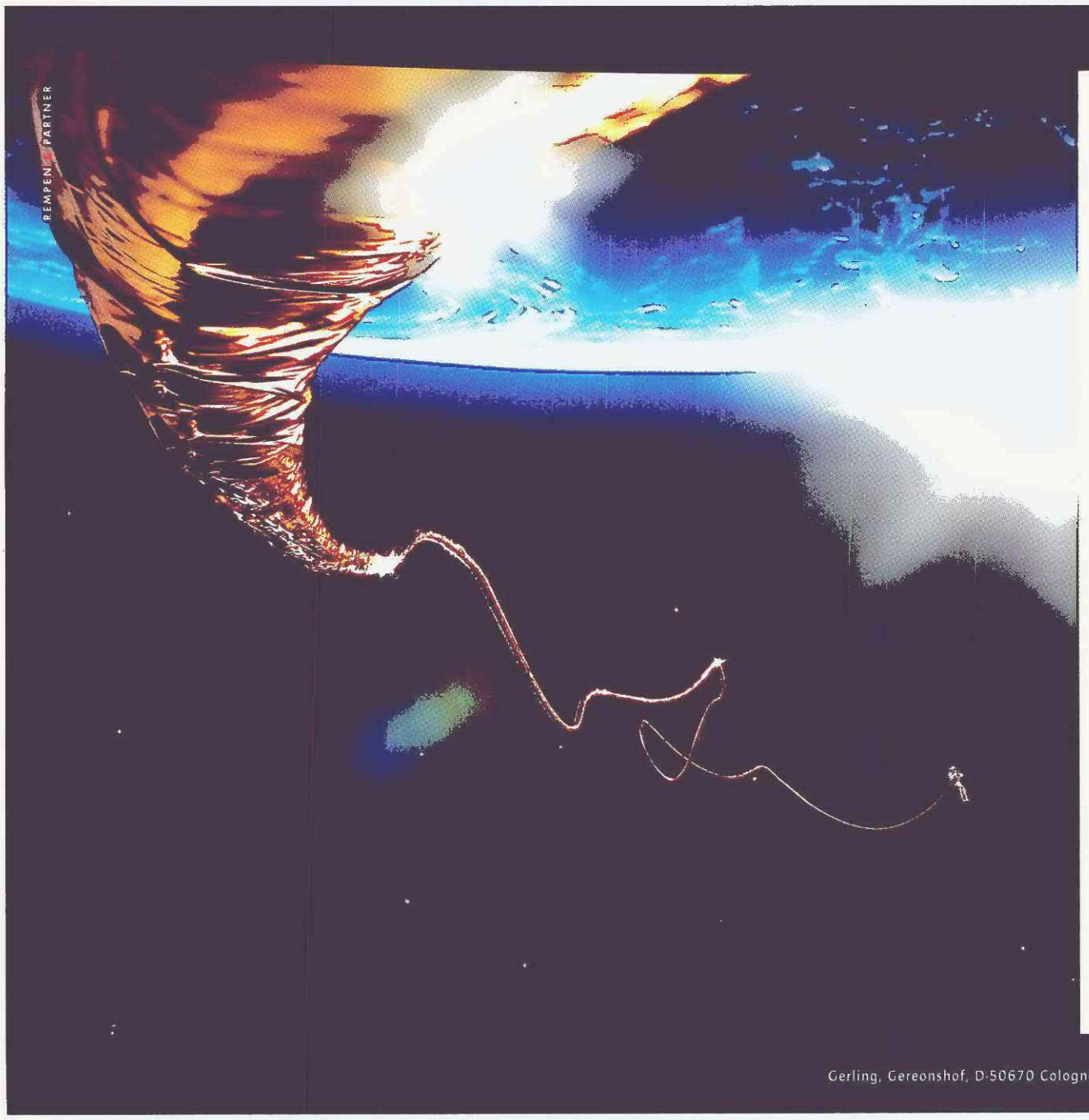

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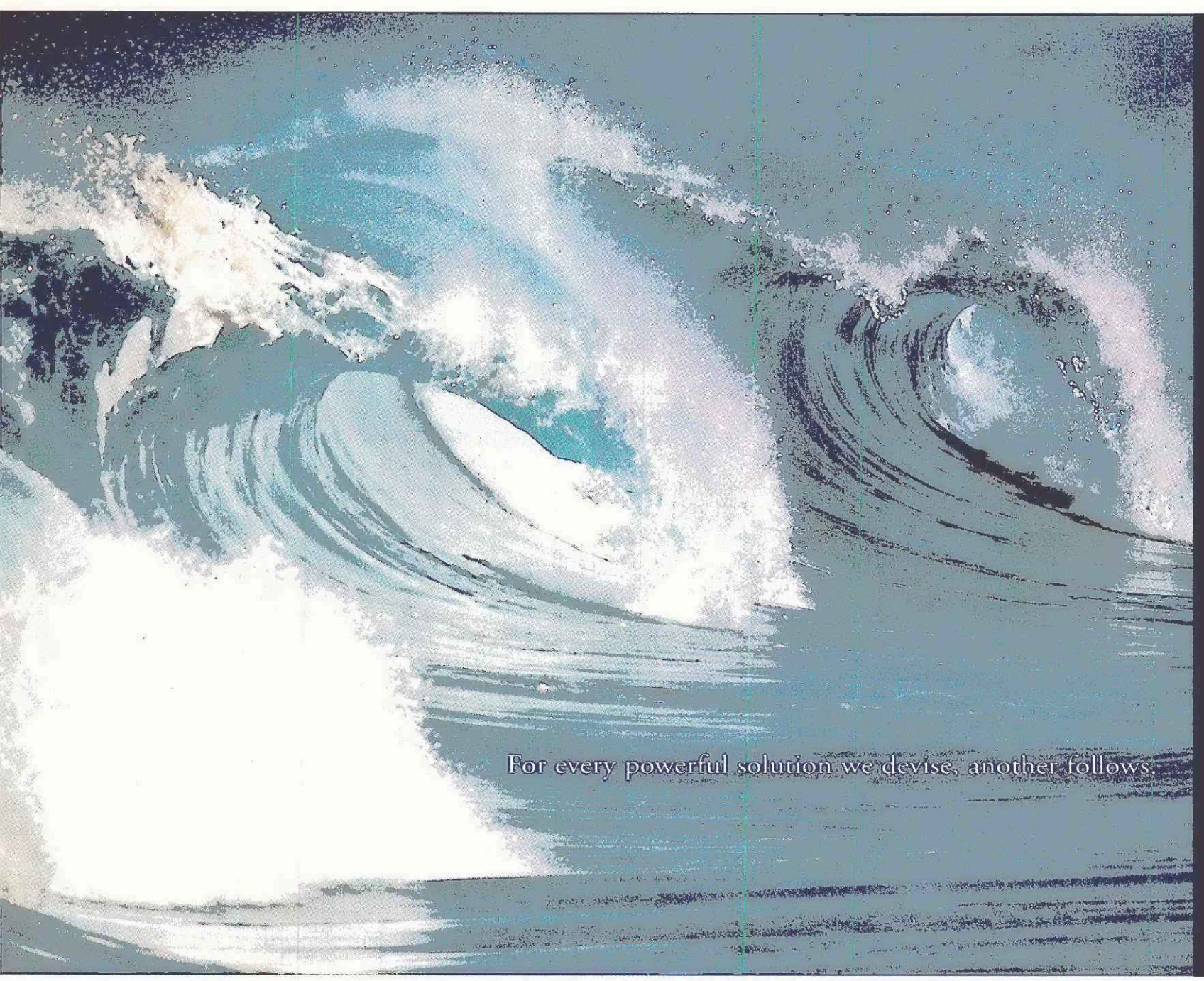

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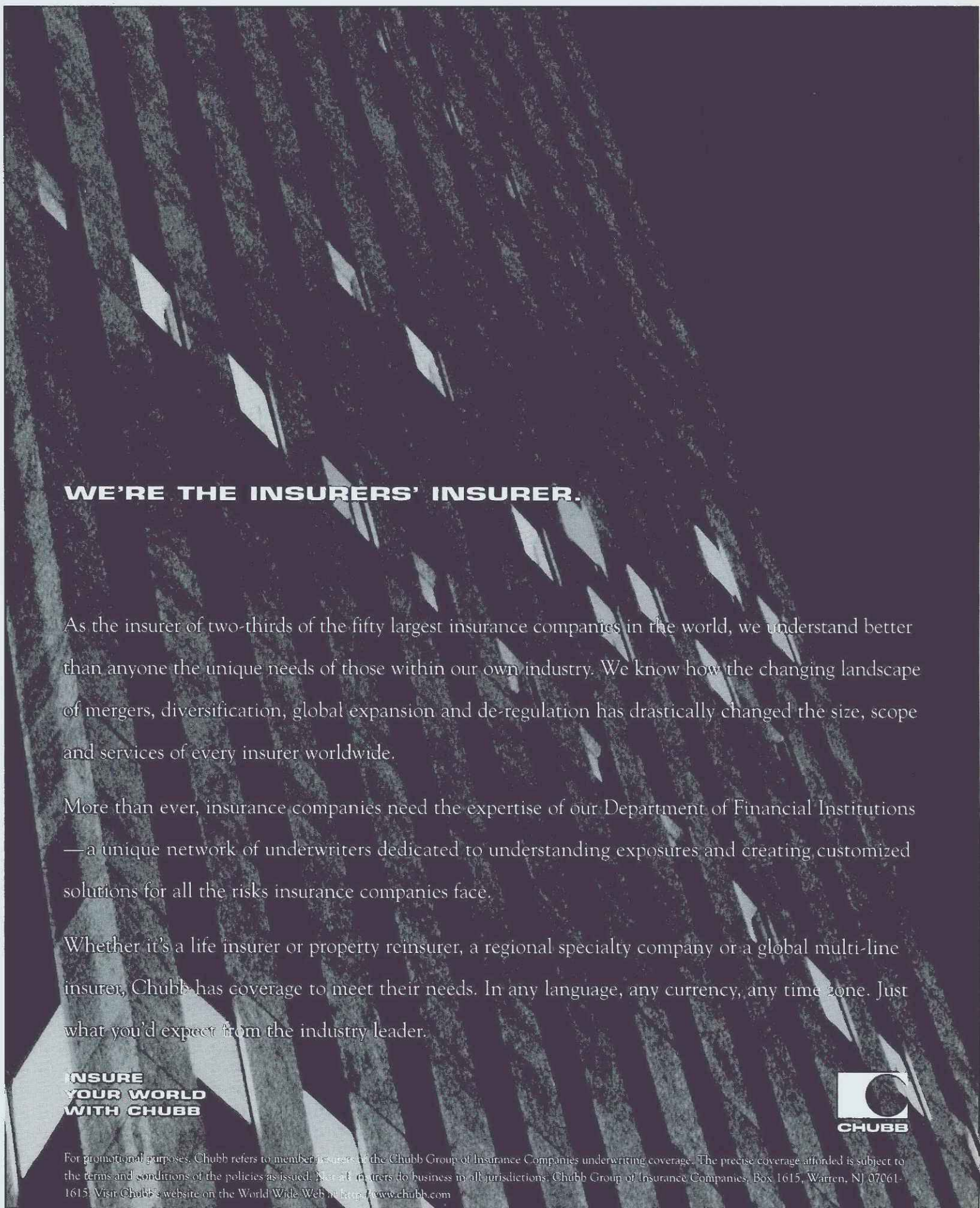

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Nigeria

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Tonga

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BI

The yearly average exchange rates are: British pound=$1.56 (12/31/96), $1.578 (12/31/95); deutsche mark= $.665 (12/31/96), $.698 (12/31/95); French franc=$.196 (12/31/96), $.201 (12/31/95); Italian lira= $.0001(12/31/96), $.00062 (12/31/95); Swiss franc =$.805 (12/31/96), $.853 (12/31/95).

it would be absurd for us to compare our insurance programs to the work of Monet.

They're clearly more reminiscent of Rembrandt.

Okay, let's be honest. Monet and Rembrandt have nothing on us. As the leading medical liability insurer in the nation, we carefully craft our insurance programs, customizing them to meet the individual requirements of large organizations with specialized risk-transfer needs. Far be it from us to call our programs works of art. But we can only imagine what Rembrandt could have created if he'd gone into the insurance business.

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www.stpaul.com St. Paul Fire and Marine Insurance Company

S&P ranks the world's leading commercial lines insurers

Standard & Poor's Corp. has doubled the number of companies in its annual list of the "Top Global Business Insurers."

To provide risk managers or other users of this list with sufficient information to put together a global insurance program, S&P has included information on some lesser-known insurers that might play a role in covering risks around the world.

In all, S&P's list now includes 200 companies from 40 countries, up from 100 companies from 38 countries a year ago (*BI*, Nov. 18, 1996).

"Notably, this year we have included Lloyd's, a clear global player in many lines; indeed, Lloyd's vaults to the second spot in this year's lineup," noted Alan M. Levin, managing director of insurance ratings for Standard & Poor's Corp. in New York.

S&P last week also unveiled its first marketwide rating for Lloyd's (see story, page 1).

The 200 companies in the list of global insurers range from Tokio Marine & Fire Insurance Ltd., with $12 billion of net premiums written in 1996 and $31 billion of adjusted shareholder funds (surplus), to Abu Dhabi National Insurance Co., with $24 million of net premiums and $240 million of ASF.

In total, these 200 companies wrote $307 billion in premiums and held

Continued on next page

Standard & Poor's Top Global Business Insurers

ranked by net premiums written

Rank	Country	Company	Non-life Net premiums written $mil	Adjusted shareholders funds $mil	Year	Rating Sept. 9 1997
1	JAPAN	Tokio Marine & Fire Insurance Co. Ltd.	12,028	31,051	1996	AAA
2	UK	Lloyd's of London	10,866	10,292	1994	A+
3	USA	CNA Insurance Cos. (Continental Casualty/ Continental Insurance Group)	9,993	6,348	1996	A+
4	USA	American International Group	9,589	9,613	1996	AAA
5	JAPAN	Yasuda Fire & Marine Insurance Co. Ltd.	8,564	12,799	1996	AAA
6	USA	Farmers Insurance Group	8,555	3,091	1996	A-
7	USA	Nationwide Group	8,243	5,576	1996	AA
8	UK-DTI Returns	Commercial Union Assurance Co. P.L.C.	7,753	6,732	1996	Api
9	USA	Travelers/Aetna Insurance Group	7,436	5,471	1996	A+
10	UK-DTI Returns	General Accident Fire & Life Ass. Corp. P.L.C.	7,383	6,007	1996	AA
11	SWITZERLAND	Zurich Versicherung A.G.	6,865	4,269	1996	AA+
12	JAPAN	Mitsui Marine & Fire Insurance Co. Ltd.	5,830	11,638	1996	AAA
13	USA	Hartford Fire Group	5,743	4,009	1996	AA+
14	CHINA	People's Insurance Co. of China	5,466	1,369	1995	Spi
15	USA	Liberty Mutual Group	5,142	5,620	1996	AA
16	JAPAN	Sumitomo Marine & Fire Insurance Co. Ltd.	5,100	11,026	1996	AAA
17	UK-DTI Returns	Guardian Royal Exchange Assurance P.L.C.	4,939	3,820	1996	Api
18	USA	Federal Insurance Co. Group (Chubb Corp.)	4,217	2,464	1996	AAA
19	JAPAN	Nippon Fire & Marine Insurance Co. Ltd.	4,069	8,605	1996	AA+
20	JAPAN	Dai-Tokyo Fire & Marine Insurance Co.	4,054	5,661	1996	BBBpi
21	GERMANY	Allianz Versicherungs-A.G.	4,022	2,172	1996	Api
22	JAPAN	Nichido Fire & Marine Insurance Co.	3,759	8,834	1996	AA+
23	JAPAN	Chiyoda Fire & Marine Insurance Co. Ltd.	3,682	5,200	1996	AA+
24	JAPAN	Fuji Fire & Marine Insurance Co.	3,460	3,360	1996	BBBpi
25	FRANCE	L'UAP Incendie Accidents	3,436	1,311	1996	AA-
26	USA	Lumbermans Mutual Casualty Cos. (Kemper National)	3,387	1,934	1996	A+
27	ITALY	Assicurazioni Generali SpA	3,359	2,234	1996	Api
28	UK-DTI Returns	Royal & Sun Alliance Insurance Group	3,339	1,119	1996	AA-
29	USA	Firemans Fund Group	3,289	2,328	1996	Aq
30	SWITZERLAND	Winterthur Schweizerische Vers.Ges. A.G.	3,018	2,056	1996	AA-
31	UK-DTI Returns	Eagle Star Insurance Co. Ltd.	2,968	1,956	1996	A+
32	USA	Great American Group *	2,766	1,659	1996	Bq
33	JAPAN	Koa Fire & Marine Insurance Co. Ltd.	2,754	5,138	1996	Api
34	JAPAN	Nissan Fire & Marine Insurance Co. Ltd.	2,689	4,503	1996	Api
35	BRAZIL	Bradesco Seguros S.A.	2,583	1,747	1995	NR
36	FRANCE	AGF, Assurances Generales de France IART	2,534	1,578	1996	AA-
37	USA	United States Fidelity Group	2,503	1,379	1996	A
38	USA	St. Paul Fire & Marine Insurance Co.	2,486	3,453	1996	AAA
39	FRANCE	GAN Incendie Accidents	2,401	951	1996	BBBpi
40	JAPAN	Dowa Fire and Marine Insurance Co. Ltd.	2,186	5,635	1996	AA
41	FRANCE	La Mutuelle du Mans Assurances IARD	2,024	1,346	1996	A-
42	GERMANY	R & V Allgemeine Versicherung A.G.	1,920	974	1996	Api
43	UK-DTI Returns	Norwich Union Fire Insurance Soc. Ltd.	1,903	1,147	1996	Api
44	FRANCE	Caisse Centrales Assurances Mutuelle Agricol	1,858	2,796	1995	AA-
45	ITALY	SAI - Societa Assicurazione Industriale	1,838	692	1996	AA-
46	USA	Royal Sun Alliance USA Group	1,809	2,106	1996	AA-
47	FRANCE	AXA Assurances IARD	1,795	1,190	1996	AA-
48	JAPAN	Kyoei Mutual Fire and Marine Insurance Co.	1,762	1,330	1996	BBBpi
49	USA	Reliance Insurance Co. Group	1,737	1,187	1996	A
50	SOUTH KOREA	Hyundai Marine & Fire Ins. Co. Ltd.	1,680	213	1996	BBpi
51	USA	Insurance Co. of North America (CIGNA Group)	1,671	1,648	1996	BBBpi
52	ITALY	RAS, Riunione Adriatica di Sicurta	1,647	2,120	1996	AApi
53	SOUTH KOREA	Samsung Fire & Marine Insurance Co. Ltd.	1,638	672	1996	BBBpi
54	USA	Zurich American Group	1,627	1,521	1996	AA-
55	GERMANY	Colonia Versicherung A.G.	1,615	871	1996	AApi
56	GERMANY	Ger ing-Konzern Allgemeine Vers. A.G.	1,506	739	1996	AA-
57	JAPAN	Nisshin Fire & Marine Insurance Co. Ltd.	1,497	2,459	1996	Api
58	GERMANY	Landwirtschaftslicher Vers.verein Munster A.G.	1,436	834	1996	NR
59	FRANCE	M.A.A.F. Assurances S.A.	1,269	674	1996	BBBpi
60	AUSTRALIA	NRMA Insurance Ltd.	1,208	1,281	1996	AA+
61	GERMANY	Gothaer Versicherungsbank VVaG	1,207	552	1996	BBBpi
62	SWITZERLAND	Helvetia Patria Group	1,203	1,116	1996	NR
63	GERMANY	Victoria Versicherung A.G.	1,175	813	1996	Api
64	UK-DTI Returns	Cornhill Insurance P.L.C.	1,136	773	1996	Api
65	NORWAY	Storebrand Skadeforsikring A/S	1,135	868	1996	A+
66	SWITZERLAND	Baloise Ins. Co. Ltd. (Basler Vers. Ges. A.G.)	1,134	359	1996	BBBp
67	ITALY	La FONDIARIA Assicurazioni S.p.A.	1,120	1,182	1996	BBBp
68	SOUTH KOREA	Oriental Fire & Marine Insurance Co. Ltd.	1,073	95	1996	CCCpi
69	SWITZERLAND	Schweizerische Mobiliar Vers.Ges.	1,069	710	1996	Api
70	GERMANY	Vereinte Versicherung A.G.	1,050	452	1996	Api
71	GERMANY	Haftpflichtverband der Deutschen Industrie V.a.G.	1,041	914	1996	AA
72	NETHERLANDS	Nationale Nederlanden Schadeverzekering Mij. N.V.	1,016	853	1995	Api
73	GERMANY	Aachener und Munchener Versicherung A.G.	1,006	462	1996	Api
74	GERMANY	Provinzial Feuerversicherung Anstalt der Rheinprovinz	1,006	718	1996	Api
75	AUSTRALIA	GIO Australia Holdings Ltd.	981	1,113	1996	A
76	UK-DTI Returns	London & Edinburgh Insurance Co. Ltd.	970	443	1996	A
77	GERMANY	Wurttembergische Vers. A.G.	959	373	1996	Api
78	GERMANY	Frankfurter Vers. A.G.	947	498	1996	NR
79	JAPAN	Taisei Fire & Marine Insurance Co. Ltd.	927	1,145	1996	Api
80	AUSTRALIA	QBE Insurance Group Ltd.	895	628	1996	A+
81	FRANCE	Preservatrice Fonciere T.I.A.R.D.	876	679	1996	BBBpi
82	GERMANY	Landschafliche Brandkasse Hannover	869	735	1996	Ap
83	BRAZIL	Itau Seguros S.A.	866	1,036	1995	BBpi
84	BELGIUM	AG 1824, Cie. Belge d'Ass. Generales S.A.	863	2,737	1996	Api
85	SOUTH KOREA	LG Insurance Co. Ltd.	860	270	1996	BBpi
86	BRAZIL	Bamerindus Cia. de Seguros	834	679	1995	NR
87	DENMARK	Tryg-Baltica Forsikring, Skadeforsikringsselskab A/S	821	1,202	1996	Upi
88	GERMANY	Westfalische Provinzial-Feuersozietat	819	711	1996	Api
89	GERMANY	Bayerischer Versicherungsverband Vers. A.G.	805	613	1996	Api
90	FRANCE	Uni Europe Assurance	769	302	1995	AA-
91	FRANCE	Axa Assurances IARD Mutuelle	764	1,526	1996	Api
92	BRAZIL	Sul America TMA Companhia de Seguros	758	484	1995	BBpi
93	BELGIUM	Royale Belge S.A.	756	2,687	1996	Api
94	GERMANY	Nordstern Allgemeine Versicherungs-A.G.	751	659	1996	AApi
95	BELGIUM	CIGNA Insurance Co. of Europe S.A.-N.V.	751	279	1995	A
96	ITALY	Toro Assicurazioni SpA	741	577	1995	AApi
97	FRANCE	La Concorde Cie. d'Assurances	731	324	1996	BBBpi
98	NETHERLANDS	Stad Rotterdam anno 1720	722	872	1996	Api
99	SWITZERLAND	Elvia Schweizerische Vers.-Gesell.	715	361	1996	BBBpi
100	GERMANY	Albingia Versicherungs A.G.	714	381	1996	Api

Continued from Previous page

$314 billion of ASF. In most cases, figures are for fiscal 1996; a few companies' data is older but the most recent available.

The largest companies dominate the list, with the Top 10 companies writing $90 billion, or 29% of the total, and holding $97 billion of ASF, or 31% of the total.

The Top 25 wrote $160 billion, or 52% of the total, and hold ASF of $176 billion, or 56% of the total ASF.

Ratings range from a high of AAA (superior), to a low of CCC (extremely vulnerable).

Among the Top 200, 171 companies, or 86%, have ratings in one of the secure ranges, as follows: AAA (superior) nine companies, or 4.5%; AA (excellent), 39, or 19.5%; A (good), 64, or 32%; and BBB (adequate), 59, or 29.5%.

Vulnerable ratings include: BB (may be adequate), 10, or 5%; B (vulnerable), two, or 1%; and CCC (extremely vulnerable), one, or 0.5%. Sixteen companies, or 8%, are not rated.

The data for this report was taken from Standard & Poor's CLASSIC Ratings Database of 1400 international insurers.

"The companies that have been chosen for inclusion in this report are based on suggestions we have received from several large commercial insurance brokers, risk managers and other market participants, whose assistance we gratefully acknowledge," said Mr. Levin.

For more information, or copies of the S&P list, contact Alan M. Levin, Standard & Poor's, 25 Broadway, New York. N.Y. 10004-1010; phone: 212-208-1316; or David Anthony, Standard & Poor's, Garden House, 18 Finsbury Circus, London EC2M 7BP, England; phone: 44-171-826-3553. BI

Standard & Poor's Top Global Business Insurers

ranked by net premiums written

Rank	Country	Company	Non-life Net premiums written $mil	Adjusted shareholders funds $mil	Year	Rating Sept. 9 1997
101	SWEDEN	Skandia Insurance Co. Ltd.	704	2,669	1996	A
102	ITALY	Soc. Reale Mutua di Assicurazioni	703	524	1996	AApi
103	GERMANY	Agrippina Versicherung A.G.	700	274	1996	Api
104	SWEDEN	Trygg-Hansa Forsakrings A.B.	699	956	1996	A+
105	NORWAY	Gjensidige Skadeforsikring	675	904	1996	A+
106	SWEDEN	Folksam Mutual General Insurance	674	564	1996	BBBpi
107	FRANCE	Allianz Via Assurances S.A.	662	336	1996	BBB
108	AUSTRIA	Vers. Der Osterreichischen Bundeslander	634	410	1996	A
109	NETHERLANDS	N.V. Interpolis Schade	628	313	1996	BBBpi
110	AUSTRALIA	Royal & Sun Alliance Insurance (Australia) Ltd.	626	297	1996	AA-
111	CHINA	China Pacific Insurance Co. Ltd.	623	350	1995	NR
112	CANADA	General Accident Assurance Co. of Canada	614	461	1996	BBBpi
113	MEXICO	Grupo Nacional Provincial	611	318	1996	BBpi
114	AUSTRIA	Wiener Staedtische Allgemeine Vers. A.G.	607	500	1996	Api
115	BERMUDA	ACE Ltd.	603	2,244	1996	A+
116	CANADA	Cooperators General Insurance Co.	600	394	1996	BBBpi
117	AUSTRALIA	Commercial Union Holdings Australia Ltd.	599	366	1996	AA-
118	BERMUDA	X.L. Insurance Co. Ltd.	597	2,116	1996	AA
119	AUSTRIA	Wiener Allianz Versicherung A.G.	591	329	1995	BBBpi
120	JAPAN	Dai-Ichi Mutual Fire & Marine Insurance Co.	586	138	1996	AA+
121	CANADA	Royal Insurance Co. of Canada	579	501	1996	Api
122	CANADA	Wawanesa Mutual Insurance Co.	571	603	1996	Api
123	AUSTRIA	Erste Allgemeine Versicherung A.G.	561	209	1995	BBBpi
124	FINLAND	Vakuutusosakeyhtio Pohjola	547	1,383	1996	BBBpi
125	NORWAY	Vesta Forsikring A/S	544	479	1996	A
126	SWITZERLAND	Schweizerische National Versicherungs Ges.	537	141	1996	BBBpi
127	NETHERLANDS	Aegon Schadeverzekeringen N.V.	536	368	1996	AAA
128	BELGIUM	A.B.B. - Assurances	513	1,723	1996	Api
129	DENMARK	Topdanmark Forsikring A/S	512	356	1996	BBBpi
130	SPAIN	Winterthur Seguros Generales S.A.	484	130	1995	NR
131	AUSTRALIA	FAI General Insurance Co. Ltd.	479	264	1996	BBB-
132	DENMARK	Codan Forsikrings - A/S	476	1,033	1996	Api
133	INDIA	New India Assurance Co. Ltd.	471	1,291	1996	BBBpi
134	NETHERLANDS	Royal Nederland Verzekeringsgroep N.V.	462	357	1996	Api
135	SOUTH AFRICA	Santam Ltd.	440	351	1996	BBBpi
136	SOUTH AFRICA	Mutual & Federal Insurance Co. Ltd.	433	967	1996	BBBpi
137	BELGIUM	AXA Belgium S.A.	432	245	1996	AA-
138	GERMANY	Provinzial Brandkasse Vers. Schleswig-Holstein	432	308	1996	AApi
139	MEXICO	Seguros Commercial America S.A.	423	329	1995	BBB
140	CANADA	Economical Mutual Insurance Co.	412	388	1996	Api
141	SWITZERLAND	Berner Allgemeine Versicherung Ges. AG	409	87	1996	BBBpi
142	SPAIN	Mapfre Seguros Generales S.A.	393	144	1996	BBBpi
143	AUSTRALIA	MMI Ltd.	385	229	1996	A
144	SWITZERLAND	Vaudoise Generale, Cie d'Assurances	368	79	1996	BBBpi
145	SPAIN	Seguros Banco Vitalicio	365	807	1996	BBBpi
146	AUSTRALIA	Zurich Australian Insurance Ltd.	357	267	1996	AA
147	PORTUGAL	Imperio Cia. de Seguros	351	322	1996	BBBpi
148	INDIA	General Insurance Corp. of India	351	807	1996	BBBpi
149	AUSTRALIA	HIH Winterthur International Holdings Ltd.	348	444	1996	AA-
150	SPAIN	AGF Union-Fenix Seguros y Reaseguros S.A.	336	628	1996	BBpi
151	FINLAND	Keskinainen Vakuutusyhtio Tapiola	332	737	1996	Api
152	AUSTRALIA	Mercantile Mutual Insurance (Australia) Ltd.	332	638	1996	A+
153	FINLAND	Sampo Insurance Co. Ltd.	332	1,682	1996	BBBpi
154	INDIA	United India Insurance Co. Ltd.	330	548	1996	BBBpi
155	IRELAND	Hibernian Group P.L.C.	328	254	1996	Api
156	BELGIUM	Chubb Ins. Co. of Europe	325	147	1996	AAA
157	SPAIN	Catalana Occidente S.A. de Seguros y Reaseguros	321	405	1996	BBBpi
158	PORTUGAL	Cia. de Seguros Fidelidade S.A.	303	175	1996	NR
159	INDIA	Oriental Insurance Co. Ltd.	294	657	1996	BBBpi
160	INDIA	National Insurance Co. Ltd.	290	636	1996	BBBpi
161	SOUTH AFRICA	South African Eagle Insurance Co. Ltd.	286	287	1996	BBBpi
162	PORTUGAL	Mundial Confianca, Cia. de Seguros S.A.	285	387	1996	NR
163	PORTUGAL	Cia. de Seguros Tranquilidade S.A.	274	175	1996	NR
164	FINLAND	Industrial Insurance Co. Ltd.	273	711	1996	BBBpi
165	TAIWAN	Fubon Insurance Co. Ltd.	266	734	1996	Api
166	SOUTH AFRICA	Guardian National Insurance Co. Ltd.	261	180	1996	BBBpi
167	PORTUGAL	Bonanca Cia. de Seguros S.A.	260	117	1996	BBBpi
168	NEW ZEALAND	NZI Insurance New Zealand Ltd.	216	116	1996	AA
169	NEW ZEALAND	State Insurance Ltd.	214	116	1996	AA
170	POLAND	Warta Insurance & Reinsurance Co. Ltd.	213	48	1995	Bpi
171	SOUTH AFRICA	Aegis Insurance Co.	212	81	1995	BBpi
172	FINLAND	Enterprise-Fennia Mutual Insurance Co.	201	168	1996	BBBpi
173	GERMANY	VHV Vereinigte Haftpflicht Versicherung V.V.A.G.	189	454	1996	BBBpi
174	SOUTH AFRICA	Commercial Union Insurance Co. of South Africa Ltd.	189	115	1996	BBBpi
175	BELGIUM	D.V.V. Insurance	183	203	1996	NR
176	IRELAND	Insurance Corp. of Ireland P.L.C.	174	110	1996	BBBpi
177	ITALY	Padana Assicurazioni S.p.A	156	162	1996	AApi
178	IRELAND	FBD Insurance P.L.C.	143	51	1996	BBBpi
179	NEW ZEALAND	Royal & Sun Alliance Insurance (New Zealand) Ltd	141	76	1996	AA-
180	TAIWAN	Mingtai Fire & Marine Insurance Ltd.	119	111	1996	BBpi
181	THAILAND	Bangkok Insurance Public Co. Ltd.	116	417	1996	Api
182	TAIWAN	Taian Insurance Co. Ltd.	89	93	1996	NR
183	INDONESIA	PT Asuransi Jasa Indonesia	61	46	1996	BBB
184	HONG KONG	Ming An Insurance Co. (HK) Ltd.	58	139	1996	BBBpi
185	EGYPT	Misr Insurance Co.	55	188	1995	BBBpi
186	SINGAPORE	Asia Insurance Co. Ltd.	50	187	1996	Api
187	HONG KONG	Hang Seng Insurance Co. Ltd.	49	153	1996	Api
188	CHILE	Cruz Del Sur S.A.	49	33	1996	BBBpi
189	PAKISTAN	Adamjee Insurance Co. Ltd.	47	34	1996	BBpi
190	SINGAPORE	Insurance Corp. of Singapore Ltd.	44	135	1996	BBBpi
191	NORWAY	Zurich Protector Forsikring ASA	43	58	1996	BBB
192	EGYPT	Al Chark Insurance Co.	41	138	1996	BBBpi
193	SAUDI ARABIA	National Co. for Cooperative Insurance (NCCI)	37	144	1996	Api
194	CHILE	Chilena Consolidada Seguros Generales S.A.	35	23	1996	NR
195	PHILIPPINES	Malayan Insurance Co. Inc.	34	60	1995	BBBpi
196	MALAYSIA	Malaysia National Insurance Sdn. Bhd.	32	308	1996	BBBpi
197	EGYPT	National Insurance Co. Egypt	29	92	1996	NR
198	HONG KONG	HSBC Insurance Ltd. (Carlingford)	29	23	1996	BBBpi
199	PAKISTAN	Pakistan Insurance Corp.	29	56	1995	BBpi
200	UAE	Abu Dhabi National Insurance Co.	24	240	1996	BBBpi

* Rating of Great American Insurance Co., lead company in the group.

Standard & Poor's Top 200 global insurers listed by location

AUSTRALIA
NRMA Insurance Ltd
GIO Australia Holdings Ltd.
QBE Insurance Group Ltd.
Royal & Sun Alliance Insurance (Australia) Ltd.
Commercial Union Holdings Australia Ltd.
FAI General Insurance Co. Ltd.
MMI Ltd.
Zurich Australian Insurance Ltd.
HIH Winterthur International Holdings Ltd.
Mercantile Mutual Insurance (Australia) Ltd.

AUSTRIA
Vers. Der Osterreichischen Bundeslander
Wiener Staedtische Allgemeine Vers. A.G.
Wiener Allianz Versicherung A.G.
Erste Allgemeine Versicherung A.G.

BELGIUM
AG 1824, Cie. Belge d'Ass. Generales S.A
Royale Belge S.A.
CIGNA Insurance Co. of Europe S.A.-N.V.
A.B.B. - Assurances
AXA Belgium S.A.
Chubb Insurance Co. of Europe
D.V.V. Insurance

BERMUDA
ACE Ltd.
X.L. Insurance Co. Ltd.

BRAZIL
Bradesco Seguros S.A.
Itau Seguros S.A.
Bamerindus Cia. de Seguros
Sul America TMA Companhia de Seguros

CANADA
General Accident Assurance Co. of Canada
Cooperators General Insurance Co.
Royal Insurance Co. of Canada
Wawanesa Mutual Insurance Co.
Economical Mutual Insurance Co.

CHILE
Cruz Del Sur S.A.
Chilena Consolidada Seguros Generales S.A.

CHINA
People's Insurance Co. of China
China Pacific Insurance Co. Ltd.

DENMARK
Tryg-Baltica Forsikring, Skadeforsikringsselskab A/S
Topdanmark Forsikring A/S
Codan Forsikrings - A/S

EGYPT
Misr Insurance Co.
Al Chark Insurance Co.
National Insurance Co. Egypt

FINLAND
Vakuutusosakeyhtio Pohjola
Keskinainen Vakuutusyhtio Tapiola
Sampo Insurance Company Ltd
Industrial Insurance Co. Ltd.
Enterprise-Fennia Mutual Ins. Co.

FRANCE
L'UAP Incendie Accidents
AGF, Assurances Generales de France IART
GAN Incendie Accidents
La Mutuelle du Mans Assurances IARD
Caisse Centrales Assurances Mutuelle Agricol
AXA Assurances IARD
M.A.A.F. Assurances S.A.
Preservatrice Fonciere T.I.A.R.D.
Uni Europe Assurance
Axa Assurances IARD Mutuelle
La Concorde Cie. d'Assurances
Allianz Via Assurances S.A.

GERMANY
Allianz Versicherungs-A.G.
R & V Allgemeine Versicherung A.G.
Colonia Versicherung A.G.
Gerling-Konzern Allgemeine Vers. A.G.
Landwirtschaftslicher Vers.verein Munster A.G.
Gothaer Versicherungsbank V.V.a.G.
Victoria Versicherung A.G.
Vereinte Versicherung A.G.
Haftpflichtverband der Deutschen Industrie V.a.G.
Aachener und Munchener Versicherung A.G.
Provinzial Feuerversicherung Anstalt der Rheinprovinz
Wurttembergische Vers. A.G.
Frankfurter Vers. A.G.
Landschafliche Brandkasse Hannover
Westfalische Provinzial-Feuersozietat
Bayerischer Versicherungsverband Vers. A.G.
Nordstern Allgemeine Versicherungs-A.G.
Albingia Versicherungs A.G.
Agrippina Versicherung A.G.
Provinzial Brandkasse Vers. Schleswig-Holstein
VHV Vereinigte Haftpflicht Versicherung V.V.a.G.

HONG KONG
Ming An Insurance Co. (HK) Ltd.
Hang Seng Insurance Co. Ltd.
HSBC Insurance Ltd. (Carlingford)

INDIA
New India Assurance Co. Ltd.
General Ins. Corp. of India
United India Insurance Co. Ltd.
Oriental Insurance Co. Ltd.
National Insurance Co. Ltd.

INDONESIA
PT Asuransi Jasa Indonesia

IRELAND
Hibernian Group P.L.C.
Insurance Corporation of Ireland P.L.C.
FBD Insurance P.L.C.

ITALY
Assicurazioni Generali S.p.A.
SAI - Societa Assicurazione Industriale
RAS, Riunione Adriatica di Sicurta
La FONDIARIA Assicurazioni S.p.A.
Toro Assicurazioni S.p.A.
Soc. Reale Mutua di Assicurazioni
Padana Assicurazioni S.p.A.

JAPAN
Tokio Marine & Fire Insurance Co. Ltd.
Yasuda Fire & Marine Insurance Co. Ltd.
Mitsui Marine & Fire Insurance Co. Ltd.
Sumitomo Marine & Fire Insurance Co. Ltd.
Nippon Fire & Marine Insurance Co. Ltd.
Dai-Tokyo Fire & Marine Insurance Co.
Nichido Fire & Marine Insurance Co.
Chiyoda Fire & Marine Insurance Co. Ltd.
Fuji Fire & Marine Insurance Co.
Koa Fire & Marine Insurance Co. Ltd.
Nissan Fire & Marine Insurance Co. Ltd.
Dowa Fire & Marine Insurance Co. Ltd.
Kyoei Mutual Fire & Marine Insurance Co.
Nisshin Fire & Marine Insurance Co. Ltd.
Taisei Fire & Marine Insurance Co. Ltd.
Dai-Ichi Mutual Fire & Marine Insurance Co.

MALAYSIA
Malaysia National Insurance Sdn. Bhd.

MEXICO
Grupo Nacional Provincial
Seguros Commercial America S.A.

NETHERLANDS
Nationale Nederlanden Schadeverzekering Mij. N.V.
Stad Rotterdam anno 1720
N.V. Interpolis Schade
Aegon Schadeverzekeringen N.V.
Royal Nederland Verzekeringsgroep N.V.

NEW ZEALAND
NZI Insurance New Zealand Ltd.
State Insurance Ltd.
Royal & Sun Alliance Insurance (New Zealand) Ltd.

NORWAY
Storebrand Skadeforsikring A/S
Gjensidige Skadeforsikring
Vesta Forsikring A/S
Zurich Protector Forsikring ASA

PAKISTAN
Adamjee Insurance Co. Ltd.
Pakistan Insurance Corp.

PHILIPPINES
Malayan Insurance Co. Inc.

POLAND
Warta Insurance & Reinsurance Co. Ltd.

PORTUGAL
Imperio Cia. de Seguros
Cia. de Seguros Fidelidade S.A.
Mundial Confianca, Cia. de Seguros S.A.
Cia. de Seguros Tranquilidade S.A.
Bonanca Cia. de Seguros S.A.

SAUDI ARABIA
National Co. for Cooperative Insurance (NCCI)

SINGAPORE
Asia Insurance Co. Ltd.
Insurance Corp. of Singapore Ltd.

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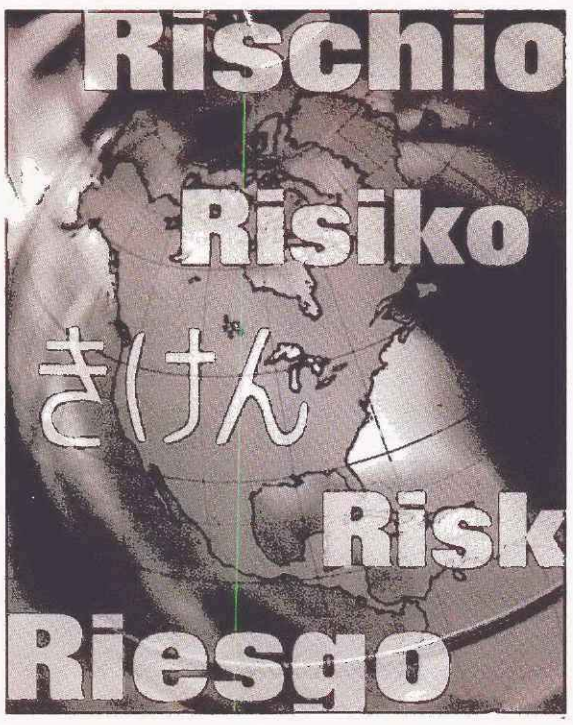

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Datebook

OCTOBER

OCT. 14. Seventh Annual Insurance Executive Forum-Securitizing Insurance Risk: The Myths and The Realities in Chicago, sponsored by Katie Insurance School at Illinois State University, *Business Insurance*, Illinois Insurance Exchange and Zurich-American Insurance Group; $125. Debra Celuch, Illinois State University, Katie Insurance School, Campus Box 5490, Normal, Ill. 61790; 309-438-3021.

OCT. 14. Illinois Employment Laws & Regulations course in Springfield, Ill., sponsored by the Illinois Chamber of Commerce-Center for Business Management; $125 for members, $165 for nonmembers; Center for Business Management, The Illinois Chamber, Department 77-3172, Chicago, Ill. 60678-3172; 800-621-4220.

OCT. 14. Federal Employment Laws & Regulations course in Springfield, Ill., sponsored by the Illinois Chamber of Commerce-Center for Business Management; $125 for members, $165 for nonmembers; Center for Business Management, The Illinois Chamber, Department 77-3172, Chicago, Ill. 60678-3172; 800-621-4220.

OCT. 14-15. Southwest Benefits Conference in Phoenix, sponsored by The ISC Group; $495. The ISC Group, 505 N. 51st Ave., Phoenix, Ariz. 85043; 602-233-5989.

OCT. 14-15. The U.S. Environmental Laws & Regulations Compliance Course in Alexandria, Va., sponsored by Government Institutes; $999, $1,898 if taken with The 1997 Washington Environmental Briefing. Government Institutes, 4 Research Place, Suite 200, Rockville, Md. 20850; 301-921-2345.

OCT. 14-15. Insurance Company Financial Statements—Property/Casualty seminar in New York, sponsored by The College of Insurance; $595. The College of Insurance Center for Professional Education, 101 Murray St., Room 426, New York, N.Y. 10007; 212-815-9201.

OCT. 14-15. Integrated Risk Management and Alternative Risk Financing Strategies conference in New York, sponsored by International Communications for Management; $1,495. ICM, 303 E. Wacker Drive, 20th Floor, Chicago, Ill. 60601; 312-540-3010.

OCT. 14-16. Comp Camp training program in workers compensation and disability cost control in Glastonbury, Conn., sponsored by Aon Management Institute; $1,900. AMI, 628 Hebron Ave., Corporate Center II, Glastonbury, Conn. 06033; 860-659-6780.

OCT. 15. Handling Your First Workers' Compensation Case conference in New York, sponsored by the Practising Law Institute; $99. Practising Law Institute, 810 Seventh Ave., New York, N.Y. 10019-5818; 800-260-4754.

OCT. 16. Competitive Intelligence (CI) in the Insurance Industry workshop in New York, sponsored by Saporito & Associates; $350. Patricia L. Saporito, Managing Principal, Saporito & Associates, 120 Broadway, Suite 1117, New York, N.Y. 10271; 212-227-8575.

OCT. 16. Professional Liability: Identifying, Controlling, and Financing the Loss Exposures workshop in Chicago, sponsored by the CPCU Society's Long Island Chapter; $85 for CPCU Society members, $95 for non-members. Bonnie Kinsley, CPCU Society, 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728, ext. 2735.

OCT. 27-29. Fifth Annual *Business Insurance* Workers Compensation Conference in Santa Monica, Calif., sponsored by *Business Insurance*; $995 with discounts to $595 for risk managers registering early and $895 for other early registrants. International Business Forum, 7 Penn Plaza, Suite 901, New York, N.Y. 10001; 212-279-2525.

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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 cost, if any, to attend the meeting and information on registration. Business Insurance reserves the right to select meetings of interest to readers and cannot guarantee notices will be printed. A full-year list of the Datebook is available on the World Wide Web at http://www.businessinsurance.com.

Continued from previous page

SOUTH AFRICA
Santam Ltd.
Mutual & Federal Insurance Co. Ltd.
South African Eagle Insurance Co. Ltd.
Guardian National Insurance Co. Ltd
Aegis Insurance Co.
Commercial Union Insurance Co. of S. Africa Ltd.

SOUTH KOREA
Hyundai Marine & Fire Ins. Co. Ltd.
Samsung Fire & Marine Insurance Co. Ltd.
Oriental Fire & Marine Insurance Co. Ltd.
LG Insurance Co. Ltd.

SPAIN
Winterthur Seguros Generales S.A.
Mapfre Seguros Generales S.A.
Seguros Banco Vitalicio
AGF Union-Fenix Seguros y Reaseguros S.A.
Catalana Occidente S.A. de Seguros y Reaseguros

SWEDEN
Skandia Insurance Co. Ltd.
Trygg-Hansa Forsakrings AB
Folksam Mutual General Insurance

SWITZERLAND
Zurich Versicherung A.G.
Winterthur Schweizerische Vers.Ges. A.G
Helvetia Patria Group
Baloise Ins. Co. Ltd. (Basler Vers. Ges. A.G.)
Schweizerische Mobiliar Vers.Ges.
Elvia Schweizerische Vers.-Gesell.
Schweizerische National Vers.Ges.
Berner Allgemeine Vers.Ges. A.G.
Vaudoise Generale, Cie d'Assurances

TAIWAN
Fubon Insurance Co. Ltd.
Mingtai Fire & Marine Insurance Ltd.
Taian Insurance Co. Ltd.

THAILAND
Bangkok Insurance Public Co. Ltd.

UNITED ARAB EMIRATES
Abu Dhabi National Insurance Co.

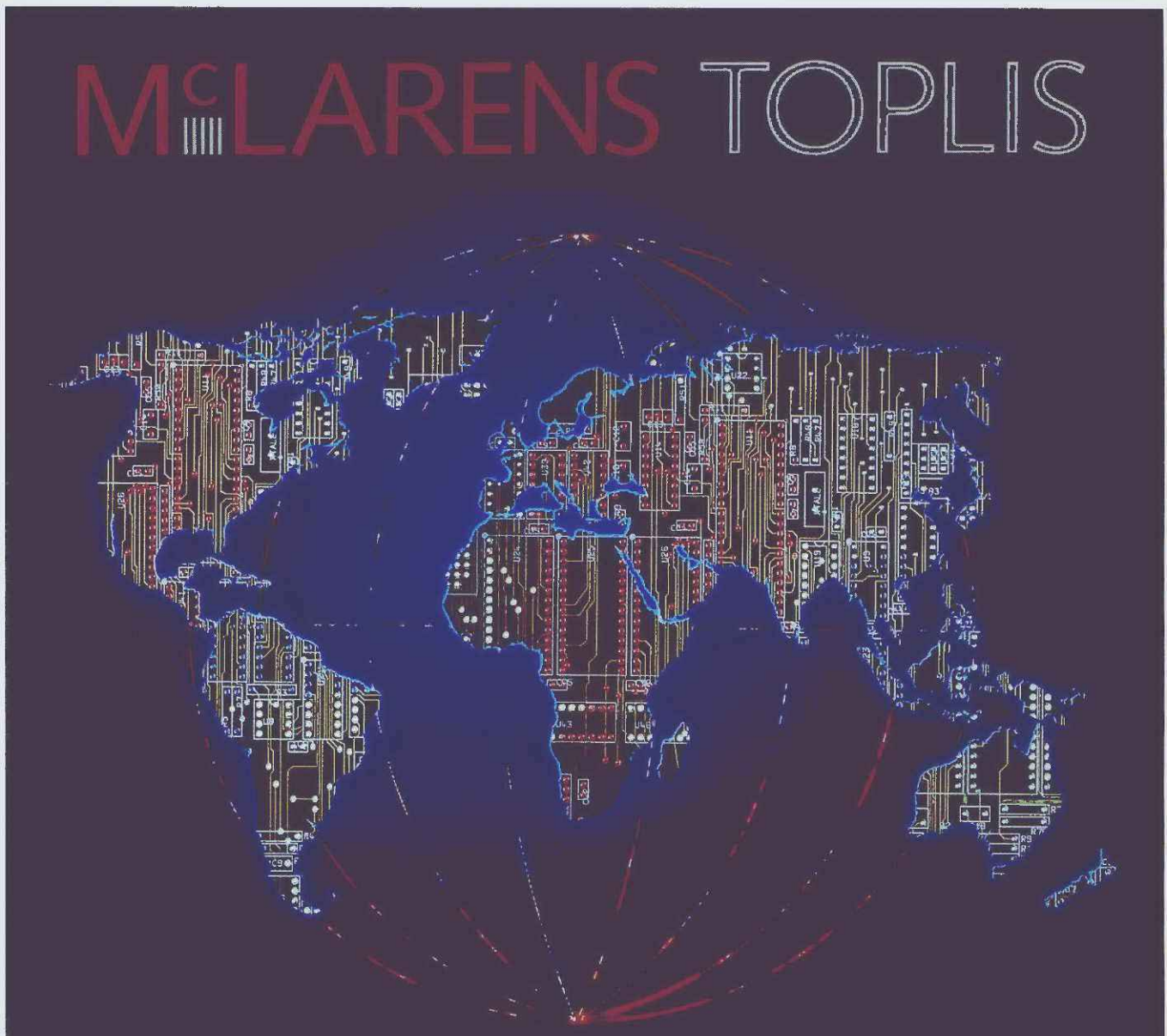
UNITED KINGDOM
Lloyd's of London

UK-DTI RETURNS
Commercial Union Assurance Co. P.L.C.
General Accident Fire & Life Ass. Corp. P.L.C.
Guardian Royal Exchange Assurance P.L.C.
Royal & Sun Alliance Insurance Group
Eagle Star Insurance Co. Ltd.
Norwich Union Fire Insurance Soc. Ltd.
Cornhill Insurance P.L.C.
London & Edinburgh Insurance Co. Ltd.

UNITED STATES
Continental Casualty/Continental Insurance Group (CNA)
American International Group Inc.
Farmers Insurance Group
Nationwide Group
Travelers/Aetna Insurance Group
Hartford Fire Group
Liberty Mutual Group
Federal Insurance Co. Group (Chubb Corp.)
Lumbermans Mutual Casualty Cos. (Kemper National)
Firemans Fund Group
Great American Group *
United States Fidelity Group
St. Paul Fire & Marine Insurance Co.
Royal Sun Alliance USA Group
Reliance Insurance Co. Group
Insurance Co. of North America (CIGNA Group)
Zurich American Group

* Rating of Great American Insurance Co., lead company in the group.

BI



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Aetna

Continued from page 1

consolidate claims offices and convert claims processing to common systems. Second, medical costs will be adversely affected by the timing of the implementation of new contracts with medical service providers."

Mr. Huber said Aetna has taken steps to better analyze and manage unpaid claims and improve claims handling. Progress on provider recontracting and medical management consolidation should help the company to control medical cost growth, he added.

An Aetna spokeswoman said the company had been trying to accomplish several things at once, including consolidating its 44 service centers, with 17 already closed or about to close; combining its 63 patient management centers into eight regional centers and a handful of others; and recently completing the integration of Aetna's computer system platform into U.S. Healthcare's.

While those tasks were undertaken, however, the level of unpaid claims increased. "You don't realize the financial impact" of those unpaid claims "because then there's an information lag" on issues such as number of doctor visits per month, she said.

Another factor, she said, is "provider recontracting was slower than we thought, by about three to six months." Because of the claims backlog, lower utilization rates and prices were factored into the contracts.

The spokeswoman said about half of the company's commercial HMO business renews in January, and the majority has either already been put out for bid, or is in negotiations, where a rebid is not feasible. "That is why we are saying the higher medical costs are going to impact third- and fourth-quarter results and also into 1998," she said.

'It's a very difficult process, effectively integrating a business of this nature, because of the short-tail nature and the real potential for mispricing,' says Douglas L. Meyer.

The remaining half, which renews throughout the year, "would be open to higher pricing," she said, which could take the form of higher copayments or adjustments in benefit levels.

Analysts say Aetna's integration of U.S. Healthcare may have been more complicated than originally anticipated.

"It's somewhat uncommon for difficulties with medical costs to come to light at this point," said Rob Mains, an analyst with Advest Inc. in Albany, N.Y. Usually, companies become aware of these difficulties in the first or second quarter. "I think in Aetna's case it underscores some of the issues that can be faced when completing a large acquisition."

"Two things have happened with them," said Arun N. Kumar, director at rating agency Standard & Poor's Corp. in New York. "One is the backlog of claims, which is probably the cause of an accelerated integration with U.S. Healthcare, and the second one is an overall increase in the medical loss ratio for the year."

The first problem, said Mr. Kumar, is "due to larger bumps in the integration plan that they originally anticipated or expected. They expected the integration to go fairly smoothly, although it was on a very aggressive scale and they're finding out. . . that's causing them a lot of problems" from both an operational and a financial perspective. "That was clearly not apparent to them," and all of a sudden the company found itself faced with a backlog of claims and a pretax charge of $75 million to $105 million, he said.

"That's a pretty big number, because nobody expected this and neither did they, and I'm sure if they had to do it all over again, the integration would have gone on at a less aggressive scale," said Mr. Kumar.

The reserve increase and lower-than-expected earnings "reflects the real difficulty in acquiring and integrating a health insurance operation," said Douglas L. Meyer, an analyst with Duff & Phelps Credit Rating Co. in Chicago.

"It's a very difficult process, effectively integrating a business of this nature, because of the short-tail nature and the real potential for mispricing.

"And that's essentially what happened with these guys. They focused a lot on merging a lot of the claims operations in order to realize the expense savings that was contemplated as part of the acquisition, but in doing so. . .they missed the increasing claims costs that they were experiencing," which went undetected for a long period of time, Mr. Meyer said.

"The whole issue of pricing, when it comes to health insurance, is looking at your claims experience, and where that is going—up, down or sideways—and you make pricing decisions based on your claims experience. So, to the extent you have good information with regard to your claims experience, you can make good pricing decisions."

In Aetna's case, said Mr. Meyer, the claims deterioration "went undetected for a period of time because of all the integration activity." That not only affected results but also resulted in some mispricing, he said.

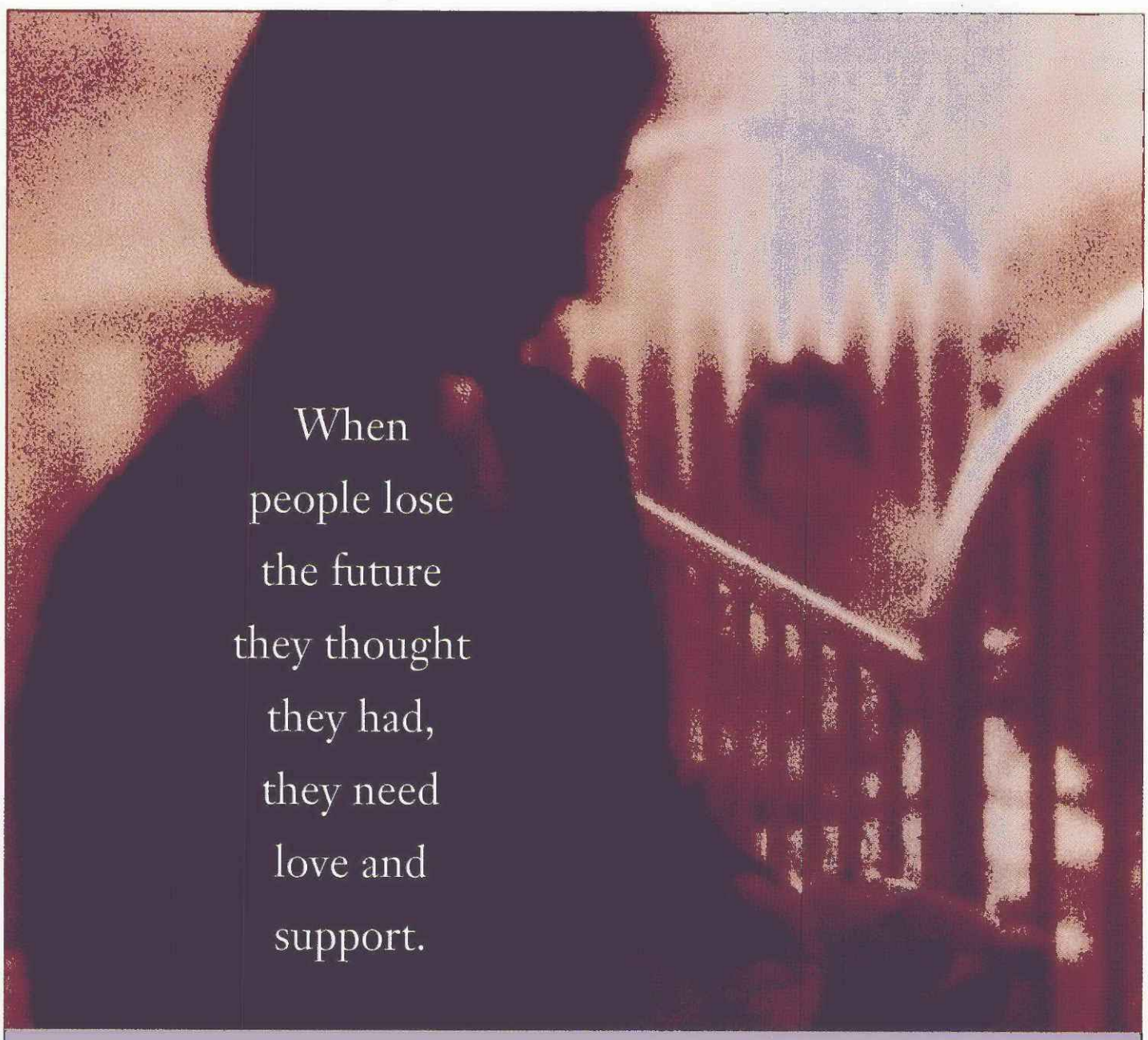
Aetna's experience is not very different from "other company consolidations that have taken place in the health insurance business" and "just reflects the difficulty in integrating two different health insurance operations," he added.

Mark Jamilkowski, an HMO analyst with Conning & Co. in Hartford, Conn., said he believes many of Aetna's problems actually lie with the core system the company had before the merger.

Conning's impression of U.S. Healthcare's systems before the merger was that they were complete. Aetna's system, though, was "very much based off the indemnity platform, and when Aetna acquired HMOs, they did not consolidate their information bases, leading to disjointed and often inconsistent databases or systems. So, when they went forward to integrate the two, they most likely found more holes in the Aetna data than could be filled simply by expert opinion."

These holes would have ham-

See **Aetna** *on next page*



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Aetna

Continued from previous page

pered targeting of cases or individuals that need medical management, said Mr. Jamilkowski.

When former U.S. Healthcare personnel putting Aetna information into the system found information gaps, "they had to fill those gaps with something, some sort of guesstimate. It seems plausible to assume that some of their estimates may have been off the mark," Mr. Jamilkowski said.

Michael LeConey, an analyst with National Securities in New York, cited inadequate pricing. "It should be no surprise it's taken them longer than they had expected" for prices to improve. "It always takes longer to turn pricing in the health insurance business or health benefits business than people think, and that's exactly what's occurred here."

Most observers believe Aetna can solve its difficulties, however. "They're definitely going in the right direction, and they have a strong management team, so I think they've addressed the problem, and I think they'll continue to monitor the situation," said Ken Frino, a financial analyst with A.M. Best Co. in Oldwick, N.J.

"It'll probably be about six to nine months before you can really see something, but you will see improvement," he predicted.

"I think margins will turn sometime in 1998, and we will have earnings from Aetna that are surprisingly good, not surprisingly bad," said Mr. LeConey. "But that's probably two quarters away," he added.

Aetna has a "clear, excellent franchise in the business" and can overcome its problems in 1998 and "continue to be the very strong player that they are," said S&P's Mr. Kumar. "Their earnings, despite these one-time charges, will be strong for the year relative to other managed health care companies," he said.

'It always takes longer to turn pricing in the health insurance business or health benefits business than people think, and that's exactly what happened here,' says Michael LeConey.

"The company should be able to turn this around," probably next year, said David Matthews, associate director at Fitch Investors Service in New York. He added Aetna's operations include international and retirement services businesses, "so the entire franchise is fairly broad, and what may have been a glitch in this area of their business shouldn't drag everything down with it."

"To the extent the other businesses are going well," once this situation is turned around, "the company should return to good, steady operating performance," said Mr. Matthews. Additional time, he added, will give Aetna the experience needed to assimilate the U.S. Healthcare business.

"If you recall, years ago, when Aetna still had its P/C operations, they had bigger problems to deal with back then, and I think, they had the wherewithal and the resources to get through. I think this situation is probably not as serious as that was back then," said Mr. Matthews.

However, Mr. Jamilkowski said there is a "relatively uncertain future at this point. I think a lot of people are going to sit back and wait and see" over the next six months if Aetna can solve the issue it has identified in its announcement. This has really "hurt their credibility," he said.

"By the same token, the stock has fallen to a point where it is trading at a relatively low multiple of its book value, so there's the potential that at some point. . .it becomes a value play" for some investors. BI

Maryland

Continued from page 2

law that imposes a $1,000 fraud prevention fee on "each insurer, health maintenance organization, nonprofit health service plan, fraternal benefit society or any entity operating in the state under the regulatory jurisdiction of the commissioner."

NRRA said the imposition of the fee on RRGs was barred by the federal Risk Retention Act, which preempts states from imposing fees—other than premium and other applicable taxes—on RRGs.

"This ($1,000) assessment, which both the Maryland Insurance Administration and the statute describe as a 'fee,' is clearly not 'applicable premium and other taxes,'. . .and thus cannot be levied by Maryland against its non-domiciliary RRGs," Mr. Harkavy earlier wrote to the Maryland Insurance Administration.

NRRA's victory in Maryland is the group's second this year. In May, the 5th U.S. Circuit Court of Appeals affirmed a lower court ruling striking down a 1995 Louisiana law and application procedures that imposed a wide variety of fees as well as capital and surplus requirements on RRGs licensed in other states that wanted to issue policies to members in Louisiana (*BI*, May 12).

While NRRA prevailed in Louisiana and Maryland, new battles may lie ahead for the trade group, which has become more aggressive in challenging laws and regulations it believes the Risk Retention Act pre-empts.

Mr. Harkavy said the group is concerned about other state efforts to impose registration and renewal fees on RRGs. But, NRRA has not taken official action yet.

For example, Nevada imposes both a one-time $2,450 application fee on RRGs that want to operate in the state as well as a $2,450 annual renewal fee, while Alaska sets a $1,000 initial fee and a $200 annual renewal fee.

Congress specifically excluded RRGs from such assessments—other than premium taxes—because legislators wanted the groups to operate in the most cost-efficient way, RRG advocates earlier said.

The Risk Retention Act allows RRGs, which are special multiple-owner captives, to operate throughout the United States after meeting the licensing requirements of one state. RRGs may write coverage only for members. RRGs may write all commercial liability lines except workers compensation.

Sixty-eight risk retention groups are licensed, about half of which are domiciled in Vermont, which has an attractive captive statute. BI

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Insider Trading

Aetna Inc.: Thomas J. Calvocoressi, vp, exercised an option for 2,000 shares of common at $46.75 each on June 3 and now directly and indirectly holds 2,650 common shares.

Ronald E. Compton, chairman, exercised an option for 90,780 of common between $53.50 and $57 each on May 8 and sold the shares between $95.75 and $97.75 each on that same day. Mr. Compton now directly and indirectly holds 75,385 common shares.

Aetna stock closed at $90.50 a share on Sept. 26.

Chubb Corp.: Douglas A. Batting, vp, sold 820 shares of common at $66.63 each on June 19, 1997, and now directly and indirectly holds 15,803 common.

Edward Dunlop, vp, exercised an option for 3,768 shares of common between $33.38 and $36.03 each on Aug. 5, 1997. To cover expenses of the transaction, Mr. Fowler turned in 2,882 of them for $69.34 each from Aug. 1 to Aug. 5, 1997, and now directly and indirectly holds 33,393 common shares.

Donn H. Norton, vp, exercised an option for 10,368 shares of common between $40.97 and $41.78 each from Aug. 4 to Aug. 22, 1997, and sold them at $66.31 each from Aug. 4 to Aug. 22, 1997, and now directly and indirectly holds 11,529 common.

Charles M. Luchs, vp, sold 1,308 shares of common at $56.25 each on April 29 and now directly and indirectly holds 9,030 common.

Robert Rusis, vp, exercised an option for 2,000 shares of common at $36.03 each on June 18, 1997. To cover expenses of the transaction Mr. Rusis turned in 1,081 of them for $66.63 each on June 18, 1997, and disposed of by gift 300 shares at $66.63 each on June 19, 1997, and now directly and indirectly holds 21,949 common.

David G. Scholey, director, purchased 700 shares of common at $67.35 each on June 19, 1997, and now directly and indirectly holds 1,000 common.

Henry B. Schram, vp, exercised an option for 2,165 shares of common at $14.31 each on June 17, 1997. To cover expenses of the transaction, Mr. Schram turned in 465 of them for $66.63 each on June 17, 1997, and now directly and indirectly holds 22,212 common.

Theresa M. Stone, vp, exercised an option for 7,571 shares of common between $36.03 and $60.75 each on June 17, 1997. To cover expenses of the transaction, Ms. Stone turned in 5,186 of them for $66.63 each on June 17, 1997, and now directly and indirectly holds 19,116 common shares.

Chubb stock closed at $70.44 a share on Sept. 26.

CIGNA Corp.: Byron D. Oliver, officer of subsidiary, exercised an option for 20,808 shares of common between $115.28 and $139.31 each on June 3, 1997. To cover expenses of the transaction, Mr. Oliver turned in 14,929 of them for $176.94 each on June 3, 1997. Mr. Oliver now directly and indirectly holds 29,453 common shares.

Gary A. Swords, vp, exercised an option for 866 shares of common between $154.13 and $157.25 each on Aug. 27, 1997. To cover expenses of the transaction, Mr. Swords turned in 738 of them for $182.63 each on Aug. 27, 1997, and now directly holds 4,067 common.

CIGNA stock closed at $187.25 a share on Sept. 26.

Hartford Steam Boiler Inspection & Insurance Co.: William A. Kerr, vp, purchased 100 shares of common at $48 each on May 2. Mr. Kerr now directly holds 939 common shares.

Hartford Steam Boiler stock closed at $55.38 a share on Sept. 26.

NAC Re Corp.: Robert A. Belfer, director, indirectly sold 16,000 shares of common at $40.88 each from May 14 to May 15. On June 30, Mr. Belfer indirectly sold 5,500 shares of common at $47 50 each and now directly and indirectly holds 1,064,832 common shares.

Carl Fred Madsen, vp, exercised an option for 1,875 shares of common at $11.22 each on June 16, 1997, and sold 950 shares at $45.38 each on June 16, 1997, and now directly and indirectly holds 19,199 common.

Martha G. Bannerman, vp, exercised an option for 4,000 shares of common at $11.22 each from June 12 to June 30, 1997, and sold them between $44 and $47.25 each from June 12 to June 30, 1997, and now directly and indirectly holds 27,073 common.

NAC Re stock closed at $51.13 a share on Sept. 26.

Ohio Casualty Corp.: William Leon Woodall, director, indirectly sold 2,784 shares of common at $41.50 each on May 23 and now directly and indirectly holds 20,700 common.

John W. Popp, director, purchased 1,000 shares of common at $30 each on June 12 and now directly and indirectly holds 4,000 common shares.

Howard L. Sloneker, officer and director, exercised an option for 3,333 shares of common at $35 each on June 12.

To cover expenses of the transaction, Mr. Sloneker turned in 2,494 of the shares for $46.75 each on June 12 and now directly and indirectly holds 193,577 common shares.

Ohio Casualty stock closed at $45.63 a share on Sept. 26.

Poe & Brown Inc.: Byrne A. Litschgi, officer, exercised an option for 937 shares of common at $7.60 each on July 9, 1997. Mr. Litschgi now directly holds 1,837 common.

V.C. Jordan, director, indirectly sold 23,666 shares of common at $31 each on June 9 and now indirectly holds 10,000 common shares.

Poe & Brown stock closed at $39.38 a share on Sept. 26.

SAFECO Corp.: John W. Ellis, director, purchased 1,000 shares of common at $48.13 each on Aug. 4, 1997 and now directly holds 13,024 of common.

Robert Stanley Cline, director, purchased 1,000 shares of common at $48 each on July 31, 1997, and now directly holds 5,000 common.

SAFECO stock closed at $51.75 on Sept. 26.

UNUM Corp.: Elaine D. Rosen, officer of subsidiary, exercised an option for 29,400 shares of common between $18.38 and $21.34 each on July 28, 1997. Ms. Rosen sold 23,635 shares at $45.83 each on July 28, 1997. Ms. Rosen now directly holds 55,257 common shares.

UNUM stock closed at $44.63 a share on Sept. 26.

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Global Briefs

AXA-UAP of Paris merged its two London marine units last week. The insurer merged the marine operations of UAP IARD/La Reunion Francaise into AXA Global Risks (UK) Ltd. The combined operations will be based in the London Underwriting Centre. . . .**Assicurazioni Generali S.p.A.** is buying a 49% stake in three pension and insurance units of Mexican financial group Grupo Financiero Banorte. Generali will pay up to $159 million, depending on the units' future performance. The three units, which will be renamed, are: Solida Banorte Generali, an AFORE, or pension asset manager; Pensiones Banorte Generali, an annuity company; and Seguros Banorte Generali, a personal lines insurer. Generali will pay $84 million now and up to $75 million over 10 years. . . .The board of **Trygg-Hansa A.B.**, one of Sweden's major insurers, last week recommended accepting a takeover offer from Stockholm bank Skandinaviska Enskilda Banken. Analysts last week said they expect S-E-Banken will retain Trygg-Hansa's life operations and put its non-life interests up for sale. . . .The British government last week replaced Taskforce 2000, formed to raise industry awareness of the millennium computer problem, with a new group, **Action 2000**. The government said Taskforce 2000 had achieved its aim and the new body will promote solutions to computer problems caused by the date change from 1999 to 2000. . . .The **New European Insurance Ventures** fund, a venture capital limited partnership comprising mainly Western insurers set up earlier this year to invest in insurance and related business in Central and Eastern Europe, has grown to $21.6 million. Under a co-investment program with the European Bank for Reconstruction and Development, the EBRD will contribute an additional $7.2 million, raising the total investment funds to $28.8 million. . . .**Lloyd's of London** has announced that its eighth and final auction of syndicate capacity for the 1998 underwriting year resulted in £171 million ($275.7 million) of market capacity involving 102 syndicates being auctioned at a total value of £8.5 million. . . .London-based specialist insurer Hiscox Syndicates Ltd. has created an earthquake rating system for insurers and reinsurers. The **Monica Seismic Rating System** has been developed by Hiscox and the British Geological Survey to provide quake information for "secondary" zones, such as Italy, which are not covered by existing cat models. . . .**Angerstein Transit Underwriting Agency Ltd.** has formed an underwriting agency, Angerstein Transit, to write cargo, transit and related covers. The agency is a joint venture with Lloyd's syndicate 902 to service U.K.-based accounts not usually placed in the Lloyd's market. . . .**ACE Ltd.** has established a Dublin subsidiary to write insurance and reinsurance in Europe. ACE Insurance Co. Europe Ltd. will be headed by Mark Kealy, a former executive at Willis Corroon Group P.L.C.

E.U. tax plan targets captives

Proposed E.C. legislation would end Dublin's tax advantages as a domicile

By EDWIN UNSWORTH

BRUSSELS, Belgium—A European Commission proposal designed to eliminate the advantages of certain tax havens could hurt insurers and captives.

A particular target of such legislation within the European Union will be Dublin's International Financial Services Centre, home to nearly 200 insurers and captives.

Companies operating from the IFSC pay a 10% corporation tax, compared with a 36% income tax rate for companies in the rest of Ireland.

The other locations most likely to be affected are tax havens in Trieste, Italy, and in the Canary Islands, part of Spain.

However, David Smith, business development executive for the financial services division of the Irish Development Agency, said Dublin's attraction should not be hurt too badly if the proposed code is adopted, because it sells itself on the quality of the location rather than its tax advantages. He did acknowledge "it would impact somewhat."

Some captive managers are concerned that the measures could raise their clients' tax bills in locations like Dublin, but do not think that this necessarily spells the end to captives locating there.

Michael Trainor, managing director of Willis Corroon Management (Dublin) Ltd., acknowledged that any increase in a captive's costs resulting from higher tax charges would have to be factored into the business equation. However, like Mr. Smith, he maintained that there are other factors that have to be taken into consideration that could outweigh any lost tax advantages. These include facilities that help the captive to achieve its risk management objectives, such as good captive management resources and a Dublin captive's ability to underwrite throughout the European Union.

The proposed code, which would not be legally binding, is part of a package of proposals the European Commission unveiled last week that are designed to curb "harmful" tax competition among its 15 member countries. These proposals will form the basis of discussion within the Council of Economic and Finance Ministers, which will meet Oct. 13 to discuss the issue.

The key element of the propos-

See **Taxation** *on next page*

Plane, cargo ship disasters insured in local markets

By STACY SHAPIRO and EDWIN UNSWORTH

JAKARTA, Indonesia—Thick smoke covering hundreds of square miles in Southeast Asia is being blamed for a recent jetliner crash that killed 234 people and the collision of two cargo ships that killed 29 people.

However, official investigations may determine other reasons for the two disasters, which occurred within hours of each other.

On Sept. 26, a Garuda Airlines A-300B4 Airbus plowed into hillsides on its approach to Medan, Indonesia's Polonia Batu airport from Jakarta. All 222 passengers, including two Americans, two Britons and six Japanese, and 12 crew were killed (*BI*, Sept. 29).

Reports claimed that the Garuda airliner was lost in haze resulting from raging forest fires set off deliberately to clear land. However, other reports claimed the pilot and the Medan air traffic controller misunderstood each other during the last minutes of the flight, indicating human error.

Coverage for the plane's $14 million hull and liability for an unknown limit is placed with Jasa Indonesia Asuransi P.T. in Jakarta. The reinsurance was placed by Willis Corroon Group P.L.C. and led in Paris by La Reunion

See **Disasters** *on page 63*

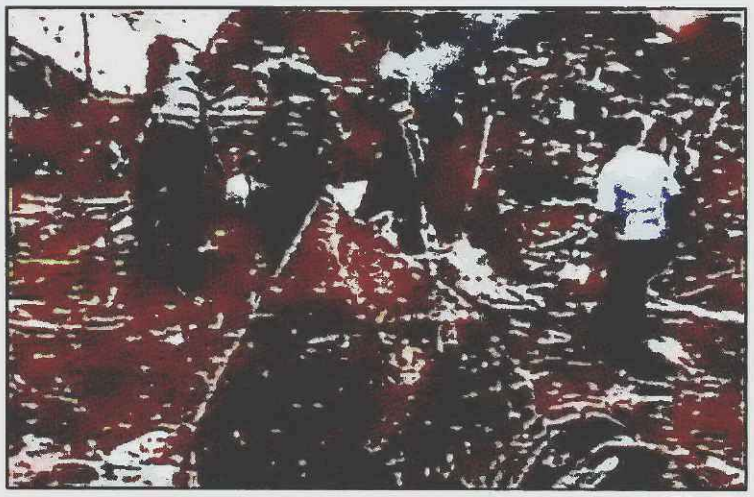

PHOTO: AFP

Dense smoke from forest fires in Southeast Asia may have contributed to the crash of this Garuda Airlines plane in Indonesia late last month.

Deregulation in Japan may mean better products, lower premiums

BRISBANE, Australia—Competition is likely to increase in the Japanese insurance market as deregulation continues, a Japanese insurance professor says.

For risk managers, the deregulation would mean greater choice of products and lower premiums, said Kazuo Ueda, professor of risk and insurance in the Department of Commerce at Sensyu University in Tokyo. Mr. Ueda was in Australia to research the Australian insurance industry and plans to write a paper comparing the Australian and Japanese markets.

Mr. Ueda said Japanese insurers will have to compete with foreign insurers after July 1, 1998, but it is still only "partial, not full, deregulation."

"The Japanese government is committed to change, but it should happen slowly, given that the Japanese market has no experience with competition," he said.

There are 32 non-life companies in Japan, which has a population of about 125 million.

"Insurance costs are high because there are too many agents and a high staff turnover (of agents)," Mr. Ueda said.

As a result, Japanese insurers' training costs are high, and many of their agents are inexperienced, he noted.

Mr. Ueda predicted Japanese risk managers will become more interested in risk financing alternatives, such as captives, once the market becomes more open and Japanese buyers have an incentive to become more sophisticated in their insurance choices.

He also predicts an increase in the strength and number of insurance brokers once risk managers have a wider choice of insurers, products and coverages.

In the current regulatory environment, Mr. Ueda said there is little differentiation of rates, regardless of a policyholder's risk.

As insurers are permitted to vary rates according to loss exposure or claims experience, the importance of risk management will escalate, he said.

"Because there is no effective competition in the Japanese insurance market, management has no incentive to minimize risk factors," he noted.

Under the new insurance law, the Japanese Insurance Rating Organization, which sets rates, still will calculate a base rate for non-life coverage, but Mr. Ueda said that insurers then could adjust that base rate to better correspond with their own profit and expense margins. Under the current regulations, insurers cannot make adjustments to the government-set rates.

"Although the process of change in Japan will be gradual, it will nevertheless take place," Mr. Ueda said.

—By Kate Tilley

Year 2000 problem may cost trillions

By SARAH GODDARD

FLIMS, Switzerland—Solving the Year 2000 problem could cost businesses and governments around the world more than $3.5 trillion, a software consultant warns.

Speaking at last month's corporate customer symposium held by Zurich Insurance Co., Capers Jones, chairman of Software Productivity Research Inc. of Burlington, Mass., told international risk managers that the major costs from the Year 2000 problem will be litigation stemming from systems that fail to work after the turn of the century.

Any business that by the end of this month hasn't begun to remedy problems in its own software and hardware systems will have little hope of correcting the problem before the millennium dawns, Mr. Jones warned.

Computers and software systems that have not been updated likely will fail to operate because they will not be able to distinguish the "00" denoting the date as 2000 from 1900.

The problem is the result of short-sighted decisions to save time and money in data entry costs, as well as computer memory space, by using two digits to record the year rather than four. As a result, in just a little more than two years, uncorrected computers will assume that time has jumped back a century.

Mr. Jones said the problem of aging software will be "a national crisis" for the United States by 1999. Currently, he estimated more than 180 billion lines of code need to be corrected in 35 million programs and on more than 1 million systems. More than 45% of software in use is threatened by the millennium bug, he said, and 15% of that software cannot be repaired. Already some systems are beginning to fail, prompting litigation.

If just 10% of Year 2000 problems are missed, severe problems will ensue, said Mr. Jones.

The best-case scenario for the United States is that 85% of repairs will be corrected, he said. If that

See **Year 2000** *on next page*

Taxation

Continued from previous page
als is a suggested code of conduct on business taxation. According to an E.C. statement on the proposals, the code deals with tax measures "which have, or may have, a significant impact on the location of business in the union."

The tax rates that could be changed include those that are significantly lower than the general level of taxation in the country concerned, those reserved for non-residents and those offering incentives for activities isolated from the domestic economy and thus have no impact on the national tax base.

The European Commission hopes the Ecofin Council will endorse the code in order "to establish a political commitment by the end of the year." However, it may take another year or more before any changes recommended by Ecofin are passed by the E.U. member states.

While the code would not be legally enforceable, the European Commission says its adoption would represent a political commitment by the E.U. member states to the principles of fair competition and to refrain from setting low tax rates to draw businesses away from other members.

Mario Monti, E.U. commissioner responsible for the Single Market and Taxation, said in a statement last week that the measures are needed because "we are realizing for the first time the full extent of the damage resulting from the delay in coordinating national tax policies in the face of market integration."

However, Mr. Smith of the IDA said, "I don't think we would see big losses" and Ireland would actually benefit with regard to attracting financial services companies if the European Union were to call for members to harmonize tax rates.

An E.U. tax agreement would create a level playing field, says David Smith of the Irish Development Agency.

While expressing doubts that the European Union would be able to pass the tax code this year or even next year, Mr. Smith claimed that if it were to be agreed, it would create a level playing field and place Ireland on an equal footing with locations such as Luxembourg and the British dependency of Gibraltar, its main competitors within the European Union as tax havens.

Many insurance and financial services companies operating in Ireland already have no tax advantage anyway, Mr. Smith maintained.

This is because countries such as Germany, Japan, France and the United Kingdom have various measures in place requiring companies that pay less tax abroad to make up the difference at home. He said that even for U.S. companies, the IFSC's 10% corporation tax is only a deferred tax, because they pay full U.S. tax on any profits remitted to the U.S. parent.

While Mr. Smith acknowledged that some companies do come to Dublin only for the tax advantages, he said for most this is only "the icing on the cake." The majority come for Ireland's other advantages, which include free access to the rest of the European Union, including access for insurers under the E.U.'s third non-life directive; an educated labor force; and the ease of doing business.

Apart from the code of conduct on business taxation, the other measures the European Commission said last week it would like the Ecofin Council to consider at its Oct. 13 meeting include: the removal of distortion in the taxation of capital income, the abolition of withholding taxes on cross-border payments and royalty payments between companies, and measures to tackle "blatant distortions" in indirect taxation. BI

Year 2000

Continued from previous page
figure drops to 80%, he predicted possible recession. An additional 10% drop could result in depression. If only 60% of problems are fixed, economic chaos could result, he said.

The Year 2000 problem "will affect most major corporations and governments," said Mr. Jones, and for any organization starting out next year on putting it right, it will be "most likely too late."

The scenario is much worse for Western European businesses because the millennium coincides with the introduction of European economic and monetary union, he said.

Mr. Jones' estimate of the best case for Western Europe is 75% of problems repaired. To try to deal with the millennium bug—perhaps the most expensive business problem in the world—is bad enough, but adding to it the move to a single European currency is "one of the most dangerous decisions," he said.

"Trying to do both together would be laughable if it wasn't so serious," he said, predicting that neither will be achieved.

Organizations that do solve the Year 2000 problem may still have trouble through their links with non-compliant businesses. In these cases, particularly where there are computer links, the lack of compliance of one may well bounce back to the other.

Whatever the individual scenarios, overall Mr. Jones predicted severe damage and massive litigation as a consequence. His own calculations, which he said were conservative compared with others', assess the global litigation and damage for the Year 2000 issue at $300 billion—a figure that other specialists put closer to $1 trillion, he said. In addition, he predicted repair costs prior to 2000 of almost $1.5 trillion, and post-2000 damage and recovery costs of almost $2 trillion.

In the United States, "any cost of litigation is going to be much, much more than the cost of fixing" the millennium bug, said Mr. Jones.

He identified 10 possible sources of litigation:

- Client lawsuits for financial loss.
- Shareholder suits for stock losses.
- Shareholder suits for violation of fiduciary duty.
- Damages for injuries or deaths caused by computer malfunction problems.
- Class actions by commercial software users.
- Suits resulting from incompetent Year 2000 fixes.
- Suits against computer hardware companies.
- Malpractice suits against corporate attorneys.
- Suits against government agencies.
- Suits against insurers.

Other statistics Mr. Jones produced implied that organizations will be able to do little to protect themselves from litigation. For example, any organization starting Year 2000 fixes at the beginning of next year and using search engines rather than manual searches for the problems will only be able to repair 90% of its problems.

However, this figure could be boosted to 100% if programmers are put on the problem round the clock, and other non-standard strategies can be called into action. These include suspending relevant antitrust regulations until the Year 2000 problem is sorted, so key industries can share their resources. Mr. Jones also suggested delaying the introduction of EMU by five years and suspending all other non-emergency software repairs. BI

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Mystery fading on blended risks

By SARAH GODDARD

FLIMS, Switzerland—Corporate risk managers are starting to overcome the "mystery and mystique" of blended risk financing solutions, using both insurance and financial options to shift their exposures, a panel of experts says.

The perceived complexity of some blended products makes them difficult to market to risk managers, admitted Thomas Dickson, senior vp at Centre Reinsurance Holdings Ltd. in New York., speaking at a workshop on blended products during Zurich Insurance Co.'s corporate customer symposium in Flims, Switzerland, last month.

At the same time, other issues are limiting the appeal of alternative risk transfer products, not least of which is the fact that the risk manager's use of these products may be encroaching on the turf of other people within their organization, said Wayne Fisher, head of underwriting in the corporate customer division of Zurich Insurance Co. in Zurich, Switzerland.

Businesses that do take up alternative risk transfer products, however, do so in a small way and use them increasingly as they become more familiar with the products, said Mr. Fisher.

The nature of the products means organizations should seek long-term financial partners that can adapt to changing circumstances and precisely fit their needs, recommended Oscar Tymon, a director at Centre Reinsurance Representatives Ltd. in London.

In return, risk managers can find themselves benefiting from the "portfolio effect" of blended risk financing solutions, possessing coverages that cannot be bought separately or would be too expensive to buy individually.

Scott Lange, director of risk management at Microsoft Corp. in Redmond, Wash., described the new risk environment as strategic in nature. Risk managers need to take long-term rather than short-term perspectives, he said, and address all key risk impacts, whether they be direct losses, loss of market opportunity or a devaluation of assets.

Neal Schmale, chief financial officer of Unocal Corp. in E. Segundo, Calif., said the concept of total risk management was "of a lot of interest to me and my company." Within his organization, risks need to be looked at in total, as part of one portfolio, and not as risks in isolation, he said.

Disasters

Continued from page 61

Aerienne.

Indonesia has had two other passenger flight disasters this year, according to Airclaims Ltd. On July 17, a Netherlands-built Sempati Air commuter plane crashed nearing a housing complex on the island of Java, killing 27 people. On April 19, 15 people were killed when a British-made ATP turboprop plane flown by state-run Merpati Nusantara airline crashed off the island of Sumatra.

Meanwhile, property insurance claims from the two cargo ships that collided in the Strait of Malacca are not expected to total much more than $10 million, though there should be additional claims for the 29 lives lost.

PHOTO: AFP

Fires are set intentionally in Indonesia to clear remote jungles. Drought conditions allowed them to get out of hand this year.

One of vessels, the ICL Vikraman, a bulk carrier with a cargo of 53,000 metric tons of steel coils and some general cargo, sank with only five of the 34 on board surviving. The vessel was owned by India Cements Shipping Co. Ltd.

Lloyd's of London had no record of involvement in insuring the vessel. Stephen Redmond, underwriting director for Eagle Star Reinsurance Co. Ltd. in London, said Indian-owned vessels are usually insured in India, with the London market providing some treaty reinsurance.

The other vessel in the collision, the Mount I, recently bought by Five Star Shipping of Karachi, Pakistan, was only slightly damaged and reported no injuries. BI

Australia reports premium bargains

Overcapacity means lower prices: Study

By YVETTE HIGGINS and KATE TILLEY

Insurance capacity is rising and premiums are falling sharply in Australia, a recent survey shows.

Capacity in Australia's non-life insurance industry has increased in the 12 months ending June 30, and similar growth is expected for next 12 months, the survey says.

Peter Caldwell, national industry group chairman for accounting firm Deloitte Touche Tohmatsu, said reinsurance overcapacity and the absence of a large-scale catastrophe have forced a drop in reinsurance rates that is expected to continue.

As a result, rates have fallen dramatically and capacity has increased significantly for property and business interruption insurance, public and product liability, and professional indemnity/directors and officers' liability insurance, Mr. Caldwell said.

Melbourne, Australia-based Deloitte Touche Tohmatsu and Sydney-based stockbroker Ord Minnett surveyed 19 of Australia's 20 largest underwriters and brokers, one government-owned non-life insurer and eight of Australia's 15 largest reinsurers.

Fire and property/business interruption capacity rose 20%, while reinsurance and primary rates for these risks both dropped 18%, the survey found.

Public and product liability capacity increased 19%, while primary rates fell 17% and reinsurance rates fell 11%. For professional indemnity and D&O insurance, capacity was up 18%, while primary rates fell 18% and reinsurance rates dropped 10%.

Capacity for professional indemnity and D&O insurance in Australia has increased because of "strong profitability in this class in recent years," the survey authors said.

"Over the last three years, we estimate that premium rates have declined by 36%, which is the largest fall for any of the major classes of reinsurance," the survey stated.

In contrast, workers compensation capacity rose only 2%, while primary rates rose 1%, and reinsurance rates fell 11%.

Many insurers surveyed said the non-life market is one of the softest they could remember, and they think rate reductions were "overdone relative to the risk being insured," Mr. Caldwell said.

"In this sort of environment, it is likely that the industry will find revenue growth difficult and, more importantly, profitability will come under pressure," he said.

The survey found Australian reinsurance rates fell "significantly" across all classes of reinsurance due to overcapacity in the market. Most of the survey respondents also said that they do not think reinsurance rates have bottomed out.

The major issues facing the non-life industry are rating adequacy and excessive competition, the survey found.

The industry expects a similar outlook for the current financial year. Primary rates are again expected to decline, though less dramatically, the survey said.

"The key will be the increase in capacity, which historically the industry has not predicted well," Mr. Caldwell said.

Most of the industry expected rates to harden in 1999, but the survey said figures generally were based more on hope than "concrete reason."

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For more information on the survey, contact Nick Chipman or Dale McKee at Price Waterhouse, GPO Box 2798Y, Melbourne, Victoria, Australia 3001; fax: 61-7-9666-6444.

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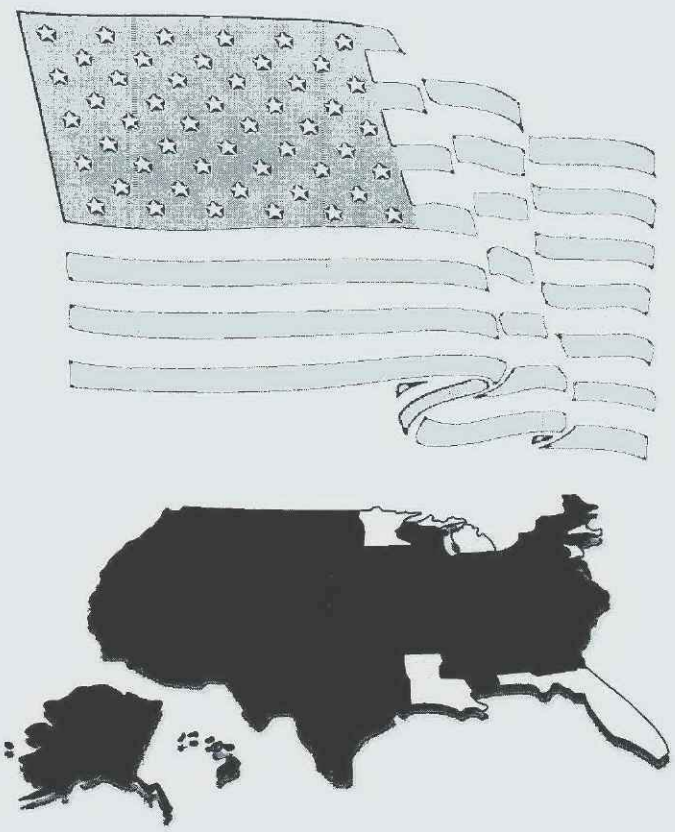

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Pollution

Continued from page 1

Insurance Co. of Pittsburgh, Pa., a three-judge panel of the 2nd Appellate District of the California Court of Appeals favored policyholders by ruling that a cleanup order from an environmental regulatory body is equivalent to a lawsuit and that insurers must defend policyholders against such orders (*BI*, July 28).

But, in *Fireman's Fund Insurance Co. vs. the Superior Court of Los Angeles County*, another panel in the 2nd Appellate District ruled that Fireman's Fund need not pay the defense costs of Vickers Inc., which had received a potentially responsible party letter from the U.S. Environmental Protection Agency.

Judge Miriam A. Vogel, who presided on the three-judge panel, firmly set the *Fireman's Fund* ruling in opposition to the earlier ruling.

"Division Two of our court held that an insurer's duty to defend any 'suit' includes a duty to defend an administrative 'claim.' In the case now before us, we reach the opposite conclusion," she wrote in the opinion.

In the *Foster-Gardner* decision, the appellate panel failed to address the issue of the plain meaning of "suit" and "claim" and whether those terms were ambiguous, Judge Vogel wrote.

Fireman's Fund insured Vickers from 1971 to 1985 under a standard CGL policy using Insurance Services Office Inc.'s then-standard wording.

The policy wording obligated the insurer to a "duty to defend any suit against the insured seeking damages on account of such bodily injury or property damage. . .and may make such investigation and settlement of any claim or suit as it deems expedient," according to court papers.

In 1991, the EPA and the Regional Water Quality Control Board notified Vickers that it was a potentially responsible party at its Los Angeles facility under the Comprehensive Environmental Response, Compensation and Liability Act, which created Superfund. In May 1991, Vickers demanded that Fireman's Fund defend it in the administrative proceedings, court papers say. Fireman's Fund denied any obligation to do so, on the grounds that there was no lawsuit.

Vickers then sought summary judgment on the issue and the trial court ruled in its favor, saying that the letters were the "functional equivalent" of a "suit," according to court papers.

The crux of the case is the court's assessment of whether "suit" can be extended to include administrative "claims," court papers say.

Throughout the CGL policy, the words "suit" and "claim" are used. "A construction that reads 'suit' to include a 'claim' makes the reference to 'claim' superfluous and leaves us with no explanation for the disjunctive use of the two words," court papers say.

The court said in their popular use, the words have different meanings.

"A 'claim' can be any number of things, none of which rises to the formal level of suit—it may be a demand for payment communicated in a letter, or a document filed to protect an injured party's right to sue a governmental entity, or the document used to initiate a wide variety of administrative proceedings," the court wrote.

The plain meaning of suit is an action or proceeding pursued in a court of law, court papers say.

The two decisions in California place the state between the larger band of courts in at least 14 states and the 2nd U.S. Circuit Court of Appeals, which have determined that a cleanup order amounts to a lawsuit, and the courts in at least seven states and the 6th circuit, which favored insurers.

Vickers' attorneys did not return phone calls.

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Fireman's Fund Insurance Co vs. the Superior Court of Los Angeles County. California Court of Appeals, 2nd Appellate District; No. B113595.

Letters

Continued from page 8

value remains in permitting the states to discipline an agent if they are not permitted to pass on the agent's qualifications before a license is issued?

Third, any state law in conflict with NARAB would be pre-empted. When disputes arise as to whether a state law is pre-empted, and they most surely will, the federally dominated NCFS would determine whether a state license law is pre-empted.

Fourth, agents would be subject to dual regulation of their activities. All agents in a state, whether they are licensed by the state or through NARAB, would be subject to state regulation of their activities. In addition, those licensed under NARAB would be subject to an additional layer of regulation by the "Office of Consumer Complaints," an agency that would be created to receive and investigate complaints from consumers and state insurance regulators related to NARAB members.

The agency would have a toll-free number and be authorized to take any disciplinary actions it deems appropriate as a result of its investigation of complaints. This also would lead to consumer confusion—"Who do I call to complain, the state insurance department or NARAB?"

Fifth, NARAB could be sued only in federal court. As such, the courts with the most significant interest in upholding state law—the state courts—could not hear challenges to NARAB's authority over the states.

Finally, the most looming question is this: What activities and responsibilities would be given to NARAB in the coming years? Could it become a new super-federal insurance regulatory agency? Could it be the beginning of the end of state regulation of insurance? The answer to both of these questions is a worrisome "yes."

As an alternative to the NARAB proposal, we would support federal legislation with these components:

• Give the states five years to implement uniform agent licensing requirements. Three years is too short, as many state legislatures only meet every two years, and it may take two or more attempts to get legislation of this type passed in a particular state.

• Instead of imposing a federal bureaucracy upon the states if a majority of them fail to enact uniform agent licensing laws, simply prohibit the enforcement of the countersignature laws and discriminatory agent residency laws of any state that fails to enact uniform licensing requirements within five years of the bill's passage.

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Scott A. Gilliam
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IN THE PETITION OF DAVID LLEWELLYN MORGAN AND MARK W.R. SMITH, AS JOINT PROVISIONAL LIQUIDATORS OF STOCKHOLM RE (BERMUDA) LTD. Case No. 95-B-40543 (PCB)

NOTICE IS HEREBY GIVEN that on September 22, 1997 an order was entered by the United States Bankruptcy Court for the Southern District of New York (the "Bankruptcy Court") in connection with the case filed with respect to Stockholm Re (Bermuda) Ltd. (the "Company") pursuant to 11 U.S.C. § 304 (the "Order"):

1. Enjoining all persons and entities from (a) transferring, relinquishing or disposing of any property of the Company in the United States, or the proceeds of such property, to third parties; (b) commencing or continuing any action or other legal proceeding (including, without limitation, arbitration or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) against the Company, or any of its property in the United States or any proceeds thereof; (c) enforcing any judicial, quasi-judicial, administrative or regulatory judgment, assessment or order or arbitration award against the Company, and commencing or continuing any act or action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) to create, perfect or enforce any lien, setoff or other claim against the Company, or any of its property in the United States, or any proceeds thereof, including, without limitation, rights under reinsurance or retrocession contracts; and (d) drawing down any letter of credit established by, on behalf or at the request of, the Company, or withdrawing from, setting off against, or otherwise applying property that is the subject of any trust or escrow agreement or similar arrangement in which the Company has an interest, in excess of amounts expressly authorized by the terms of the contract and any related trust or other agreement pursuant to which such letter of credit, trust, escrow, or similar arrangement has been established; except, however, no drawing against any letter of credit shall be made in connection with any commutation unless the amount has been agreed in writing with the Petitioners or permitted by further Order of the Court;

2. Requiring all persons and entities that are beneficiaries of letters of credit established by, on behalf or at the request of, the Company or parties to any trust, escrow or similar arrangement in which the Company has an interest, to (a) provide notice to the Petitioners' United States counsel of any drawdown on any letter of credit established by, on behalf or at the request of, the Company, or any withdrawal from, setoff against, or other application of property that is the subject of any trust or escrow agreement or similar arrangement in which the Company has an interest, together with information sufficient to permit the Petitioners to assess the propriety of such drawdown, withdrawal, setoff or other application, including, without limitation, the date and amount of such drawdown, withdrawal, setoff or other application and a copy of any agreement pursuant to which such drawdown, withdrawal, setoff, or other application was made and provide such notice and other information contemporaneously therewith; and (b) turn over and account to the Petitioners for all funds resulting from such drawdown, withdrawal, setoff, or other application in excess of amounts expressly authorized by the terms of the contract, any related trust or other agreement pursuant to which such letter of credit, trust, escrow or similar arrangement has been established;

3. Requiring every person and entity that has a claim of any nature or source against the Company and that is a party to any action or other legal proceeding (including, without limitation, arbitration, or any judicial, quasi-judicial, administrative or regulatory action, proceeding or process whatsoever) in which the Company is or was named as a party, or as a result of which a liability of the Company may be established, to place the Petitioners' United States counsel on the master service list of any such action or other legal proceeding and to take such other steps as may be necessary to ensure that such counsel receives (a) copies of any and all documents served by the parties to such action or other legal proceeding or issued by the court, arbitrator, administrator, regulator or similar official having jurisdiction over such action or legal proceeding, and (b) any and all correspondence, or other documents circulated to parties listed on the master service list; and

4. Providing, with respect to any claim, action, arbitration or other proceeding that may be commenced or become known to the Petitioners in the future, or the entitlement or alleged entitlement of any beneficiary of any letter of credit established by, on behalf or at the request of, the Company, or of a party to any trust or escrow agreement or similar arrangement in which the Company has an interest that is identified by the Petitioners in the future (each a "Subsequent Claim"), that:

(a) when informed of a Subsequent Claim, counsel for the Petitioners shall serve upon the holder of such claim a copy of the Summons and Petition, and the most recent injunction order entered by the Court; and

(b) on such notice to counsel for the Petitioners as the Court may require, the holder of a Subsequent Claim may file a motion seeking an order of the Court vacating or modifying the injunction entered in this proceeding with respect to such Subsequent Claim. Otherwise, the holder of a Subsequent Claim may file objections and be heard by the Court in accordance with the terms of any order of the Court providing for a hearing in the future on the relief sought by the Petitioners in this proceeding.

The Order shall remain in effect pending a hearing scheduled to be held on March 9, 1998 at 2:30 p.m. before the Honorable Prudence Carter Beatty, United States Bankruptcy Judge, in the Alexander Hamilton Custom House, One Bowling Green, New York, New York 10004. All papers submitted for the purpose of opposing continuation of the Order shall be filed with the Court with a copy to the Chambers of the Honorable Prudence Carter Beatty, and served on Cadwalader, Wickersham & Taft so as to be received on or before February 23, 1998 at 5:00 p.m. New York time. Any party-in-interest that has not received a copy of the Petition and Supporting Papers and/or the Order should contact counsel for the Joint Liquidators in writing at the address below:

CADWALADER, WICKERSHAM & TAFT
100 Maiden Lane
New York, New York 10038
Telephone: (212) 504 - 6000 • Fax: (212) 504 - 6666
Attention: Ken Coleman
Lisa C. Dorr

NAIC

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The topic is increasingly important because of "the beginning of a trend toward demutualization, or the formation of a model holding company structure, which is a partial demutualization," said Derrick Vializ, assistant vp-life/health with rating agency A.M. Best Co. in Oldwick, N.J.

The impact of the issue on large insurance buyers varies, depending on the perspective of the observer.

"Large premium payers who may have millions of dollars at stake will benefit from a public airing of all the issues," said consumer advocate Jason B. Adkins, executive director of the Center for Insurance Research in Cambridge, Mass.

However, Mr. Vializ said he thinks corporate buyers of insurance are not necessarily directly affected by such reorganizations. In fact, "the reorganizations may benefit corporate insurance buyers by providing more cooperative and efficient providers of financial and insurance products and services."

Regulators' interest in the topic stems from concerns about fairness following a flurry of recent state law changes regarding conversions.

Many states are significantly changing laws in a variety of ways to make mutual insurer conversions easier. Their motives sometimes include a desire to attract potential insurers to their states, especially if a pending federal bill makes it easier for mutuals to redomesticate.

In 1997 alone, seven states have adopted laws to simplify the demutualization process by allowing formation of a mutual holding company, according to Erik N. van Nispen, senior vp with Ryan, Beck & Co., an investment banking company in Livingston, N.J.

That brought to 15 the number of states plus the District of Columbia adopting laws allowing that approach.

Such a tax-free reorganization allows the operating subsidiaries of the mutual holding company to convert to stock-owned companies as long as the holding company retains 51% ownership.

In addition, five states plus the District of Columbia have adopted the so-called "subscription" approach, which gives policyholders the right to buy stock in the converted company at a discounted rate.

Some jurisdictions allow both approaches.

In addition, New York Gov. George Pataki is proposing changing state law to allow for the mutual holding company approach. A hearing is scheduled for next week in New York.

So far, relatively few mutuals have converted to stock companies, though several insurers are positioning themselves to possibly do so in the future. At stake is the potential redistribution of billions of dollars in assets held by insurers organized as mutuals as well as the ownership rights of policyholders.

At the end of 1996, mutual insurers owned about 38% of the life/health industry's $2.29 trillion in assets and about 30% of the property/casualty industry's nearly $758 billion in assets, Mr. van Nispen said.

Those estimates may be understated, said Mr. Vializ.

Depending on state law, a mutual insurer's ownership and profits typically are distributed among members in proportion to the amount of business they do with the company. Mutual insurance company members generally are policyholders entitled to name the directors or trustees and to receive dividends or rebates on future premiums.

Mutual insurers, especially those writing life/health coverages, favor conversions for several reasons.

Supporters say conversions increase access to capital, preserve managers' control and create shares for stock options to attract quality executives as well as for acquisitions with little or no cash, according to insurer representatives and their financial and legal advisers.

"I think it is important for (mutual) insurance companies to have a level playing field with other financial institutions," including stock-based insurers as well as banks seeking increasing authority to sell insurance products, said Mr. van Nispen.

But consumer representatives warn that the conversions don't adequately consider policyholder interests.

Policyholders are being too easily separated from their ownership assets by executives of a newly converted insurer, they say. Those executives become embroiled in a conflict of interest between their roles as shareholders and policyholder fiduciaries, said consumer advocate Mr. Adkins.

"These proposed transactions are designed to benefit a small, sophisticated minority of insiders who will make enormous windfalls at the expense of the vast majority of policyholder/owners," he added.

The NAIC's inquiry into the issue "marks the end of the stealth period for conversions, as Ralph Nader has said," Mr. Adkins added.

"The only real scrutiny the proposals could receive is in the state regulatory process, including public hearings, and yet the laws fall short in providing what is needed," he said. BI

Proposed budget adds new projects

WASHINGTON—The National Assn. of Insurance Commissioners is proposing a $40.55 million operating budget for 1998, representing a 1.94% increase in total expenses and a 4.42% increase in total revenues compared with its 1997 budget.

The budget includes significant reductions in virtually all lines of expense to offset the cost of new NAIC projects the NAIC leadership has designated as priorities for the coming year, the organization said in a statement.

Priority projects that are likely to increase expenses include increased monitoring of federal legislative activity and increased involvement of members in international regulatory activities.

For example, NAIC travel costs are projected to increase more than 28% to $1.5 million "due to increased involvement in international activities, higher cost of national meeting sites and escalating air fares generally," according to budget papers presented during the NAIC's fall meeting in Washington last month.

Other key expense items include a 4.16% increase in salary costs to nearly $16.8 million. That reflects a 3.7% increase for most of the 326 existing full-time positions as well as salaries for 16 new staff members of the NAIC and its affiliates.

In addition, revenues are expected to increase 4.42% to $42.8 million in 1998 compared with 1997.

Actual revenues in 1997 are projected to be over budget due to the addition of filing fees that accompany 393 health maintenance organization annual statement filings, which is being recognized for the first time in this budget, though HMOs paid them last year. However, the increase is offset by decreases due to delays in publication development and delivery as well as lower-than-estimated registration fees from attendees at national meetings.

The NAIC budget represents "a cost-effective plan for providing services to our members' states while maintaining our efforts to streamline the NAIC operations," NAIC President Josephine Musser, the Wisconsin insurance commissioner, said in a statement.

The 1998 budget holds the line on current database fees, state assessments and national meeting registration fees, she noted.

The NAIC's major source of funding is database fees paid by insurers, followed by income from publications and subscriptions. States are also assessed to pay NAIC expenses.

Quality award named for Quern

By SALLY ROBERTS

NEW YORK—To help set a standard for quality in the risk management and insurance industry, the Risk & Insurance Management Society Inc. and Quality Insurance Congress are establishing the Arthur Quern Quality Award.

The award, which will be presented annually to individuals who have helped raise the quality of performance within the industry, honors the memory of Mr. Quern, the former chairman and chief executive officer of Aon Risk Services, who died last year (*BI*, Nov. 4, 1996).

Insurers, brokers, agents, third-party administrators, risk managers, risk management departments and others in the risk management and insurance community are eligible for consideration.

Nominations will be accepted until Dec. 19 and will be judged by a two-tier system. The screening committee, made up of four RIMS members and two QIC members, will make the initial review and select finalists.

The selection committee, made up of four RIMS members and four QIC members, then will determine the winner. In case of a tie, the president of The College of Insurance will choose the winner.

The award will be presented at the annual RIMS conference and exhibition.

"We felt an award recognizing quality in the industry would create an awareness of quality and would be a step in raising the bar," said Stephen M. Wilder, vp-risk management at The Walt Disney Co. in Burbank, Calif., and president of RIMS.

Prior to taking over the helm at RIMS, Mr. Wilder indicated that his major initiative as president would be to try to improve quality in the business (*BI*, April 7).

"Quality has remained an elusive concept in our industry. This award gives some definition to the standard to which we should all aspire by recognizing the achievements of those who have made a tangible contribution," Mr. Wilder said.

"Everybody who knew Art would describe him with adjectives that fit the definition of what we believe is quality," Mr. Wilder said of the choice to name the award for Mr. Quern.

The nomination application involves eight essay questions that evaluate the candidate in such areas as: an effective customer-oriented quality program; solved quality problems; innovative techniques or policies resulting in the superior quality of a risk management product or service; contribution toward the enhancement of ongoing quality programs; and training and continuous improvement.

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Copies of the nomination application are available by contacting RIMS at 212-286-9364, ext. 248, or from the RIMS World Wide Web home page at www.rims.org.

Newsletter blasts mutual insurer

By DOUGLAS McLEOD

DES MOINES, Iowa—An insurance industry newsletter's charges of self-dealing by the management of an Iowa mutual insurer is sparking denials from the company and a review of its transactions by Iowa regulators.

Schiff's Insurance Observer, a New York-based newsletter, charged in a lengthy article last month that the management of Allied Mutual Insurance Co. engineered a restructuring that damaged the mutual and its policyholders while benefiting Allied Group Inc., a publicly traded entity originally formed as the mutual's downstream holding company.

In the process, Allied Mutual officers—who also run Allied Group—reaped huge benefits for themselves in the form of Allied Group stock options, the newsletter charged.

David Schiff, the Insurance Observer's writer and publisher, is taking his allegations a step further: He also announced plans to wage a proxy fight for a seat on Allied Mutual's board of directors, where he says he would reverse a series of transactions that allegedly gutted the insurer and that he would distribute at least $385 million to policyholders.

"Allied Mutual is like a pile of oily rags (the hazard we were warned of in Insurance 101): it's an explosion waiting to happen. That's why I can overthrow the board," Mr. Schiff wrote.

In a terse response, the Allied companies said the charges are "totally without merit" and that "Allied has always been meticulous in its transactions, and our board and management have used the leading financial consultants, legal advisers and accountants to render opinions on our decisions."

Asked about the charge that management has enriched itself at the expense of the mutual, Douglas Andersen, chief executive officer of Allied Mutual and Allied Group, said management's stock options "are variable and depend on the performance of the stock. . .if the stock doesn't do well, the options are not of value."

Terri Vaughan, Iowa insurance commissioner, noted that the solvency of the Allied companies is not in dispute. She added, though, that the Insurance Division is reviewing the transactions in question—which occurred between 1985 and 1994 and were previously approved by Iowa regulators—and is taking the matter "very seriously."

The Iowa department also is researching legal questions related to Mr. Schiff's planned proxy fight, including whether he is entitled to a list of Allied Mutual's policyholders, Ms. Vaughan said.

Meanwhile, the Allied Mutual imbroglio may become another case study in the debate over mutual insurance company restructurings.

"It raises important questions," including the "inherent conflict of interest" confronting managers of both a policyholder-owned mutual and a shareholder-owned stock affiliate, said Robert Lange, Nebraska insurance commissioner and chairman of the National Assn. of Insurance Commissioners' mutual holding company working group.

Such companies may be connected by a web of intercompany transactions, management agreements and other deals, he noted.

"Every time that happens, it's going to raise the question of fairness to the mutual company," Mr. Lange said. "That cloud is always over that arrangement, it seems to me."

The web of intercompany deals in Allied Mutual's case was complicated indeed and worked almost exclusively to the benefit of stock affiliate Allied Group, according to Mr. Schiff's article.

Formed in 1929, Allied Mutual writes small commercial property/casualty business along with a larger volume of homeowners and auto risks. In 1974, it formed Allied Group, a downstream holding company that remained wholly owned until 1985, when the mutual sold a 21% stake in Allied Group in a public offering.

Over the next several years, Allied management, led by Chairman and former CEO John Evans, executed a series of transactions that reduced Allied Mutual "to little more than a spectral shell, done in by its doppelganger, Allied Group," Mr. Schiff's newsletter charges.

Mr. Schiff says these included deals that allegedly:

- Gradually reduced Allied Mutual's ownership of Allied Group on terms that favored the stock company. From 1990 to 1992, for example, Allied Group sold a life insurance unit and issued non-convertible preferred stock to Allied Mutual in exchange for a large part of the mutual's stake in Allied Group—a stake that would prove far more valuable as Allied Group's stock price skyrocketed.
- Gradually increased Allied Group's share of the companies' generally profitable pooled business to 64% in 1997 from 38% in 1985.
- Transferred management of the pool in 1993 from Allied Mutual to an Allied Group subsidiary, which then made a profit on fees it charged the mutual for administration.

Throughout this period, the Allied companies' management received stock options ultimately worth millions of dollars as Allied Group prospered, allegedly at the mutual's expense. Mr. Schiff charges BI

OSHA

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man Resources Committee's Subcommittee on Public Health and Safety, promised to move quickly on the measure.

Business groups and risk managers welcomed the bill. One major insurance association that supports the bill, however, is questioning the details of the third-party consulting provision.

Meanwhile, the Senate Labor and Human Resources Committee has scheduled confirmation hearings to begin this week on the nomination of Charles Jeffress to become the new assistant secretary of labor in charge of OSHA.

The centerpiece of the proposal would allow businesses to contract with third-party auditors "qualified" by the Labor Department to measure their compliance with OSHA regulations. Employers who chose to use third-party auditors would be exempt from OSHA civil penalties for two years if they followed the auditors' recommendations and brought their workplaces into compliance. Employers that did not make a good-faith effort to remain in compliance still would be subject to civil penalties.

'It's always been a major frustration when an OSHA inspector shows up and has no knowledge of the industry they inspect,' says Lance Ewing.

Among other things, the measure would:

- Require that 15% of OSHA's annual appropriations be used for education, consultation and outreach programs.
- Mandate that standards be submitted to the National Academy of Sciences for review before being issued.
- Establish continuing education requirements for OSHA inspectors.
- Make employees responsible when their actions jeopardize workplace safety if their employers have complied with safety and health regulations.
- Codify current OSHA administrative policy banning quota-setting in regard to the number of inspections carried out, citations issued or penalties collected.
- Provide "alternative methods affirmative defense" for employers cited for OSHA violations. Under this defense, employers that can show their employees enjoyed equal or greater protection by alternative methods would not be subject to OSHA citations.
- Set a variety of factors OSHA must consider in assessing penalties, including the size of the employer, history of previous violations and probability that the violation would result in injury or illness.
- Reduce penalties for non-serious paperwork violations.
- Promote voluntary employer-employee workplace safety committees.
- Permit employers to institute mandatory alcohol and drug testing programs.

The Risk & Insurance Management Society Inc. supports the idea of third-party audits because of the two-year exemption from penalties, said Lance Ewing, chairman of New York-based RIMS' health and safety committee and loss control administrator for the Philadelphia School District.

"It's always been a major frustration when an OSHA inspector shows up and has no knowledge of the industry they inspect, and then they hide their ignorance behind the General Duty Clause," which says employers must protect employees from anything that causes harm, said Mr. Ewing.

RIMS' concern is who is going to qualify the auditors and whether their knowledge would be industry-specific, he said. He also noted that by Internal Revenue Service standards, the auditors would be contractors, not OSHA employees, which could raise questions as to where their allegiances would lie.

Committing 15% of OSHA's annual funding for consultation is also a good idea from a risk management perspective, he said. Risk managers often turn to their brokers or consultants for advice. But when they call the government, "they get no help except an audit," he said.

In addition, most risk managers would embrace the employee responsibility section, said Mr. Ewing. RIMS also welcomes the bill's call for elimination of penalties for non-serious paperwork violations, he said.

Keith Lessner, vp-safety and the environment for Alliance of American Insurers in Schaumburg, Ill. said: "We do support OSHA reform. I think all parties realize that there's a need to make OSHA work more fairly, make it work better and to make it work more efficiently." He called the bill "philosophically a step in the right direction."

"The way to make OSHA work better is to narrow the focus" of inspections, he said.

But he questioned whether the use of third-party auditors would accomplish that goal. For example, unscrupulous employers could use third-party audits to avoid inspection, he said. The problem would be when an auditor, anxious to keep an account, wouldn't be zealous enough, he said, which would be the opposite of the overzealous OSHA inspector of the current system

"It's an unrealistic approach to think that the threat of inspections will make every employer keep a safe workplace," he said.

In addition, third-party auditing raises liability questions, said Mr. Lessner. For example, if an auditor certifies a workplace as being safe and a worker is seriously injured, is the employer or the auditor liable, he asked.

"I don't think it's realistic to imagine that there will be third-party audits without more regulatory controls on the third-party auditors and the employers who use them," he said.

Pete Lunnie, executive coordinator of the employer-backed Coalition on Occupational Safety and Health in Washington, said, "It's a realistic, practical approach." He said the measure would provide an opportunity to get more Democratic support than previous bills had, such as a more comprehensive reform bill sponsored by Rep. Cass Ballenger, R-N.C., a few years ago.

Noting that COSH had supported the Ballenger bill, Mr. Lunnie added that "we do think there are issues that were not included in the bill that warrant attention." He also said, "We think there's a potential for getting something through Congress" with the SAFE bill.

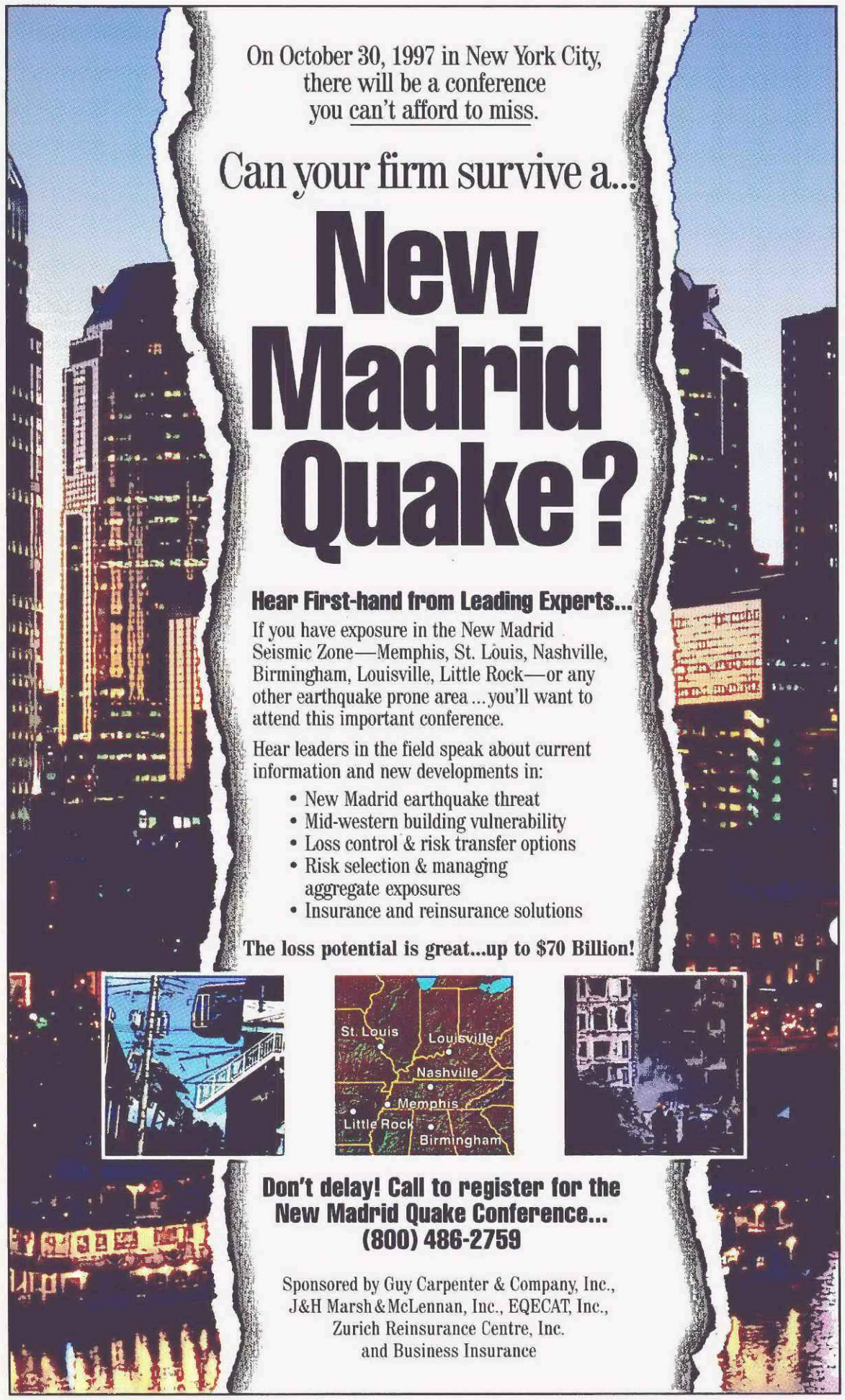
"I'm not sure there's anything in there that hasn't been discussed directly or indirectly, in the president's reinvention initiative," he said, saying it is now "time to fish or cut bait" for the White House.

The nation's largest labor federation does not share that view.

"This bill really represents a step backward in the legislative activity. Essentially what it does is adds to Sen. Enzi's earlier bill a number of the most objectionable provisions of the Gregg bill of the 104th Congress," said Peg Seminario, director-safety and health for the AFL-CIO in Washington.

"The bill takes away OSHA's mandate to enforce the law, it takes away the right of a worker to receive an OSHA inspection in response to a valid complaint, it continues a proposal to allow employer domination over safety and health committees in the workplace and proposes to establish an unwise and unworkable scheme of substituting private consultation for OSHA inspections," she said.

"This legislation has not attracted broad support, and given that it is essentially a retread of what failed in the last Congress, hopefully it will not garner any further support in this Congress." BI



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NCQA

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"Cost doesn't seem to have a bearing" on the quality of care, Ms. Darling said. "It seems to be more related to whether providers have any competition."

In fact, "one of the lowest premiums Xerox pays is in Southern California," where the cost of living is among the highest in the nation, she observed.

Maureen Coleman, manager of flexible benefits for AlliedSignal Inc., agreed.

"At a minimum, at least we're seeing health plans embrace the concept that quality will lead to cost-effectiveness," Ms. Coleman said.

NCQA President Margaret E. O'Kane said during a news conference last week announcing the findings that "the range of health plan performance across the country, and even within regions is striking."

For example, even though scientific studies have shown that treating heart attack patients with beta blockers saves lives, in some plans fewer than 30% of such patients receive them, she said.

"If we could bring the industry up to the 90% benchmark, we could save 100,000 to 200,000 lives a year," estimated Dr. Cary Sennett, chief physician of the Washington-based organization. Beta blockers reduce the likelihood of death by reducing blood pressure and slowing the heart rate, he explained.

Heart disease is the No. 1 cause of death in this country, killing about 500,000 people annually, according to Dr. Sennett, who also spoke during the press conference.

On average, U.S. managed care plans prescribed beta blocker medication to just 62% of the patients for whom it would have been appropriate, the report found.

By comparison, the rate of beta blocker treatment in fee-for-service plans is just 25%.

The report is based on detailed surveys of 329 managed care plans that participated in Quality Compass. While Quality Compass uses standardized information on more than 50 measures from NCQA's Health Plan Employer Data and Information Set (HEDIS 3.0), the new report focuses on eight measures the NCQA believes serve as important probes into the industry's overall performance.

'At a minimum, at least we're seeing health plans embrace the concept that quality will lead to cost-effectiveness,' says Maureen Coleman of AlliedSignal.

The NCQA hopes the data it has collected for this first report will be used as a gauge for managed care plans to use in measuring the quality of the care they deliver and establishing improvement goals.

"We feel that today is a real watershed," said Ms. O'Kane.

In all but two cases—childhood immunizations and overall member satisfaction—NCQA also compared the performance of managed care against fee-for-service medicine.

In its report, the NCQA warned that because measures used for comparing managed care and fee-for-service were not identical, conclusions about the overall quality of the two delivery systems cannot be drawn yet.

Still, Dr. Sennett asserted that so far "the data that NCQA collected showed that fee-for-service care is not as good as managed care in many cases."

The areas the report surveyed:

• Advising smokers to quit. The New England region scored the highest, with plans there reporting that providers advised 66.7% of adult smokers to quit. By comparison, plans in the Mountain region advised smokers to quit just 56.4% of the time. The national average is 61%. In fee-for-service, providers advised smokers to quit 37.2% of the time.

• Cervical cancer screening. Once again, the New England region reported the highest rate—76.5%—of women in the plans ages 15 to 34 who have had at least one Pap smear during the past three years, while South Central had the lowest rate of 67.3%. The national average is 70.4%, and the fee-for-service rate was just 53%.

• Beta blocker treatment after a heart attack. New England reported the highest rate, with 77.1% of those who had a heart attack leaving the hospital with a prescription, while South Central had the lowest rate of 55%. The national average is 61.9%, and the fee-for-service rate was just 25%.

• Caesarean section. The Pacific region reported the lowest rate of C-sections, at 16.9% of women who had a live birth in 1996, while South Central had the highest rate at 23.9%. The National average is 20.6%, and the fee-for-service rate is 29.1%.

• Breast cancer screening. New England had the highest rate, with 74.6% of women between the ages of 52 and 69 in the plans having had at least one mammogram during the prior two years, while South Central had the lowest rate, 68%. The national average is 70.4%, and the fee-for-service rate was just 50%.

• Childhood immunizations. New England reported the highest rate, 80.7%, of children in the health plan who received appropriate immunizations by their second birthdays, while South Central had the lowest rate of 58.5%. The national average is 65.3%.

• Eye exams for patients with diabetes. New England reported the highest rate, 50.4%, of plan members with diabetes age 31 and older who received an eye exam in 1996, while South Central had the lowest rate, 32.6%. The national average is 38.4%, and the fee-for-service rate was just 11%.

• Prenatal care in the first trimester. The West North Central region scored the highest, with 89.1% of women in the plan beginning prenatal care during the first 13 weeks of pregnancy, while, once again, South Central scored the lowest, 81.9%. The national average is 84.5%, and the fee-for-service rate is 76%.

• Overall member satisfaction. New England plans have the highest satisfaction rate, 62.9%, while plans in the Mountain region scored the lowest with 52.5%. Nationally, 56.2% of members indicated they were "completely" or "very" satisfied with their current managed care plan.

The NCQA noted that the rates may seem low because previously overall satisfaction ratings included in the Quality Compass included members indicating that they were "somewhat" satisfied. The organization changed the way it reports this data this year to make it more useful in distinguishing among plans.

The NCQA did not collect similar satisfaction data on fee-for-service plans.

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The "State of Managed Care Quality" report is available online on the NCQA's Internet World Wide Web site at http://www.ncqa.org. "Quality Compass 1997" is available on CD-ROM for $2,500. Electronic data files—two of which contain plan-specific data, and a third containing summary statistics—cost between $2,500 and $5,000, depending on which type of data the user requires. Both the CD-ROM and electronic data files are available through NCQA's Publications Center at 800-839-6487.

California safety bill means business

Legislation would stiffen penalties, but governor mulling over veto

SACRAMENTO, Calif.—California Gov. Pete Wilson has until next Monday to decide the fate of a bill that would greatly increase the civil penalties for serious workplace safety violations.

Unless Gov. Wilson vetoes the bill—A.B. 1015—it will automatically become law. A spokesman for the Republican governor said Gov. Wilson had not yet decided whether to sign or veto the measure as of Friday afternoon.

A.B. 1015, sponsored by Assemblyman Wally Knox, D-West Los Angeles, sets a new maximum fine of $500,000 for an offense committed "without due caution and circumspection" that results in death or "great bodily injury" to a worker.

The current California maximum penalty for a serious offense is $70,000. That is the same as the federal penalty under the Occupational Safety and Health Act.

The measure also provides for imprisonment in a county jail for up to one year in conjunction with the fine. Federal law sets a six-month maximum prison term.

For corporations, the fine will be a maximum of $1 million in the event of a worker's death, if A.B. 1015 becomes law.

In addition, the measure would increase the personal fines levied against managers and supervisors to $500,000, from the current $70,000.

Because the measure defines "employee" to "include but not be limited to, any person working for the employer or at the place of employment," business groups fear the measure will create subcontractor liability.

In its analysis of the bill, the Sacramento-based California Chamber of Commerce, which opposes the measure, said in a statement, "It is very important to note that A.B. 1015's subcontractor liability provision violates the basic tenet of occupational safety and health law, i.e., there must be a direct employer-employee relationship for an employer to be held responsible."

The measure is opposed by business groups but backed by district attorneys and labor groups.

The district attorneys, led by Los Angeles District Attorney Gil Garcetti, hold that the new penalties are needed to deter future misconduct.

A spokeswoman for the California Chamber of Commerce disputed that claim.

"If the action is so criminal, we believe that it should go into the penal system," she said.

—By Mark A. Hofmann

Retirees

Continued from page 2

Inc., now part of William M. Mercer Inc., found that the percentage of employers offering health care coverage to retirees under 65 fell to 40% in 1996 from 46% in 1993, while during the same period, the percentage of employers offering coverage to retirees 65 and older dropped to 33% from 40%.

The percentage of employers offering retiree health care coverage is much lower in the Foster Higgins study because it surveyed many more smaller employers than Hewitt; small companies are less likely to provide coverage than the biggest ones.

The cutbacks are continuing: Sears, Roebuck & Co., the nation's No. 2 retailer with more than $34 billion in revenues, last month said it will stop contributing to a retiree health care plan for employees 65 and older who retire after 1999 (*BI*, Sept. 29).

More changes to plans could be in the offing, the Hewitt survey notes.

"The environment may soon be ripe for another wave of retiree benefit changes, triggered by a number of factors causing employers to examine retiree health programs," the study says.

For example, some employers placed caps on how much they would spend on their retiree health care plans. A company, for example, could place a cap equal to 125% of 1997 costs on how much it will spend next year.

As companies approach these caps, they have to decide whether they will raise them or stick with them, according to the study.

"Most employers would agree that raising the cap once may be viewed as acceptable. However, raising the cap more than once may raise the issue of whether the cap is 'real' from an auditor's perspective," according to the study.

In addition, as more employers have successfully controlled employees' health care costs by moving workers to managed care plans from traditional indemnity plans, they now will be examining how to extend managed care plans to retirees.

More employers are doing just that. The Hewitt study—citing figures from the Foster Higgins survey—says the percentage of employers offering so-called Medicare risk health maintenance organizations climbed to 38% in 1996 from just 7% in 1993.

In an effort to control health care costs, more employers are moving retirees into managed care programs.

Under these arrangements, the government gives HMOs a fixed payment rate. HMOs in turn agree to provide the same benefits to retirees that Medicare offers.

If retirees move into risk HMOs with their rich benefit programs and out of the traditional Medicare program, employers can cut costs significantly, as the retirees likely no longer will need the benefits offered by the corporate Medicare supplemental plans, the study noted.

For example, if as many as 25% of a company's retirees move to a Medicare risk HMO, the company may achieve accounting cost reductions of between 10% and 15%, according to the Hewitt study.

Even if the employer agrees to pay a portion of the premium—if any—charged by Medicare risk HMOs to give retirees an incentive to move into the HMO, "Risk HMOs can be a bargain" given that the average employer plan offering post-65 retiree coverage costs in excess of $100 per month per beneficiary, Hewitt notes.

By contrast, other much-discussed changes in the Medicare program could send employers' retiree health care costs soaring.

The most significant and costly proposed change would be raising the eligibility age for Medicare to 67 from 65. The U.S. House of Representatives approved such a change as part of budget legislation but agreed to drop the proposal in the face of Senate opposition.

But the issue of a higher Medicare eligibility age is unlikely to go away.

A national commission that will make recommendations to ensure Medicare's long-term solvency is charged with looking at a higher Medicare eligibility age.

Raising the Medicare eligibility age to 67 could increase employers' health care costs per retiree by up to 400%, depending on plan design. That is because health care plan costs for retirees not eligible for Medicare average about $4,000 per retiree, compared with an average of $1,350 for retirees who are eligible for Medicare, a reflection of how much coverage Medicare provides.

Faced with such significant cost increases from a higher Medicare eligibility age, more employers might eliminate their retiree health care plans, warns Walter Maher, director of public policy in the Washington office of Chrysler Corp.

"Medicare reform is a serious and necessary job, but policymakers should be concerned about any unintended consequences" from their actions, Mr. Maher said.

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Free single copies of "Retiree Health Trends and Implications of Possible Medicare Reforms," are available from The Kaiser Family Foundation at 800-656-4533. Request Document 1318.

New challenges for reinsurers

Risk managers bypassing insurers on some risks

By MICHAEL BRADFORD

DALLAS—Risk managers are putting reinsurers on the spot.

Risk managers want to work more closely with reinsurers because that's where a key part of their risk financing lies. But that leaves the reinsurer with the challenge of meeting buyers' needs while not stepping on the toes of its own insurance company clients.

Large commercial buyers want to understand how much of their insurer's capacity is attributable to its reinsurer and what services the reinsurer can provide directly to the policyholder, according to Heidi E. Hutter, chairman, president and chief executive officer of Swiss Re America in New York.

"We are obviously trying to manage this, because on the one hand there are people coming to us saying, 'We want to work directly with you,' " she said. "On the other hand, of course, our business is with our insurance company clients."

That leaves reinsurers with the delicate balance of trying to "provide our capital and our services through our insurance companies, who are our traditional sources, but also find ways where we can work directly, especially with large commercial insureds," Ms. Hutter remarked.

The conundrum reinsurers face was part of a far-ranging discussion by a panel of insurance industry experts at the annual meeting of the Society of CPCU in Dallas Sept. 28-30. Much of the discussion centered on the changing insurance distribution system and how technology will alter the way the industry conducts its business.

Ms. Hutter said reinsurers have to be aware of "what they're good at" when providing services to risk managers.

"As a reinsurer, we are very good at diversifying risk," she stressed. "We have an enormous spread both globally, in terms of geography, and also in product line. We are not good at servicing local claims" or handholding customers through the claims process.

Ms. Hutter said Swiss Re has worked directly with some large risks that needed very high excess layers, "generally $300 million excess of $200 million, very high severity, low-frequency-type products. The value that we bring to the table is risk diversification and an expertise at that end."

Risk managers are taking a hard look at the distribution system and the role of insurers, reinsurers and intermediaries within it, said William C. Hartnett, worldwide insurance industry manager at Microsoft Corp. in Redmond, Wash.

The system has evolved into one that has muddied the roles of those who deliver the insurance product, he noted. With the reinsurer on one end of the system and the policyholder on the other, some risk managers are beginning to see the primary insurer, not the broker, as the man in the middle.

"Most risk managers that I talk to today, especially with large corporations, see that primary insurer as the middleman," Mr. Hartnett remarked. And some wonder if the value added by having both an insurer and broker in the system is worth the cost it adds to the transaction.

An insurer on the panel pointed out that Mr. Hartnett's middleman scenario does not apply, however, in a continuum that doesn't include a reinsurer.

"There's a whole lot of capital, and there's a whole lot of risk assumption that's taking place by the non-reinsurers, primary companies that are out there," said Boh A. Dickey, president and chief operating officer of SAFECO Corp. in Seattle.

"There are a lot of companies like SAFECO that don't trade dollars with reinsurers," he pointed out. "We assume risk, we assume it up to a whole lot of levels," only laying off catastrophe risks, Mr. Dickey added.

"So I think you have oversimplified this middleman concept," he told Mr. Hartnett, except in cases where very large commercial risks need "a ton of reinsurance to do it."

Mr. Hartnett emphasized that even though the insurance distribution system will continue to evolve, particularly as technology advances, it is unlikely that intermediaries will vanish from the landscape. Their work styles, however, could look vastly different in years ahead, he said.

Portable technology could put intermediaries on the street, not looking for jobs but doing their jobs, he explained.

In some areas, demand for insurance agents will increase, he added.

An agent on the panel agreed there will be a greater need for agents.

"But I think there will be a tremendous amount of change," said Ronald A. Smith, president of Smith, Sawyer & Smith Inc. in Rochester, Ind.

Agents should be creating World Wide Web pages to showcase their offerings, pointed out Mr. Smith, who is past president of the Independent Insurance Agents of America. And insurers could help by including on their pages instructions for contacting an agent.

For their part, insurers are playing catch-up with technology, Mr. Hartnett said.

"For an industry that's supposed to understand risk very well," a lot of insurance companies have been "extremely risk adverse to technology," he said.

But, he acknowledged, "I see that changing now," with "a lot of insurance companies becoming very, very aware" of Internet technology and how it can be used as a business tool, for example.

Mr. Dickey of SAFECO said insurers shouldn't be painted with the image that they are all techno-idiots.

Many insurers are more technologically adept "than we're given credit for," he said.

In fact, Mr. Dickey said, "The thing that today distinguishes a lot of good companies from average companies in the property/casualty business is the technology" the good companies use.

Very few companies are using that technology to sell insurance.

"For all practical purposes," there is no insurance sold over the Internet, Mr. Hartnett remarked.

Less than one-tenth of 1% of insurance purchased today is bought over the Internet, according to Herbert E. Goodfriend, managing director of KPMG Peat Marwick L.L.P. in New York and moderator of the panel discussion.

The sale of coverage over the Internet has raised questions with which regulators are grappling.

It is unclear which state laws would apply in the sale of insurance over the Internet, said Julie McPeak, attorney with the Kentucky Department of Insurance in Frankfort. "Is it the state where the company is putting the Web site on the Internet, or is it the state where the consumer is pulling up the information? Is it the state where the agent is going to help the consumer with the information?"

Insurance buyers eventually will rely on the Internet for transactions or at least to obtain information on coverage, Ms. McPeak said. "And we're going to have to figure out how to regulate that."

Ms. McPeak also pointed out that regulators have moved slowly in the technology scramble and have some catching up to do.

The increasing demands of keeping up with an insurance industry that is expanding beyond U.S. borders means regulators will have to rely more on technology to handle tasks such as licensing and tracking continuing education requirements, Ms. McPeak said. The electronic transfer of funds is becoming important as insurers spread across the globe.

Unlike insurers that can analyze the costs and benefits of technology, regulators "don't have a choice," she said. "We have to move in that direction to enable us to maintain state regulation of insurance."

Also on the panel were Gordon J. Cloney, president of the International Insurance Council in Washington, and Lawton Swan III, president of Interisk Corp. in Tampa, Fla. BI

1,473 join ranks of CPCU

DALLAS—What does every state except Alaska and Wyoming have?

New designees in the Chartered Property Casualty Underwriter Society.

The CPCU professional designation was conferred on 1,473 new designees at the CPCU Society's 53rd annual meeting in Dallas held Sept. 25-27.

The designation, conferred by the American Institute for CPCU after candidates pass 10 examinations, was awarded to recipients from 48 states and several countries.

The annual meeting drew 2,100 attendees for three days of seminars and social events.

The 1998 annual meeting will be held Oct. 25-17 in San Diego. Information is available from the society at 720 Providence Road, P.O. Box 3009, Malvern, Pa. 19355-0709; 800-932-2728; fax: 610-251-2780; http://CPCUSociety.org.

Updates

Tobacco settlement OK predicted

Continued from page 2

tobacco-related Medicaid costs in return for immunity against class-action liability lawsuits (*BI*, June 23). "The bottom line is they have milked this cow dry as far as money is concerned," he said.

Meanwhile, in the first suit of its kind, a former asbestos manufacturer has sued the tobacco industry to recover at least part of the money it paid out to asbestos victims who smoked cigarettes.

Raymark Industries Inc. of Bountiful, Utah, filed suit in state court in Duval County, Fla., and in the U.S. District Court for the Northern District of Georgia in Atlanta last month against five tobacco companies.

Norwood S. "Woody" Wilner, the Jacksonville, Fla., attorney representing Raymark, said the company has paid out more than $400 million in asbestos claims and that "a fraction of that" is attributable to tobacco. Mr. Wilner said Raymark estimates that fraction to be between 20% and 50%. No trial dates have been set.

Jury favors Hoechst-Celanese

WILMINGTON, Del.—Hoechst-Celanese Corp. can tap insurance coverage in paying its share of a $950 million class-action settlement related to polybutylene plumbing systems, a Delaware jury has ruled.

After an eight-week trial, the jury rejected the allegation by the North River Insurance Co. that Somerville, N.J.-based Hoechst-Celanese failed to provide timely notice of the claims. North River is a Morristown, N.J.-based unit of Crum & Forster Insurance Co. and one of eight insurance companies to which the ruling applies.

The jury also rejected the insurer's argument that Hoechst-Celanese failed to disclose material facts in order to obtain policies in 1984 and 1985 and expected property damage to occur from the sale of its Celcon material to be used in plumbing fittings. Meanwhile, the jury held that the manufacturer's coverage was triggered on a consistent basis "from installation until leak and/or replacement" of the plumbing systems.

The plumbing claims against Hoechst-Celanese and other manufacturers sought recovery for damages that thousands of property owners across the country claimed resulted from defects in polybutylene piping installed in new homes from the late 1970s through the mid-1980s. The settlement resolving those claims was reached last year in Tennessee.

Hudson under federal probe

ROGERS, Ark.—Federal prosecutors are conducting a grand jury investigation into Hudson Foods Inc.'s actions surrounding last month's recall of 25 million pounds of its frozen ground beef.

Tom Monaghan, the U.S. attorney for the District of Nebraska, confirmed that he received a criminal referral from the U.S. Department of Agriculture and that a "vigorous investigation is under way." He declined to comment further on what has become the largest U.S. food recall made in cooperation with the USDA.

Hudson Foods said in a statement that the company had received a subpoena for documents and that it will "continue to cooperate fully and completely with the government's investigation." It said it "is confident that a thorough and fair investigation of the facts will confirm that it has violated no laws."

Hudson Director of Risk Management Kent Doss said last Thursday that Hudson had not filed a claim with its general liability insurer, a unit of Old Republic General Insurance Group.

Colorado health officials in July found Hudson beef patties tainted with the dangerous E. coli bacteria, and 17 illnesses have been linked to the contamination (*BI*, Aug. 25). Hudson has since shut down the Columbus, Neb., plant and is selling it to IBP Inc. of Dakota City, Neb.

Meanwhile, Great Valu Supermarket in Emporia, Va., recalled 200 pounds of ground beef last month after it determined some beef was contaminated with the E. coli bacteria.

Briefly noted

NovaCare Inc., a King of Prussia, Pa.-based provider of physical rehabilitation services, is acquiring Liberty Mutual Group's Atlantic Health Care unit, a provider of occupational health services, such as drug testing and drug screening programs. Terms were not disclosed. . . .Catastrophes caused an estimated $510 million in **insured property damage** during the third quarter of the year, according to the Property Claim Services division of the American Insurance Services Group. Gary Kerney, assistant vp of the PCS, called the quarter "unusually quiet" compared with similar periods of recent years. . . .**CNA Surety Corp.** began trading on the New York Stock Exchange last week. CNA Surety comprises CNA Financial Corp.'s surety business and the newly acquired surety operations of Capsure Holdings Corp. Capsure shareholders approved the merger with CNA Sept. 23. CNA Surety has net written premiums of $238 million and market capitalization of $600 million. . . .Patrick Gawrysiak, a New Jersey businessman, has been sentenced to 48 months in prison and five years' probation for trying to sell **worthless securities** to an insurance investor group. Mr. Gawrysiak, who used the alias Patrick Gray, pleaded guilty in May to multiple federal fraud charges stemming from a scheme in which he provided $5.5 million in bogus corporate bonds to an investor group trying to acquire a 49% interest in Texas-domiciled Gulf Atlantic Life Insurance Co. The investors were unaware the bonds were fake, according to the Texas Insurance Department, which stopped the transaction after discovering the forgery. . . .**Adrian Tocklin**, senior vp of CNA and president of its Diversified Operations department, will retire from CNA Feb. 1, 1998, to "pursue the legal and entrepreneurial career that has so often called to me," she said in a release. Ms. Tocklin formerly was president and chief operating officer of Continental Corp. before it was acquired by CNA in 1995. Diversified Operations includes seven CNA businesses with more than $2.5 billion in annual revenues, including Marine Office of America, CNA Surety and CNA International. Ms. Tocklin will continue as a board member of CNA Surety Corp. after her retirement.

Lloyd's

Continued from page 1

Both agencies had worked closely with Lloyd's, accessing non-public financial information on which to base their assessments of the market's security.

Best's rating puts Lloyd's on par with companies such as Bermudian reinsurer Starr Excess Liability Insurance Co. Ltd. and London-based CNA Reinsurance Co. Ltd. S&P's assessment puts Lloyd's in the same category as Travelers/Aetna Property Casualty Corp. and ACE Ltd.

Lloyd's did not receive the highest rating available from either agency because of uncertainties relating to its short track record since the completion of the R&R program and the future viability of Equitas Ltd., the runoff reinsurer of Lloyd's pre-1993 liabilities.

Chicago rating agency Duff & Phelps Credit Rating Co. announced last week that if it had rated Lloyd's, the market likely would fall in the "secure" claims-paying ability range. New York-based Moody's Investors Service Inc. said it will issue a report—without Lloyd's central cooperation—in the near future. Lloyd's declined to work with Moody's, saying the market at this point could work only with two rating agencies.

Lloyd's Chairman Sir David Rowland said he was "very pleased with the results" of the rating agencies' work, particularly the affirmation they indicate of the security provided by the Central Fund. He said that when he assumed the Lloyd's chairmanship five years ago, he "believed that one of the critical things for Lloyd's was to. . .justify its position to clients." But there was "no conceivable way we could have sensibly invited rating agencies in" until the R&R plan had been completed.

Previously, the only rating agency information that insurance buyers have had on Lloyd's is S&P's crown-ranking system of individual syndicates. Those rankings look at the prospects for longevity of a syndicate rather than its financial strength and do not encompass claims-paying ability. S&P plans to introduce a new system for those rankings this year.

Both S&P and Best had just three months after the release of Lloyd's results for the 1994 year of account to complete the ratings in time for the reinsurance renewal season, which is under way.

To some Lloyd's brokers, underwriters and agents, Lloyd's desire for a rating was a brave gamble—a low claims-paying ability rating could have hurt business. But many observers say the gamble paid off.

Louisiana Insurance Commissioner James Brown said the ratings "will give a comfort level to many American businesses that it's time to do business (with Lloyd's)."

Last year, U.S. regulators made a number of recommendations and requirements to strengthen Lloyd's funding position in the United States. In Louisiana, the market was required to start providing actuarial certifications for individual syndicates and to increase its trust funds fivefold. "I think the requirements are to some degree the reason why the high ratings were given," said Mr. Brown. "Lloyd's has rolled up its sleeves and increased its accountability."

Regulators in the New York Insurance Department, who declined to comment on the ratings, brought in even more stringent requirements, demanding Lloyd's establish a number of new trust funds with amounts posted representing assessed liabilities, with no credit for possible reinsurance recoveries.

However, Lloyd's will not see any relaxation in U.S. regulators' demands because of the positive ratings, Mr. Brown said. Several issues remain unresolved, including the viability of Equitas, he said.

Both agencies have rated Lloyd's in its post-reconstruction and renewal form—free of the liabilities of the past. However, the agencies have warned that problems with Equitas also could pose problems for Lloyd's, even though Equitas is a separate company. Neither Best's nor S&P's rating applies to Equitas.

"Lloyd's remains potentially handicapped by Equitas over the next several years," Best wrote in its report. "Although Equitas is an independent and separately licensed U.K. runoff reinsurance company, Best believes the market will view Equitas and Lloyd's as one and the same." Any problems with Equitas will reflect on Lloyd's financially—if Lloyd's gave Equitas funds to help its liquidity—or in a marketing sense, Best said.

S&P said it had "made allowance for Lloyd's contingent exposure to Equitas," though it noted that Lloyd's would not be obligated to make good any shortfalls in Equitas' accounts.

A marketwide rating was possible because of Lloyd's chain of security, which consists of: members' funds retained by the market, generated by the requirement that members put up a percentage of the capacity they are underwriting; members' premium trust funds; other personal wealth that backs up members' liability for losses; and the Central Fund. Earlier this year, Lloyd's announced that over the next three years, it will increase the amounts members must post to back their Lloyd's participation, boosting the security chain.

This chain "has allowed (Lloyd's) to maintain an outstanding claims payment record," said Best.

S&P, which has yet to come out with a full report, assessed Lloyd's capital adequacy as "consistent with an A category rating," adding that "the total capital at risk in the Lloyd's market is at excellent levels using Standard & Poor's standards applied to insurance companies."

Other major rating factors for S&P included Lloyd's "excellent business position," with diversity across classes, types of business and location, and a strong brand name and license network. Within classes of business, Lloyd's has "strong market shares in many of its chosen classes" and leadership positions.

In addition, earnings after Lloyd's R&R plan was completed successfully last year have been "excellent," with "substantial profits" in the pipeline.

S&P also noted Lloyd's much-improved and now "strong" regulatory management and its good prospective financial flexibility.

Best echoed many of these comments, adding Lloyd's suffered some lost policyholder confidence and credibility in the early 1990s and a flight of members from the loss-plagued market, but that it has largely overcome those problems.

Best also pointed out that Lloyd's has little financial flexibility beyond the ability to call £200 million ($323.2 million) from capital providers, a contingency that members approved prior to the R&R plan. Lloyd's already gave £440 million ($711 million) from the Central Fund to the R&R settlement and took a £300 million ($484.8 million) loan as part of the renewal process.

Insurance buyers and others see the ratings as good news.

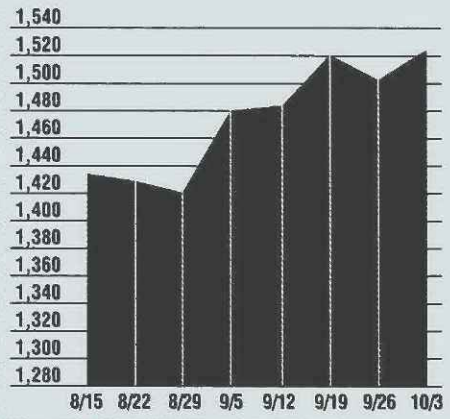
Ina Barker, executive director of the Assn. of Insurance & Risk Managers, welcomed the ratings. "From AIRMIC's point of view, we see the Lloyd's market as having innovative ideas and solutions, so the ratings should therefore enhance decision-making in using it," she said.

Though he thinks Lloyd's getting a rating is a good move, Alan Fleming, head of group risk management for Guinness P.L.C. in London, said there is "a limit to the amount you can read into" the ratings. Corporate capital is still very much in its infancy at Lloyd's, he pointed out, but he does not foresee buyers being deterred because Lloyd's didn't receive a higher rating.

Alan Rees, director of international market security for Aon in London, said the ratings have "very positive implications and will enable (Aon's) customers to make a meaningful comparison between Lloyd's and its corporate competitors." Not only do the ratings provide "the transparency frequently sought by our clients," said Mr. Rees, but customer feedback already has been "extremely positive."

Others saw the ratings as final proof that Lloyd's reconstruction has worked. "This is excellent news," said Graham McKean, director of Lloyd's broker Ballantyne, McKean & Sullivan Ltd. and a member of Lloyd's ruling Council. "It's a final accolade on Lloyd's reconstruction and renewal," he said. The next stage will be to improve upon the current ratings, he said. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe options

As of Oct. 3

Call spread	Price bid/ask
Eastern September 1997	
30/50	—/.2
40/60	—/.1
National Annual 1997	
60/80	—/2.0
80/100	.4/1.5
National December 1997	
5/25	5.0/6.4
10/30	1.0/3.0
Southeastern September 1997	
30/50	—/.2
40/60	—/.1
National Annual 1998	
40/60	8.0/11.0
60/80	6.5/8.3
Eastern September 1998	
40/60	3.2/4.2
California Annual 1998	
40/60	1.8/2.4
Western Annual 1998	
40/60	2.0/2.7

Total volume: 44 Total open interest: 15,741

For information on PCS cat options, call the Chicago Board of Trade at 312-435-3674.
Source: Chicago Board of Trade

British Issues

	Price	P/E	Div.	Yield	52-week
Companies	pence		pence	%	high—low
Comml Union	805	12.5	35.8	4.5	824—601
Genl Accident	1104	7.6	35.4	4.1	1112—686
Gdn Royal Exch	324	4.5	12.2	3.9	330—248
Independent	1155	12.1	14.2	1.6	1161—565
Royal & Sun	600	16.5	19.7	4.2	600—408
Brokers					
Bradstock	83	12.0	6.4	9.8	90—54
CE Heath	142	9.2	1.5	1.3	143—74
Lmbrt Fenchurch	126	8.5	8.4	8.3	135—101
Lloyd Thmpson	184	14.9	10.8	7.5	206—163
Nelson Hurst	182	16.6	8.6	5.9	191—121
Sedgwick Grp	125	10.3	7.4	5.9	144—115
Steel Brl Jones	26	NA	1.5	7.7	36—22
Willis Corroon	1307	13.2	6.6	6.3	165—117

Note: Prices are Oct. 3 closings; other numbers from Oct. 2.
Source: Nordby International Inc.

BI Industry Stock Report SEPT. 29, 1997, THROUGH OCT. 3, 1997

BROKERS		Price	Weekly % change	Year to date % change	Year to date High	Year to date Low	Vol.(000)
Aon Corp.	NYS	55.81	6.56	34.76	56.13	35.38	1087
E.W. Blanch Holdings Inc.	NYS	31.94	3.86	58.70	31.94	18.00	200
Gallagher Arthur J. & Co.	NYS	37.00	0.68	19.35	37.75	29.13	109
Hilb, Rogal & Hamilton	NYS	18.81	4.51	41.98	18.81	12.13	247
Kaye Group Inc.	NDQ	8.56	-3.52	63.10	9.00	4.38	23
Marsh & McLennan	NYS	77.75	3.24	49.52	79.75	47.75	1612
Poe & Brown	NDQ	40.88	3.81	54.25	41.75	24.00	29
Sedgwick Group PLC	NYS	10.38	3.75	0.00	10.88	9.38	20
Willis Corroon Corp.	NYS	10.31	-1.79	-10.33	13.50	9.38	193
BROKERS	AVERAGE		1.82	34.57			
INSURERS/REINSURERS							
ACE Ltd.	NYS	99.75	6.05	65.90	99.75	51.50	399
Acceptance Insurance Cos.	NYS	26.75	0.94	35.44	28.00	17.75	40
AEGON N.V.	NYS	85.19	7.49	34.68	85.19	49.38	243
Aetna Life & Casualty	NYS	77.94	-13.88	-2.58	118.13	60.13	16598
AFLAC Inc.	NYS	55.19	2.67	29.09	57.88	35.50	658
Allied Group Inc.	NYS	48.94	0.26	50.00	53.63	25.25	172
Allstate Corp.	NYS	82.38	5.78	42.33	82.38	48.75	5001
AMBAC Indemnity Corp.	NYS	45.19	12.44	36.16	45.19	27.88	882
American Bankers Ins	NDQ	37.69	-1.63	47.43	39.00	22.88	413
American Financial Group	NYS	45.56	2.10	20.70	49.25	31.25	419
American General	NYS	54.75	6.70	33.94	54.75	35.75	3428
American Heritage Life Ins.	NYS	39.38	-1.25	50.00	40.50	19.75	54
American Indemnity/Fin'l	NDQ	14.88	1.71	45.12	15.50	9.50	8
American International	NYS	107.56	3.86	49.05	107.56	66.88	4102
Argonaut Group	NDQ	36.25	4.69	17.89	36.38	26.75	119
Baldwin & Lyons Inc.	NDQ	20.38	-0.31	10.88	22.63	17.38	5
Berkley W.R. Corp.	NDQ	44.25	5.36	30.79	44.25	28.88	589
Berkshire Hathaway Inc.	NYS	46000.00	2.45	34.90	48600.00	30000.00	1
Capital RE Corporation	NYS	61.13	1.77	31.10	61.25	38.00	84
Capital Transamerica Corp.	NAS	27.25	1.87	-11.38	27.50	15.13	19
CapMac Holdings Ltd.	NYS	32.06	3.01	-3.21	36.88	22.50	117
Capsure Holdings Corp.	NYS	15.00	5.26	30.43	18.38	8.00	32
Centris Group Inc.	NYS	22.38	9.15	14.01	23.56	17.13	103
Chartwell Re	NYS	34.88	-0.89	30.37	36.25	24.50	102
Chubb Corp.	NYS	73.44	4.26	36.63	73.44	45.50	1488
CIGNA Corp.	NYS	174.25	-6.94	27.54	200.75	119.50	6207
CNA Financial Corp.	NYS	131.75	3.74	23.13	131.75	95.88	306
CNA Surety	NYS	15.88	5.83	5.83	15.88	N/A	229
EMC Insurance Group Inc.	NDQ	13.56	-1.36	13.02	15.00	10.50	83
Enhance Financial Services	NYS	55.19	0.34	51.20	56.00	32.38	154
Everest Reinsurance	NYS	42.50	8.97	47.83	42.50	23.88	495
Executive Risk Inc.	NYS	68.44	4.89	84.97	68.44	33.88	131
EXEL Ltd.	NYS	61.31	5.26	61.88	62.13	34.25	421
Fremont General Corp.	NYS	48.19	4.47	55.44	48.25	26.38	246
Frontier Insurance Group	NYS	36.50	-3.95	90.85	39.00	18.13	1591
Gainsco Inc.	NYS	9.50	-1.94	-1.30	10.88	8.13	263
General RE Corp.	NYS	203.63	3.49	29.08	208.88	141.38	799
Gryphon Holdings	NDQ	16.75	3.08	18.58	17.75	12.50	98
Guaranty National Corp.	NYS	33.88	0.00	102.24	35.25	15.38	104
Harleysville Group	NDQ	43.25	-1.14	41.80	45.75	25.50	114
Hartford Steam Boiler	NYS	55.44	0.11	19.54	56.69	42.75	378
HCC Insurance Holdings	NYS	27.19	0.46	13.28	32.69	21.50	520
IPC Holdings Ltd.	NDQ	29.25	-0.85	30.73	30.50	19.63	598
Hartford Financial Services	NYS	88.94	3.42	31.76	88.94	58.88	1017
LaSalle Re Ltd.	NDQ	35.00	0.72	19.66	36.13	22.38	383
Life Re Corp.	NYS	53.50	5.94	38.51	56.00	33.75	257
Lincoln National	NYS	71.50	3.72	36.19	73.00	43.88	885
MAIC Holdings Inc.	NYS	28.50	-3.18	68.27	30.50	15.13	72
Markel Corp.	NYS	159.81	2.04	77.57	159.81	83.00	115
MBIA Insurance Group	NYS	129.00	5.25	27.41	129.06	85.63	338
Meadowbrook Insur. Group	NYS	24.25	-1.02	15.48	28.00	15.25	283
Mid Ocean Ltd.	NYS	62.00	-0.20	18.10	64.50	40.38	385
MMI Cos. Inc.	NYS	26.69	2.15	-17.25	32.75	20.75	96
Mutual Risk Mgmt. Ltd.	NYS	50.38	-0.86	36.15	52.75	28.50	258
NAC Re Corp.	NYS	51.88	1.47	53.14	51.88	32.63	448
Navigators Group	NDQ	21.25	11.11	16.44	21.38	15.75	43
Nobel Insurance Ltd.	NDQ	14.88	3.48	18.41	15.38	11.25	49
NYMagic Inc.	NYS	26.81	5.15	48.96	26.81	17.13	110
Ohio Casualty Corp.	NDQ	48.13	5.48	35.56	48.13	31.75	658
Old Republic Int'l	NYS	39.75	2.25	48.60	40.13	24.50	542
Orion Capital Corp.	NYS	46.31	3.49	51.53	46.31	25.13	375
Partner Re Ltd.	NYS	43.13	3.92	26.84	43.44	27.88	390
Penn-America Group Inc.	NDQ	20.63	0.61	91.86	21.25	10.38	106
Philadelphia Cons. Holding	NDQ	45.25	3.65	94.62	46.50	21.25	62
PXRE Corp.	NYS	32.44	2.77	31.06	32.44	22.88	314
Reliance Group Holdings	NYS	14.56	4.02	59.59	14.56	7.63	1569
Reliastar Financial Corp.	NYS	40.06	2.72	38.74	40.19	23.75	502
RenaissanceRe Holdings Ltd.	NYS	44.75	1.85	35.61	46.13	27.75	44
Risk Capital Holdings	NDQ	23.25	2.20	20.00	23.38	15.88	62
RLI Corp.	NYS	45.13	9.39	35.21	45.13	25.50	318
St. Paul Companies	NYS	83.31	4.14	42.11	83.31	53.50	501
SCOR	NYS	43.25	1.47	25.82	44.50	34.00	434
SAFECO Corp.	NDQ	52.00	0.48	31.85	55.38	34.50	1037
Seibels Bruce Group	NDQ	8.13	-2.99	-1.52	11.25	5.88	275
Selective Ins. Group	NDQ	53.13	0.24	39.80	55.38	33.19	3
Sphere Drake Holdings	NYS	8.69	0.00	-2.11	10.50	8.50	187
TIG Holdings	NYS	35.50	4.41	4.80	38.00	26.38	898
Titan Holdings, Inc.	NYS	21.88	1.16	32.58	25.00	13.50	120
Tokio Marine & Fire	NDQ	61.75	3.78	32.44	66.00	42.00	252
Torchmark Corp.	NYS	40.75	3.33	61.39	41.63	22.75	877
Transatlantic Holdings	NYS	74.44	2.94	38.70	75.38	45.13	207
Travelers Property	NYS	40.44	1.89	14.31	43.56	27.50	4266
Travelers Corp.	NYS	71.69	3.61	57.99	73.63	36.88	13168
Trenwick Group Inc.	NDQ	38.75	2.31	25.68	39.63	30.75	18
Unico American Corp.	NDQ	11.88	3.26	9.20	11.88	7.63	42
Unionamerica Holdings	NYS	21.50	2.69	21.13	22.75	14.75	127
United Fire & Casualty	NDQ	41.13	-0.90	16.67	41.50	29.75	126
Unitrin	NDQ	65.25	0.38	17.04	66.25	48.50	645
UNUM Corp.	NYS	48.00	7.56	32.87	48.44	30.50	1667
USF&G Corp.	NYS	22.94	0.32	9.88	25.50	17.75	1711
Vesta Insurance Co.	NYS	58.50	-0.53	86.45	59.00	24.50	186
Washington National	NYS	32.56	0.39	18.41	33.13	27.13	977
Zenith National Ins.	NYS	28.69	3.15	4.79	28.69	24.63	49
INSURERS/REINSURERS	AVERAGE		2.33	33.00			
HEALTH MAINTENANCE ORGANIZATIONS							
Humana Inc.	NYS	23.31	-0.27	22.70	25.31	17.38	3816
Oxford Health Plans	NDQ	73.75	-5.45	25.93	89.00	41.00	12427
Pacificare Health Sys.	NDQ	66.00	0.38	-18.77	86.25	55.50	476
Safeguard Health Enter.	NDQ	13.56	3.33	-22.50	20.75	9.63	74
Sierra Health Services	NYS	39.56	6.21	60.66	39.56	22.38	2022
United Healthcare Corp.	NYS	48.50	-2.83	7.78	60.13	35.13	7962
Wellpoint Health Networks	NYS	56.63	-2.53	64.73	61.13	28.25	532
HMOs	AVERAGE		-0.18	20.08			
ALL COMPANIES	AVERAGE		1.32	29.21			

Top advancing issues: AMBAC Indemnity Corp., Navigators Group, RLI Corp. Leading decliners: Aetna Life & Casualty, CIGNA Corp., Oxford Health Plans. Most active issue: Aetna Life & Casualty. The *BI* Index rose 1.4%; the Dow Jones 30 Industrials gained 1.5%; the S&P 500 increased 2.1% and the NYSE Composite gained 2.1%. Average P/E: Brokers, 20.4; Insurers/reinsurers, 40.3; HMOs, 27.1.

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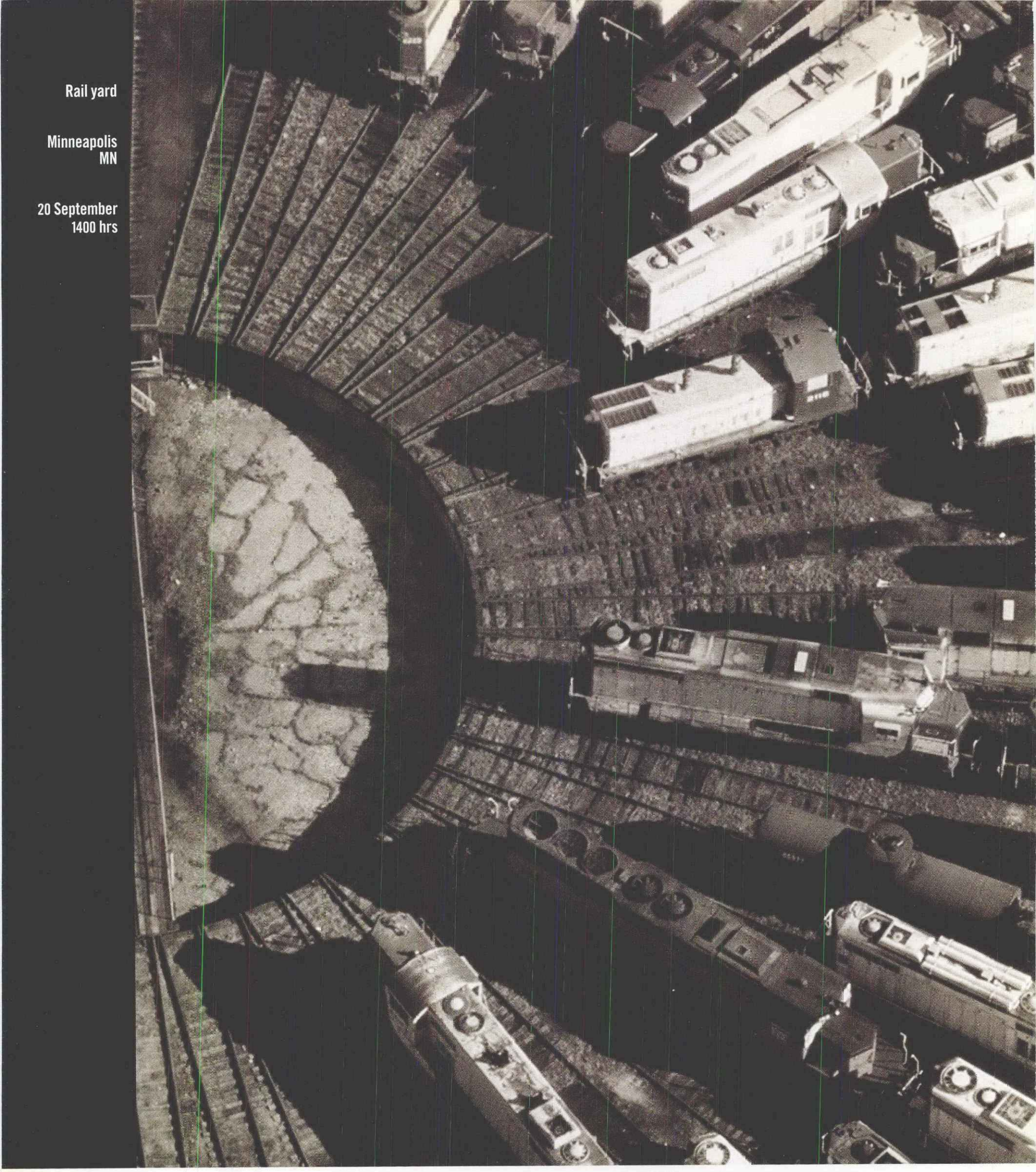

WITHOUT THE RIGHT COVERAGE, YOUR COMPANY CAN BE FLATTENED BY A TRAIN THAT'S STANDING STILL.

All it takes is a rail strike, a streak of bad weather or a sudden change in an exchange rate and your company's bottom line can sustain a major injury. So businesses require a partner that can anticipate and protect against multiple risks with innovative solutions.

AIG Risk Finance is that partner. With our financial resources, insurance underwriting and capital markets expertise, we can bundle together risks other financial institutions can't assume. When AIG Risk Finance combines a company's financial and insurance risk into a single program, the integrated coverage can create efficiencies that might not be realized using more traditional forms of risk management.

For instance, our Commodity-Embedded Insurance (COIN) program limits the earnings per share impact for our clients by joining traditional insurance risks with financial exposures like primary commodities, foreign exchange and interest rate fluctuations. AIG Risk Finance, a division of the AIG Companies, has access to an unparalleled global network, with operations in approximately 130 countries and jurisdictions worldwide. And we have top financial ratings to back us up. So we'll be there to help your business stay on the right track.

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