

# Business Insurance

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## Japanese typhoon damage estimated at \$760 million

LONDON—Insured losses from Typhoon Mireille, which tore through Japan late last month, could reach \$760 million.

The typhoon, which packed gusts of up to 150 mph, blasted the west coast of the country on Sept. 27 and 28, causing wind and flood damage to thousands of buildings and injuring hundreds of people. Several ships also were damaged in the storm.

Damage caused by Mireille is still being assessed, but Japanese insurers are estimating a 100 billion yen loss (\$760 million at

*Continued on next page*

## AIDS NO EMPLOYER IS IMMUNE

# Employers ill-prepared for AIDS

By CHRISTINE WOOLSEY

A laborer at a construction site in Milwaukee approaches her foreman and tells him she has just been diagnosed with AIDS. The foreman assures her that he will talk to the general contractor to work out any changes in her work schedule or duties that may be necessary as a result of her illness.

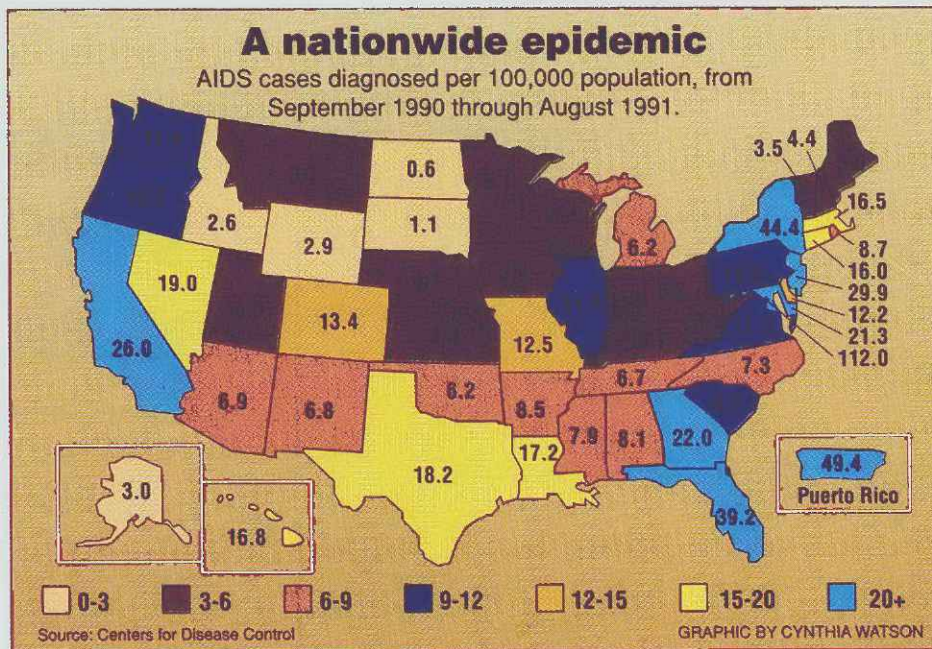
Relieved that her employer would be supportive, she shares the tragic news with a few co-workers.

Within hours, though, the news spreads through her construction site and five other sites staffed with workers from her union.

By the end of the day, fear and ignorance take their toll: Nearly 500 employees walk off their jobs, bringing a \$1.4 million construction project to a screeching halt.

The fear that disrupted this Milwaukee construction site in 1990 reveals that ignorance about contracting AIDS still abounds nearly a decade after the human immunodeficiency virus, which causes acquired immune deficiency syndrome, was first identified.

Education about AIDS can prevent hys-



teria in the workplace when a worker contracts the disease.

More important, education about AIDS can prevent the spread of the deadly epidemic, which is taking its toll on U.S. employees.

A greater percentage of health care and

life insurance costs are attributable to the disease. Productivity slips when workers become ill and die in their prime working years, and when others are scared. And, more discrimination lawsuits are being filed by afflicted workers denied their jobs or health care coverage.

Consultants, labor groups, AIDS activists and even some employers emphatically agree that U.S. employers are not prepared to deal with AIDS in the 1990s.

Few U.S. companies have formally addressed AIDS in the workplace. Few employers have issued policy statements on how they will respond to employees with AIDS. Few employers are educating employees on how to avoid contracting the disease and how they can safely work with colleagues with AIDS. And few employers have modified their benefit plans to better manage AIDS cases.

Most employers, however, at least are not denying health care benefits to people with AIDS covered by their benefit plans. Nor are they implementing severe coverage limits for employees or dependents with AIDS.

This is not, however, deemed to be due to benevolence, but rather to anti-discrimination laws—including the recently passed Americans with Disabilities Act (see story, page 86).

Furthermore, experience shows that one AIDS claim does not necessarily spell financial disaster for a group health plan. Even with break-through drugs like AZT extending the lives of people with AIDS, individual claims costs are actually lower than initial projections.

Early intervention, medical case man-

*Continued on page 74*

## CSO back on stage with PPO plan in the wings

By LORI BLOCK

CHICAGO—Members of the Chicago Symphony Orchestra will have to learn a new rendition of an old refrain, or pay more for their health care.

Under a strike-ending contract agreement ratified Sept. 27 by members of the Chicago Federation of Musicians Local 10-208, symphony members will have the option of participating in a new



Photo courtesy Chicago Symphony Orchestra

### A cost-shifting proposal prompted a Chicago symphony strike.

preferred provider network, or continuing to select their own health care providers at higher out-of-pocket costs to them.

In either plan, the union members still will not make any contribution toward their health care

premiums.

The new contract also affords wider coverage for some benefits, improves pension benefits and increases salaries.

On Sept. 12, the world-famous

*Continued on page 98*

## State OSHA plans under inspection following N.C. fire

By MARK A. HOFMANN

WASHINGTON—The tragic fire last month at a poultry processing plant in Hamlet, N.C., is leading to new scrutiny of state programs established to supplant federal oversight of workplace safety.

Only hours after the Sept. 3 fire at the Imperial Food Products Co. plant—which killed 25 workers and injured 55—U.S. Secretary of Labor Lynn Martin ordered the head of the federal Occupational Safety and Health Administration to re-examine all 25 federally approved state and territory workplace safety and health programs.

Gerard F. Scannell, the assistant U.S. Labor Secretary who administers the federal OSHA program, is expected to make his report on the effectiveness of the state programs to Ms. Martin by early December.

Even though all of the state programs are supposed to be at least as effective as the federal OSHA program, Mr. Scannell's report can be expected to show a wide range of effectiveness among the states.

Comments from officials of North Carolina's federally approved job safety program immediately after the Imperial Food fire

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NEWSPAPER

## Update

## Typhoon Mireille blasts Japan

Continued from previous page  
current exchange rates).

"It is definitely big enough to go right through the reinsurance protections of some of the smaller companies, and there are also bound to be some claims from the larger companies as well," one London broker said.

Up to one-third of the loss could be paid by London reinsurers, another broker estimated.

"It is the most severe loss to hit the Japanese market since storm damage was introduced to standard household policies," he said.

Before 1984, insurance for storm damage was bought separately.

## Health care spending up 10.5%

WASHINGTON—National health care expenditures rose 10.5% to \$666.2 billion in 1990 from \$602.8 billion in 1989, marking the third consecutive year of double-digit increases, according to the Health Care Financing Administration.

Health care spending in 1990 increased more than twice as fast as the gross national product, Health and Human Services Department Secretary Dr. Louis W. Sullivan reported last week. The GNP rose 5.1% to \$5.5 trillion in 1990 from \$5.2 trillion in 1989.

National health care expenditures claimed 12.2% of the GNP in 1990, up from 11.6% in 1989, Dr. Sullivan said in a statement.

National health care expenditures had risen 10.4% in 1989 and 10.5% in 1988.

In 1990, insurers, other private entities and consumers paid about \$383.6 billion for health care, according to HCFA.

## Alliance restructuring planned

SCHAUMBURG, Ill.—A restructuring of the Alliance of American Insurers, one of the three major property/casualty insurance trade groups, will be announced within weeks, says new President Rodger G. Lawson.

Mr. Lawson, who had been executive vp, was named last week to take over the post vacated by Franklin W. Nutter. Mr. Nutter left the Alliance in May to return as president of the Reinsurance Assn. of America (BI, May 13).

A restructuring plan developed by the Schaumburg, Ill.-based group and its board will "put Alliance staff on the scene where issues of vital interest to our members and the industry are being considered," Mr. Lawson said.

Most of the 170 or so Alliance members are medium-sized mutual insurers. One of the largest members—Long Grove, Ill.-based Kemper National Insurance Cos.—recently gave formal notice of withdrawal, giving it the option to leave as of July 1, 1992.

## Crash witnesses' suit cleared

EDINBURGH, Scotland—Some 385 residents of Lockerbie, Scotland, who witnessed the December 1988 explosion of a Pan American World Airways Boeing 747 can sue the airline in the United States, a Scottish judge has ruled.

Pan Am tried to block the plaintiffs from suing in the United States, claiming they could obtain adequate damages in Scotland. However, the plaintiffs believe they will fare better in a U.S. court.

Pan Am is likely to appeal the decision.

The plaintiffs, who were on the ground at the time of the explosion, claim they suffered emotional distress in watching the tragedy, which killed 270 people (BI, Dec. 26, 1988).

Survivors of victims that were killed are suing the airline in a separate lawsuit now pending in federal court in New York. In April, these plaintiffs lost the right to recover punitive damages, when the 2nd U.S. Circuit Court of Appeals ruled that the Warsaw Convention prohibits punitive damages (BI, April 1).

## S&amp;L auditor not liable: Court

DALLAS—The dismissal of a government agency's suit against an accounting firm charged with contributing to the failure of a thrift may have limited implications for other cases, observers say.

The Federal Deposit Insurance Corp. on March 1, 1990, sued Ernst & Young and its predecessor, Arthur Young & Co., for breach of contract and negligence over independent audits of Western Savings Assn. in Dallas in 1984 and 1985. The FDIC contended that Western's losses of more than \$560 million arose because the thrift's board of directors relied on faulty audits.

But, in throwing out the negligence claim last week, U.S. District Judge Barefoot Sanders concluded that Jarrett E. Woods Jr., Western Savings Assn.'s sole owner, chairman and chief executive officer, knew about the thrift's poor condition. Thus, a more accurate audit would not have affected the actions of the thrift's officers and directors, he ruled.

The court dismissed the breach-of-contract claim last year.

"It's always good news when a court holds that an accounting firm is not liable," said Ron Glancz, a partner with Venable, Baetjer, Howard & Civiletti in the Washington, D.C. But, "this ruling may be limited because this was not a publicly traded company" with shareholders who relied on the audits.

"My understanding of the decision is that it would certainly be a very favorable development," observed William K. Brown Jr., managing director of Marsh & McLennan Cos. Inc.

But, "even with the decision, there is still a concern of how other courts will rule. The next court is going to look and make its own decision based on other precedents," Mr. Brown said.

Ernst & Young would only say that it is pleased with the ruling.

Updates continued on page 98

## Errors &amp; omissions

• Standard & Poor's Insurance Rating Services' most recent claims-paying rating of Des Moines, Iowa-based Principal Mutual Life Insurance Co. was incorrectly reported in the Sept. 30 issue. The new rating is AA+. The insurer had been rated AAA.

## New Valdez settlement cuts Exxon's net cost

By JOANNE WOJCIK

ANCHORAGE, Alaska—A new proposed settlement of civil and criminal charges against Exxon Corp. over the Valdez oil spill would cost Exxon \$75 million less in cash than a previous accord rejected by a federal judge.

While the new pact—which is drawing criticism from a U.S. senator and an environmental group—calls for a stiffer criminal fine of \$150 million, all but \$25 million would be forgiven because of Exxon's cleanup efforts.

The rejected settlement called for a \$100 million criminal fine, none of which was to be forgiven.

The proposed settlement of civil charges filed by the state of Alaska and the federal government against Exxon also calls for Exxon and subsidiary Exxon Shipping Co. to pay \$1 billion for restoring the spill area. The previous agreement also called for a \$1 billion settle-

ment of civil charges.

Like the earlier agreement that was rejected by Judge H. Russel Holland, the federal judge overseeing the case, the civil settlement hinges on the court's acceptance of the criminal plea bargain.

Under the new plea agreement, signed by Alaskan Gov. Walter J. Hickel and filed along with the civil agreement Sept. 30 in U.S. District Court in Anchorage, Exxon will plead guilty to one criminal charge, while Exxon Shipping will plead guilty to three charges.

Of the \$150 million criminal fine against Exxon and Exxon Shipping, \$125 million would be considered "remitted," according to a spokesman for the governor.

Much of the criminal fine would be forgiven because Exxon already has spent \$2.2 billion to clean up Prince William Sound, the site of the accident, according to a spokesman for Gov. Hickel, who

led the negotiations.

Of the remaining \$25 million criminal fine, \$12 million would be deposited into the North American Wetlands Conservation Fund for use in the United States, Canada and Mexico for wetlands enhancement. The remaining \$13 million would go to the U.S. Treasury.

Alaska, the federal government and Exxon retain the right to terminate the agreement if the plea bargain is rejected.

An earlier agreement collapsed when Exxon withdrew its guilty plea after Judge Holland rejected \$100 million in criminal fines—considered the largest fine ever assessed for environmental damage—because they were "simply not adequate" (BI, April 29).

The Alaska Legislature also rejected the settlement because it did not make provisions for the interests of native Alaskans.

However, late last month a group

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## Deadlines near for reinsurance, 401(k) listings

The deadlines are rapidly approaching to return questionnaires to be listed in two upcoming *Business Insurance* directories.

The annual directory of reinsurance intermediaries will be published in the Nov. 4 issue, which will include a spotlight report on reinsurance topics.

Both U.S. and Bermuda-based reinsurance intermediaries will be included. The extended deadline for returning questionnaires is Oct. 14.

Also, the third annual directory of 401(k) plan administrators will be published Nov. 18. Companies that provide enrollment services, daily maintenance of participants' accounts, account manipulation and similar services (regardless of whether the company is responsible for investment management) are eligible. 401(k) questionnaires are due by Oct. 18.

There is no charge to be included in the directories; however, companies must fill out and return a questionnaire provided by *Business Insurance*.

If you would like a questionnaire, please request one by calling Karen Armaganian at 312-280-3195.

## Broker wins over \$8 million for defamation

By MICHAEL SCHACHNER

BALTIMORE—Maryland's largest medical malpractice insurer is appealing a recent \$8.7 million jury award to a Baltimore insurance broker who sued the insurer for ruining his business after he sold a competitor's product.

A state court jury in Baltimore last month found that Medical Mutual Liability Insurance Society of Maryland, a licensed non-profit medical malpractice insurer established in 1975 by the Maryland State Assembly, engaged in a systematic campaign to defame and destroy B. Dixon Evander, owner of B. Dixon Evander & Associates Inc., a Baltimore-based brokerage firm that specialized in placing professional medical and dental liability insurance.

In finding for the plaintiff on Sept. 13, the jury agreed that a series of letters Medical Mutual wrote in May 1989 to physician clients of Mr. Evander and the Maryland Insurance Commission were defamatory and false and interfered with the brokerage's relationship with clients.

The jury awarded Mr. Evander, now 64, \$1.7 million in compensa-

tory damages and \$5 million in punitive damages from the insurer and \$2 million in punitive damages from Dr. Raymond M. Yow, Medical Mutual's chairman and chief executive officer.

Medical Mutual declined to say whether it has insurance to respond to the awards.

Mr. Evander asserted in his lawsuit filed May 21, 1990, in State Circuit Court in Baltimore that Medical Mutual's top executives intentionally published false and defamatory information to the state's medical community about him after he began representing a new entrant to the medical malpractice insurance market in December 1988.

According to the lawsuit, Medical Mutual from 1985 through most of 1988 had a virtual monopoly on the state's medical malpractice business. Mr. Evander's firm represented about 10% of its 6,000 physician policyholders and about 50% of the company's insured dentists.

Mr. Evander began selling PIE Mutual Insurance Co. policies to certain specialized physicians after PIE was granted a license to write

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## Inside

✓ In addition to education programs, employers must put in place now the policies needed to deal fairly and humanely with workers with AIDS, this week's editorial says. **PAGE 8**

✓ A group of U.S. members of Lloyd's of London plans to file suit this week in federal court in New York to try and recover losses on their investment. **PAGE 89**

✓ Standard & Poor's Insurance Rating Service last week downgraded the claims-paying ability of five more insurers, among them Aetna Life Insurance Co. and Lincoln National Life Insurance Co. **PAGE 97**

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# International markets

## Networks try new ways to survive market saturation

By LORI BLOCK

International employee benefit networks are becoming increasingly competitive, creative and flexible in an attempt to retain existing clients and attract new business.

With the elimination of internal European trade barriers and tariffs crawling toward reality and hopes of new business developing in Eastern Europe and the Soviet Union a far-off dream, the networks are learning to stretch their vocabularies.

These days, network managers and benefit consultants speak of "ASO arrangements," "minimum premiums" "captive reinsurance" and "direct interest crediting" when describing developments in the international employee benefit marketplace.

"I think flexibility is more prevalent today than three or four years ago," H. Richard Souder, national director—international services for Coopers & Lybrand of New York, said of the benefit networks.

Several factors are converging to create a more pliant network marketplace for multinational employers of all sizes. But the chief factor is that few new prospects exist within the large U.S. multinational market.

"The U.S. market is pretty well saturated," explained Geraldine Pangaro, field vp for The John Hancock International Group Program of Boston, which now has members in 40 countries. "Most of the large multinationals already have a pool set up."

Or, as Jim McKay, an international actuary with Noble Lowndes in Chicago, said, "all the companies that have the potential (for a pool) have been approached."

Eric M. Janssen, the director of the 23-member Group Assurance International Network in Brussels, Belgium, concurs. "The large organizations have already set up pooling arrangements a long time ago, and those contracts have a tendency of being fairly immovable."

A similar sentiment is shared by Elaine McDonald, managing director of Aetna/Generali International Benefits Network in New York. In summarizing the results of its recent market assessment survey, Ms. McDonald explained that "the large case market is a very mature market."

However, Ms. McDonald added, "we try to keep in touch with it because something case-specific might break."

During 1990, Aetna/Generali's premiums and master contracts rose roughly 4.5% to \$210 million and 115 contracts. The network, which has member companies in 45 countries, does not expect any changes following the recent announcement of a property/casualty venture between Continental Corp. of New York and Assicurazioni Generali S.p.A. (BI, Sept. 9).

Yet while the market appears saturated, it is also stable.

"The network system, over the last 20 years, has proven itself, both from a cost standpoint and the standpoint of having centralized control" over an international benefit program, said Jerry Long, managing director—international consulting services for Alexander & Alexander Consulting Group Inc. in Washington, D.C., a unit of Alexander & Alexander Services Inc. of New York.

According to Michael Sandmann, division vp for the Multinational Insurance Arrangement offered by The Travelers Cos. International of Hartford, Conn., this control is a reason that the large multinational companies remain in a network.

The information services they provide is another reason for this continued loyalty, he said.

"The networks supply outfits with massive amounts of information that they would have trouble getting on their own," Mr. Sandmann said.

Last year, Travelers' network premiums rose nearly 25% to \$24.7 million, fueled partially by small gains in the number of both foreign lives covered and master contracts. The network also added two countries to its fold, and it now has 57 representatives in 55 countries.

However, this loyalty does not necessarily reflect complete contentment. As the larger multinationals gain experience in benefits, and perhaps sensing that they are in a better position to bargain, they are insisting on more advanced mechanisms to improve their cash flows, particularly at the local level. This, combined with the gradually changing regulatory and financial environment in Western Europe, will force the networks to offer products and services

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## U.S. insurers meet Europeans on global front

By JOANNE WOJCIK

Competition remains fierce in the international insurance market as U.S. insurers continue to battle European underwriters and a stubborn soft market to capture or even maintain market share.

To enhance their competitive posture, many U.S. insurers are relying on alliances with their European counterparts to expand throughout the world, particularly in Eastern Europe, the Baltic states and the Soviet Union.

And many U.S. insurers are rethinking their products and services to better meet

the needs of U.S. multinationals. In particular, international insurers are gearing up to provide more global and controlled programs in response to demand from risk managers for both U.S. and European multinationals.

Observers predict, though, that the financial problems plaguing Lloyd's of London underwriters may eventually influence the supply of insurance overseas and rein in the competitive market.

"The worldwide insurance market is remaining extremely competitive," said Ron W. Forrest, chairman, president and chief executive officer of Alexander & Alexander Inc. in New York.

"Many of the European insurers have made strategic commitments to compete," he said, singling out Zurich Insurance Group, Allianz A.G. Holding, Winterthur Swiss Insurance Co. Ltd. and Swiss Reinsurance Co. as being particularly competitive.

"The Europeans are still giving U.S. carriers a run for their money," said Douglas N. Smith, managing director of broker Johnson & Higgins' international department in New York.

"There's no question there are a lot more would-be players" in the international market, said Steve Schleisman, senior vp of AIGlobal, a unit of American International Group Inc. in New York. "It's fashionable to be international."

As a result of the continued competition, "rates have been flat for the last 12 months or so," said Joe Ptazynski, assistant manager of the international department at Chubb & Son Inc., the underwriting manager subsidiary of Chubb Corp. in Warren, N.J.

And capacity is still widely available, with some limits as high as the billions, he said.

Risk managers who renewed international programs on July 1 agreed: "We did not see any change in capacity or pricing for our July 1 renewals," said William Irl, risk manager for Sara Lee Corp. in Chicago.

"There's not much change from last year," observed Michael Rodman, vp at J.H. Albert International Insurance Advisors in Needham, Mass.

In addition, "there is legitimate interest on the part of large foreign insurers to operate more globally" as foreign multinationals open plants in other parts of the world, he added.

One way insurers are trying to get ahead in an increasingly global marketplace is by forging alliances with insurers in the former Soviet bloc.

Indeed, many large insurers and brokers are "putting their flags down" in Eastern Europe, concurred Pat Rawlings, a consultant in London with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc.

A few examples of insurers' ties to the region include:

- Czechoslovakian state-run insurer Ceska Statni Pojistovna has signed an agreement with Assicurazioni Generali S.p.A. under which the Italian insurer will provide reciprocal support, joint underwriting and technical support.

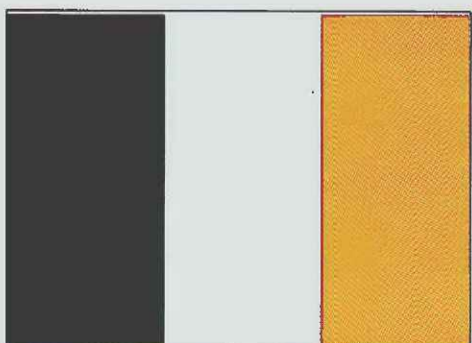
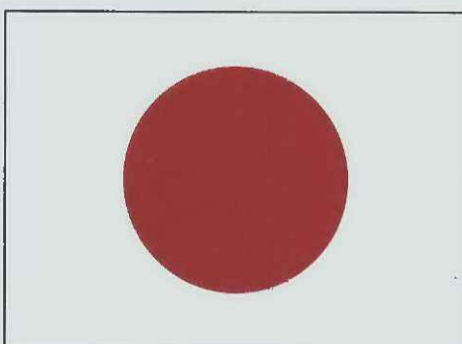
And although legislation opening up the Czechoslovakian insurance market will not be enforced until May 1992, a new insurer is in the works: Ceskoslovenska Druzstevni Pojistovna received approval in October 1990 to establish an insurer with the involvement of foreign capital, the report said.

- In Hungary, Allianz already owns 49% of Hungaria Biztosito, one of two insurers created after the country abolished its state-owned monopolistic insurer in 1986.

In addition, Generali and Erste Allgemeine Versicherungs A.G. of Austria have formed a joint venture with Allami Biztosito, the other Hungarian insurer, called A.B.-Generali Budapest, which covers the international and reinsurance business of Allami.

And, Allami itself is considering becoming partially privatized

Continued on next page



## Global insurers

Continued from previous page this year.

- American International Group Inc. has entered a joint venture in Poland with Bank Polska Kasa Opieki S.A. called First American-Polish Insurance & Reinsurance Co. Ltd., in which AIG holds 55% of the equity.

- Travelers Corp. has formed a partnership with Poland's Warta Insurance & Reinsurance Co. Ltd. to provide property/casualty coverage for U.S. companies operating in Poland, the company announced last December.

- Last month, Travelers also announced it is entering into a cooperative agreement with Hungaria Insurance Co. Ltd. of Budapest, Hungary.

- As part of a restructuring to focus on its multinational client base, Continental Corp. announced last month that it had entered into

an agreement to underwrite and service the North American exposures of Generali's multinational accounts (BI, Sept. 9).

That alliance will enhance Continental's worldwide distribution capabilities, said Michael Marchesani, president of Continental International in Cranbury, N.J.

"Generali will offer Continental a link to Europe," he said.

- In response to the changing needs of multinational clients, Arkwright Mutual Insurance Co. of Waltham, Mass., is structuring itself to become a global provider of risk management services in addition to underwriting, according to Douglas B. Fay, vp for international brokerage services.

Because "we recognize that we're not everything to everyone," Arkwright "will go out and access specific services" for clients around the world through its newly established accord between Arkwright's brokerage subsidiary,

The Hobbs Group Inc., and Minet Insurance Brokers Ltd. of London.

Services will be centrally monitored from regional centers in the United States, Europe, Africa, Australia and Hong Kong, according to Mr. Fay.

"When we underwrite, we provide support. When we don't, we still provide services," said Ken Davey, international sales manager for Arkwright in Shelton, Conn.

- Zurich Insurance Group has opened offices in Hungary and Czechoslovakia to follow business migrating there, according to Tom Hite, president and general manager of the international division for its Zurich-American Insurance Group unit in Schaumburg, Ill.

"Our Vienna group also will be responsible for the Soviet Union," he added.

In addition to forging alliances with their foreign counterparts, U.S. insurers are also offering more global programs and some

are even developing so-called "Europolicies" in response to client demand.

Multinational risk managers are the driving force changing the way international insurers are doing business overseas, according to CIGNA's Mr. Harway.

"We have to become much more proficient and listen to what clients want rather than deciding what coverage we want to write," he said.

Arkwright's Mr. Fay agreed: "Many programs previously were product-driven. Now they are more customer-driven."

For example, more and more multinational risk managers are requesting global property/casualty programs rather than simply global property programs, he said.

"U.S. risk managers are very interested in coordinated multinational programs," said Ted Hoeh, president of Kemper International Corp. in Long Grove, Ill., a unit of

the Kemper National Insurance Cos. "This is one market segment where there is movement."

Especially interested in global programs are multinationals with interdependent manufacturing plants throughout the world, he said. If any one of the plants that manufacture product components shuts down, it could set off a chain reaction that halts operations at all of the other plants, Mr. Hoeh explained.

Take, for example, The Gillette Co. of Boston. With its various operations dispersed throughout the world and dependent upon each other, the company favors global programs, said Tom Welgoss, its corporate insurance manager.

Such programs are both more efficient and "more cohesive," he said.

Gillette has a single global excess liability policy and two global property programs: one to cover its North American and European risks and another to cover risks in other parts of the world.

Insurers worldwide "are starting to offer quality products" that are more customer-driven, agreed A&A's Mr. Forrest.

"There is a gradual, inexorable trend toward more companies looking at insurance on a worldwide basis," Mr. Forrest said, particularly since the changes in the European Community have provided "more freedom to do so."

In addition, buyers have become more sophisticated and are asking insurers to assemble a manuscript program that fits their individual needs.

Savvy risk managers are a force helping to keep insurance prices competitive, according to Mr. Forrest. "They know what they need to buy and they know what it should cost."

More U.S. multinationals are unifying their coverages under a single global program.

NCR Corp. of Dayton, Ohio, had a global program "back in 1973 before it was fashionable," said its risk management director, Glenn MacCorkle. Only property exposures were covered, though.

"We had a single limit, a single deductible, and the policy was written in U.S. dollars," he said.

But by 1985 the global program was split apart. Now NCR is again considering consolidating its coverage for worldwide exposures, said Mr. MacCorkle. "Global makes more sense, particularly for our company since we operate on a truly global basis."

NCR, which receives 60% of its revenues from outside the United States, distributes its products to 140 countries and has manufacturing plants in 80 countries, according to Mr. MacCorkle.

Hallmark Cards Inc. also is "moving toward a single controlled program" coordinated from its Kansas City, Mo., home base, according to its risk manager, Richard Heydinger.

Currently, the greeting card maker can purchase a single program on an excess basis, "but the primary coverage is still fragmented," Mr. Heydinger said.

A global program would eliminate redundancy, fill gaps and unify coverage, he said.

Having a global program makes it easier for a U.S. multinational to bring under its "coverage umbrella" subsidiaries in Eastern Europe and other areas where large amounts of insurance are a relatively new phenomenon.

For example, Sara Lee was able to easily integrate into its global insurance program a Hungarian coffee company that it purchased in 1990, according to Mr. Irle.

"We have a semi-global program," he said. "We require companies in various countries to carry the usual and customary primary coverage," and then the global

Continued on page 6

## OF COURSE THEY'LL SAY THEIR DRUG MANAGEMENT PROGRAM FITS YOUR NEEDS. IT'S THE ONLY ONE THEY OFFER.

These days, everybody's heralding prescription drug benefit management as the hottest new way to control health care costs. Different companies have probably approached you and may have even sold you on the idea of a customized drug management program. But what most of them don't tell you is that they only offer one plan, and it's the same thing they're selling to everybody.

At Diversified Pharmaceutical Services (DPS), we have by far the largest range of options in the industry. They're also some of the most effective, routinely saving clients 20-50% on drug benefit costs. With a custom plan from DPS, you can be sure you're getting the best plan for your business, not the only one a company has to offer. We'll sit down with you and find out what your health care philosophies are and how your benefits program is structured. Then we'll provide a recommendation to fit your needs: it could range from basic claims processing and reporting to a complex, multi-faceted program.

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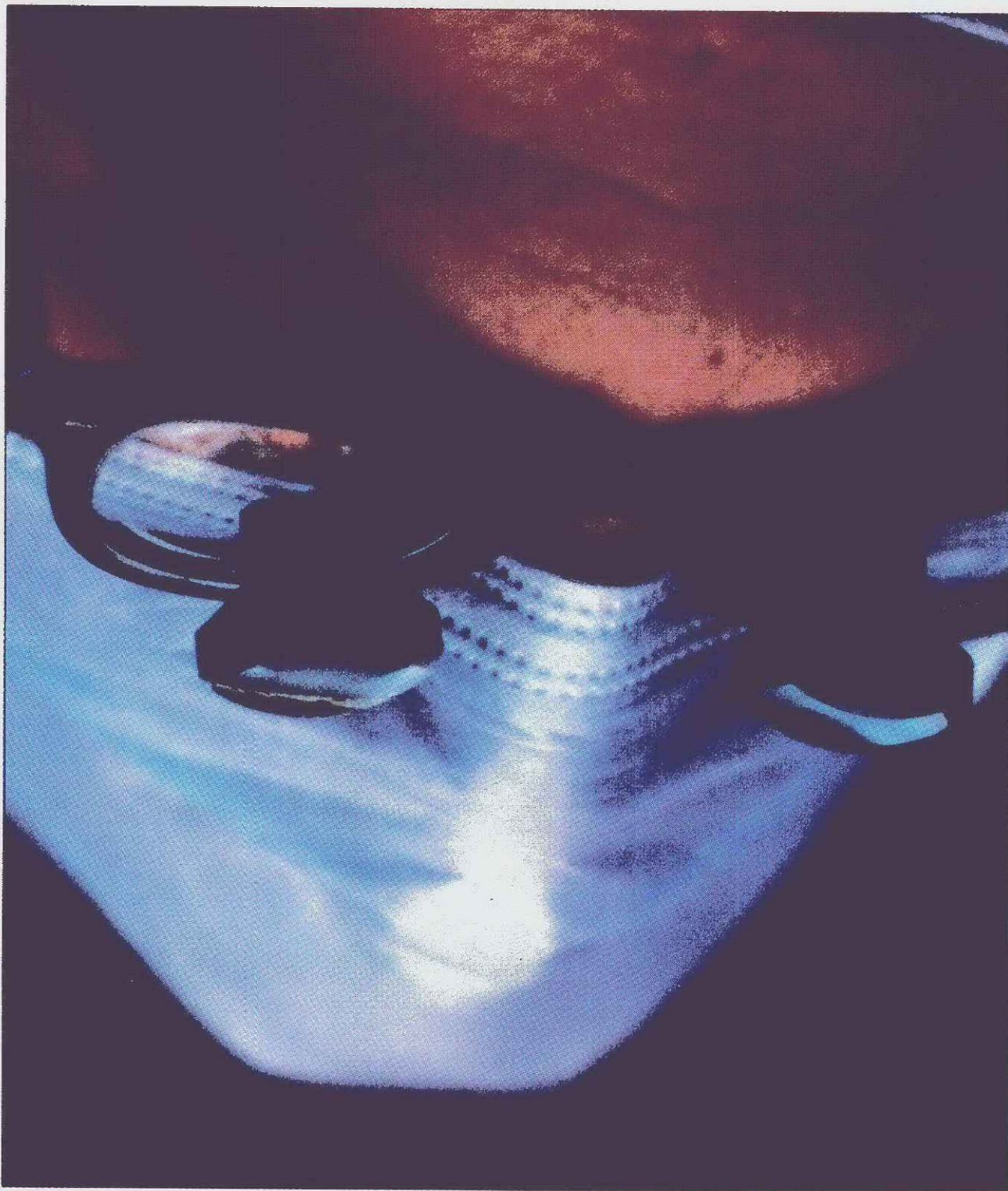
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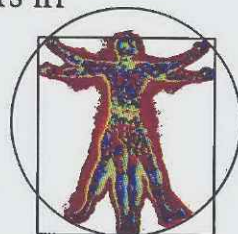
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## Global insurers

Continued from page 4

program acts as an umbrella or excess program filling the gaps where necessary.

Mr. Irle prefers this "semi-global" program—written mostly on an excess basis—because "it prevents us from getting involved with the nickels and dimes."

Allowing the coverage to be placed locally overseas also helps the company maintain local relationships, according to Mr. Irle.

"We don't want to upset our foreign brothers," he said.

Approximately 35% of Sara Lee's exposures are international.

A new market for global programs also is developing as mid-sized U.S. multinationals expand overseas.

"Global programs are now being purchased by smaller companies," said AIGlobal's Mr. Schleisman.

Continental's Mr. Marchesani agreed: "A new multinational buyer is emerging—import/export companies and manufacturers operating in two or three countries."

Just who buys a global program "depends on the degree of control within their own organization—whether they have a centralized or decentralized risk management program," Mr. Schleisman said.

To meet these needs, AIGlobal "is moving toward a much more integrated, global look at international business," he said.

"What we see is a need for service. A lot of people pretend to put together an international program but can't deliver on service," he said.

And "it's more than just geographic spread" of offices that is necessary for an insurer to compete effectively in the international marketplace, said Mr. Schleisman.

"Internal communication—the

ability to work in coordination on an account" also is important, he said.

To ease communications, Travelers is linking up with its foreign partners' electronic mail systems, said Jim Webb, division vp-property/casualty for the international division in Hartford, Conn.

Travelers does most of its overseas business through a foreign partner like Guardian Royal Exchange Assurance P.L.C. of London or France's Union des Assurances de Paris S.A.

Some international insurers are developing more creative ways to integrate local programs, according to J.H. Albert's Mr. Rodman.

For example, Chubb is writing a single global umbrella contract domestically and issuing admitted primary policies written in local terms for each country where the client is doing business, he said.

"The premium for the entire program is billed domestically as part

of a single invoicing arrangement," he said.

"The global policy wraps around and acts as excess of the individual country policies," Mr. Rodman said. "And in countries where no local insurance is required, the global coverage steps in."

To improve its world network, Chubb also is adding to its staff foreign nationals who are trained in the United States and then returned to their countries of origin, according to Chubb & Son's Mr. Ptazynski.

Chubb increased its non-U.S. staff by 56% to 1,412 from 903 in 1989. "We've added a substantial number of people" Mr. Ptazynski said.

CIGNA Corp. plans to formally launch its new Europolicy, dubbed "European Advantage" at next week's International Risk Management Forum in Monte Carlo, according to H. Edward Hanway, president of CIGNA Worldwide

Inc. in Philadelphia.

"We've developed this policy to respond directly to the risk management needs of our multinational customers," he said. "Through European Advantage, the risk manager gains the benefit of a single, pan-European policy administered centrally by an expert account executive and supported locally—country by country—via the capabilities inherent in CIGNA Europe and in CIGNA's global network.

Essentially, CIGNA's European Advantage is a broad form property policy that can be issued in one E.C. country and cover the policyholder's exposures in any or all of the other E.C. countries. The policy is issued in country-specific versions to reflect the language, market practices, legal considerations and contract wording prevalent in the issuing country.

Premiums and losses will be paid in either the currency of the issuing country, in European Currency Units, which is a basket of E.C. currencies, or in the local currencies.

And, for accounting purposes, policyholders can receive a complete breakdown of taxes and premiums by country.

Zurich was one of the first international insurers to offer a Europolicy, which so far is being used primarily by its policyholders based in Europe, according to Mr. Hite.

The policy, which can be issued in any E.C. country, is paid in either the controlling country's currency, in European Currency Units or in the local currency of the subsidiaries covered, he said.

Premium taxes are paid to the individual country based on the allocation of premium for subsidiaries in that country, he explained.

Kemper has launched a new exporters policy to fill in the gaps for smaller companies, according to Mr. Hoeh.

"We also are looking to enhance our customs bonds coverage," which guarantees payment if duties are not paid or if other customs violations hold up a shipment, he said.

And Travelers is developing a new difference-in-conditions policy that will include "all the bells and whistles," said Mr. Webb, although he would not provide further details.

While capacity currently is plentiful and rates for international coverages are competitive, the financial problems facing Lloyd's of London could change all that.

"The abrupt end of the soft market in July 1984 was triggered by Lloyd's syndicates' decision to stop writing U.S. reinsurance," pointed out J.H. Albert's Mr. Rodman.

"I think there would be some significant impact if Lloyd's did the same today," he said.

A&A's Mr. Forrest also thinks the problems at Lloyd's may be "one of the precursors" to the beginning of the end of the soft market.

"We're bumping along the bottom," he said. Already "we're seeing some evidence of hardening not only in facultative business at Lloyd's, but also on the treaty side."

Even though there seems to be more capacity in the international insurance market, what happens in the London market could change that, according to J&H's Mr. Smith.

Since "all reinsurance winds up sooner or later in the London market," he said, "the problems at Lloyd's could translate into higher prices."

CIGNA's Mr. Hanway agreed: If Lloyd's tightens capacity for catastrophic reinsurance, "it may have pressure on worldwide catastrophe capacity beginning with Jan. 1 renewals."

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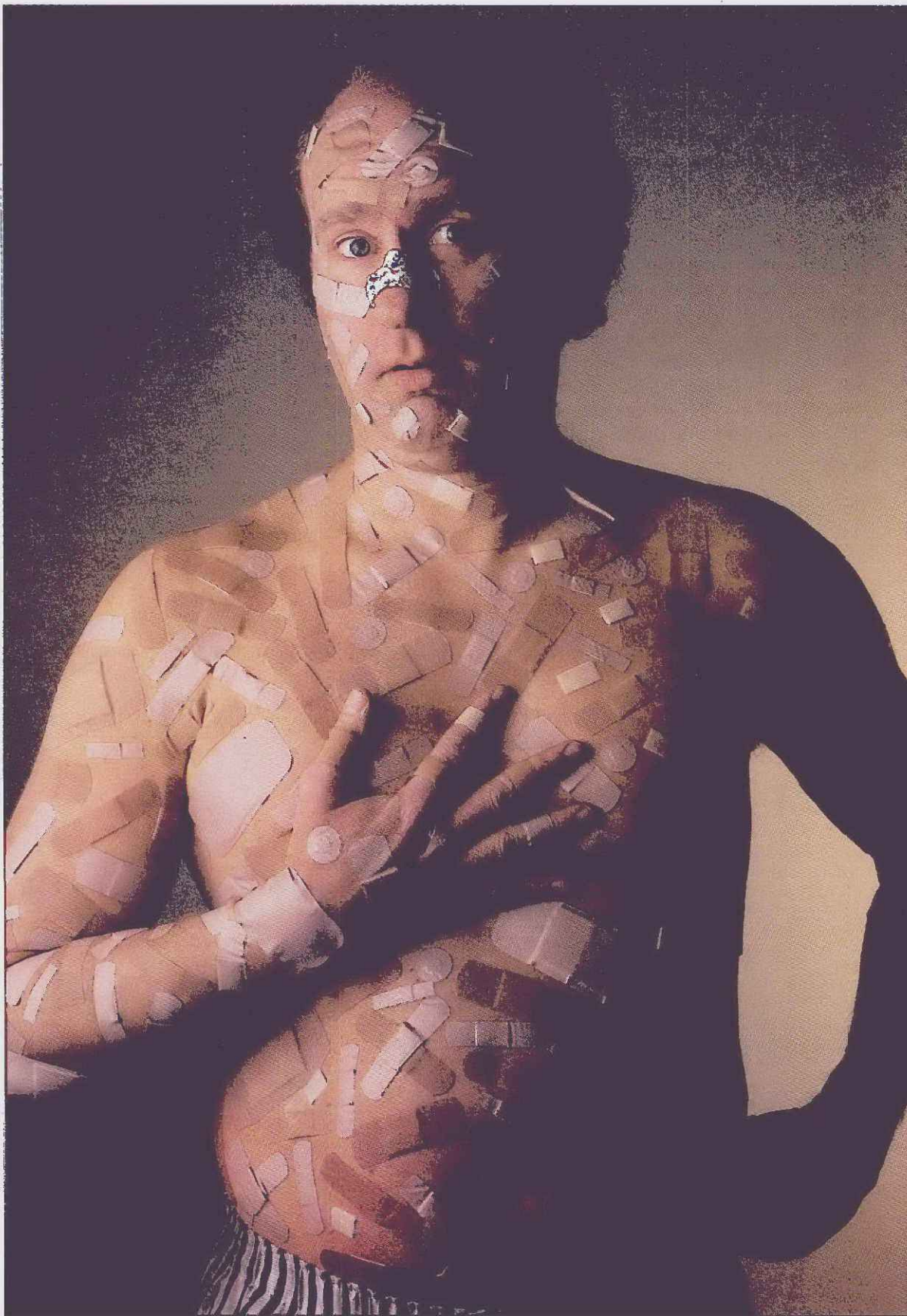


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\*Healthweek News, Feb. 12, 1990.



## Opinions

## Confronting a killer

**A**IDS IS in the workplace.

Nearly one-half of 2,637 New York City employers surveyed in 1989-1990 reported at least one employee with AIDS or AIDS-related complex.

While New York state has one of the highest concentrations of AIDS cases, the epidemic is spreading across the country. Nearly one in 10 small employers already has an employee with the HIV infection or AIDS, says the National Leadership Coalition on AIDS.

Employers have to help prevent the spread of AIDS among their workers and workers' families by implementing simple and inexpensive education programs to teach how the disease is contracted—and how it is not.

Employers also have to prepare for the eventuality that they will employ someone with AIDS by putting in place now the policies needed to deal fairly and humanely with workers with AIDS.

Unfortunately, too few employers have confronted these realities. Many prefer to believe that their employees know all they need to know about AIDS and that AIDS will not enter their workplace.

These are the clear conclusions to be drawn from the special report in this issue, "AIDS: No Employer is Immune," by *Business Insurance* Associate Editor Christine Woolsey (see stories, beginning page 1).

Responsible employers really have no choice but to act now, if not out of concern for the health of their workers, then out of concern for the vitality of their own businesses.

The average \$40,000 to \$70,000 lifetime health care cost of an AIDS case, while generally much less than had been first feared in the early 1980s, is still very high for a group health care plan. An education program that prevents just one case more than pays for itself.

Furthermore, fear of people with AIDS abounds nearly a decade after the human immunodeficiency virus, which causes acquired immune deficiency syndrome, was first identified.

Two out of three adults still erroneously believe they can contract the virus by working near or being touched by a person with AIDS, according to



a recent study.

A business could be shut down by employees fearful of working with someone with AIDS.

Employers have to train their managers how to deal with workers with AIDS. These workers have legal rights that too often are being violated by ignorant managers. Employers that permit this are liable for legal damages, especially with the enactment of the Americans with Disabilities Act, which becomes effective next year.

There is little time to lose. Before employers are actually confronted with a worker with AIDS or who is HIV-positive, they ought to establish policies for cost-effective and humane treatment under group health plans.

With at least one in 250 Americans infected with the AIDS virus today, employers all over the country, large and small, will be confronted with the deadly disease.

There is no use denying that AIDS is in the workplace. There is every reason to confront the problem: to stem the spread of the deadly disease and to cope legally and morally with workers who contract it.

## Letters

## Progress deprives Lloyd's of its historical edge

To the editor: Having worked in the Lloyd's of London market since 1940, I was interested in some of the comments contained in "S&P Unit to Analyze Lloyd's Syndicates" (*BI*, Sept. 2).

In particular, Chris Hitchings stated that Lloyd's syndicates on average had achieved profit margins of 8.4% of net written premiums, compared with 3.5% for the average U.K. insurance company.

It should be realized that until a few years ago, a Lloyd's syndicate was able to operate on a very low expense margin. This is no longer the case due to the advent of computerization, inflation, additional expense related to the new Lloyd's building and additional regulations that have resulted in additional administration. The expense ratios of new syndicates are particularly high in the first few years, as they also

have to absorb the expense of setting up the syndicate without an immediate cash flow.

For quite a number of years after the end of World War II, most syndicates were able to operate with a minimum of staff and very basic record keeping. The advent of computers, though necessary due to an enormous increase in the amount of business, added considerably both to expenses

## Arbitration unfair to reinsurers

To the editor: I enjoyed reading Ronald A. Jacks' comments in "Arbitrating Reinsurance Disputes" (*BI*, Sept. 2). One wonders, however, about the need for lawyers when the panel frames the issues, decides which are important and then "constructs a business solution," even if that yields "a blended result"; i.e., a compromise that the parties were unwilling to reach themselves.

Mr. Jacks observes in the subtext of his article that the "utmost good faith" standard of conduct for the reinsurance community is being supplanted in the American market by notions of comparative fault and of reinsurance as an arms-length transaction between sophisticated commercial entities of equal stature. More disturbing is the trend whereby certain arbitrators seem preoccupied by the potential impact of their

and number of staff.

In my opinion, much of the advantage that Lloyd's had in operating on low expense ratios compared with U.K. insurers has been lost, and inevitably this must have an effect on profit margins.

**E.R. Cowtan**

Cowtan Associates  
Herts, England

decisions on non-parties to their proceedings, such as buyers of reinsurance and society generally.

They meditate on the idea of protecting the U.S. insurance industry against a breakdown in reinsurance cover, even though it is outside their authority. Given these trends, reinsurers cannot realistically expect just treatment of their legitimate underwriting expectations.

The purposes of arbitration are to interpret and enforce a contract and to decide the issues presented; not to rewrite a deal to reflect the panel's assumption of the shared values of the U.S. reinsurance industry or to protect buyers of reinsurance.

**Roger Bruce Feinman**  
Attorney  
New York

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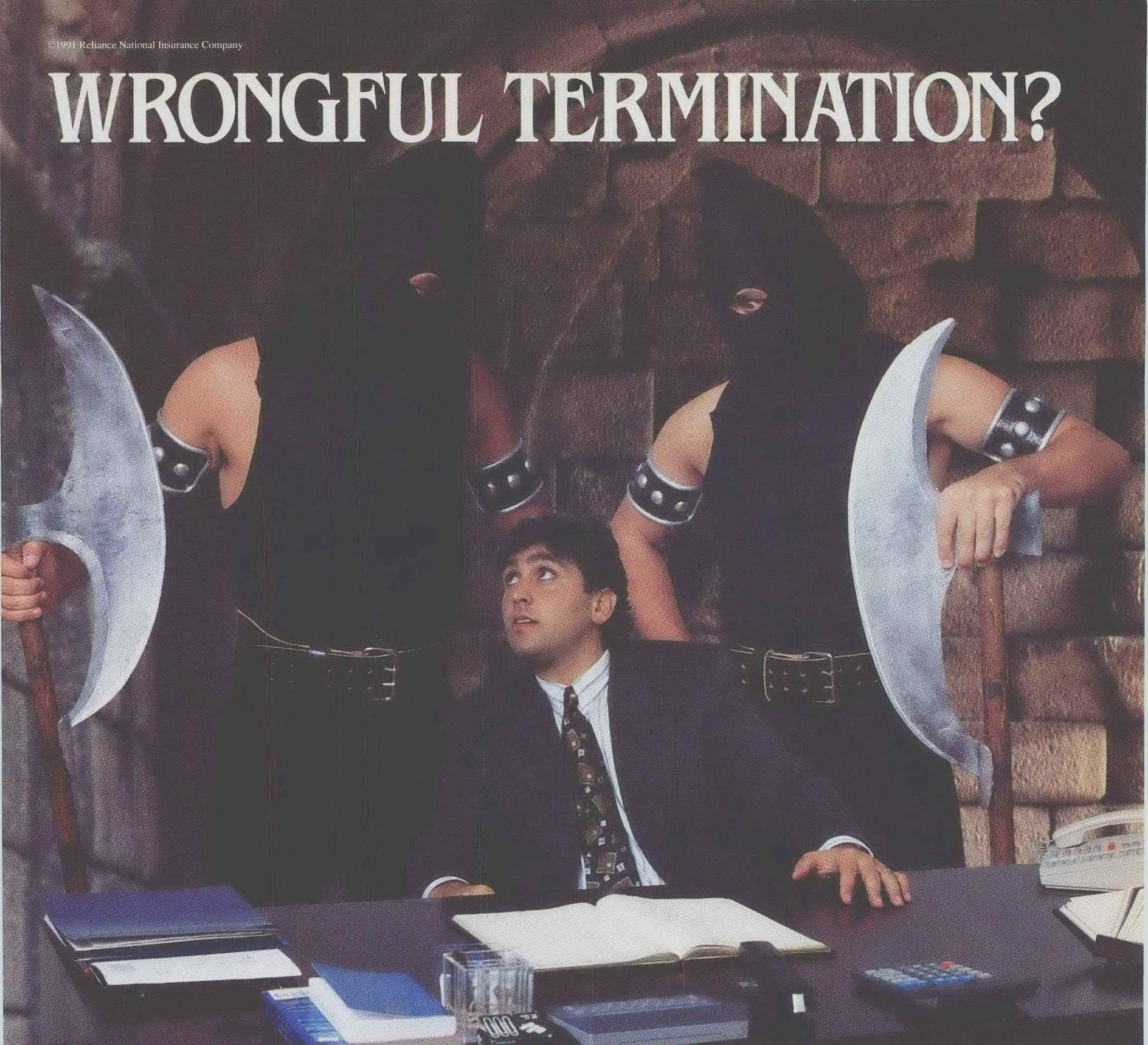
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# Insurers ready for 1992, even if unity is a ways off

By JOANNE WOJCIK

The European insurance market is trudging toward unification.

A competitive marketplace, the lack of harmonization among each country's premium tax laws and nationalism are hampering the development of a single European insurance market.

Still, an increasing number of insurers are offering single pan-European insurance policies as large U.S. and European multinationals seek to unify coverage for their exposures within the European Community.

The changes anticipated because of the July 1990 removal of trade barriers for cross-border placement of

non-life risks are occurring so gradually that they are hardly being felt.

Many insurance industry executives were "a bit optimistic" that the changes resulting from the removal of trade barriers among E.C. nations would be "more cataclysmic than in fact it was," said Jim Webb, international division vp for property casualty operations at Travelers Corp. in Hartford, Conn.

"There's no particular magic connected with that date," said Wayne Halvorsen, managing director and general manager for Kemper S.A. in Brussels, Belgium, a European subsidiary of the Kemper National Insurance Cos.

One reason there may not be sig-

nificant change occurring in the European Community's insurance market is that competition has been fierce in the international insurance market for several years, he said.

"Because of the intense competition, rates were already catastrophically low" and coverage plentiful, he explained.

Another obstacle to the unification of insurance markets in the European Community is the complex administrative procedures and tax consequences associated with the so-called "Europolicy," a single policy designed to cover all E.C. risks, Mr. Halvorsen said.

It is difficult to say whether combining coverages in Europe into a

single package policy would cost less, he said, noting that the added administrative costs could outweigh any savings.

In addition, some E.C. jurisdictions still require local policies, commented William Irle, assistant secretary and executive director of risk management for Sara Lee Corp. in Chicago.

Because "nationalistic trends will continue for while," true unification in the European Community "is going to take a while," said Douglas N. Smith, vp and managing director of the international department at broker Johnson & Higgins in New York.

"We don't see a true borderless or non-nationalistic buyer yet," said Michael Marchesani, president of Continental International, a division of Continental Corp. in Cranbury, N.J.

"You can regulate it away, but whether a German industrial client will buy from a French broker re-

mains to be seen," he said.

While buyers are gradually moving toward consolidated insurance programs, they are moving in "measured steps," according to H. Edward Hanway, president of CIGNA Worldwide Inc., a unit of Philadelphia-based CIGNA Corp.

As a result, he anticipates the changes associated with 1992 "will be an evolution, not a revolution."

And, while "1992 has already happened" for many of the large multinationals, "it's going to take a while for the attitudes to change" among smaller multinational firms, which usually purchase their insurance locally, said Joe Ptazynski, assistant manager of the international department at Chubb & Son, a subsidiary of Warren, N.J.-based Chubb Corp.

Still, many large international insurers—including AIGlobal, a unit of American International Group Inc., CIGNA, Kemper, and Zurich-American Insurance Group—are prepared to offer their clients "Europolicies" if they request them.

Zurich was among the first to market a Europolicy in response to inquiries from U.S. clients about consolidating the coverage for their European operations, said Tom Hite, president and general manager of the international division of Zurich-American in Schaumburg, Ill.

While Zurich has not yet issued a Europolicy to a U.S.-based multinational, European multinationals have been taking advantage of the pan-European program for almost a year, according to Mr. Hite.

CIGNA will announce the development of a new policy for multinationals operating in E.C. nations at the International Risk Management Forum in Monte Carlo next week, Mr. Hanway said (see story, page 3).

The policy, called "European Advantage," will make cross-border insurance programs easier and more cost-efficient to administer, he said.

While now it may appear that very little is changing, "the pace of change is so profound that people will be amazed by it," said Ron W. Forrest, chairman, president and chief executive officer of Alexander & Alexander Inc. in New York.

"The reality is that 300 directives are all quietly getting enacted," Mr. Forrest said.

"In the year 1997 or 2000, people will stop and say, 'Do you remember what it was like before 1992?'" he said.

"By then Europe will have one common currency," he predicted. It will be possible for an individual who boards a train in the United Kingdom to purchase a newspaper from the train station where he disembarks in Paris with the same currency he used in London, Mr. Forrest said.

"It'll be like a United States of Europe, except they'll talk funny," he quipped.

There will be gradual changes, and "10 years from now we won't recognize" Europe, agreed John Stoker, a consultant in the London office of Tillinghast, the risk management consulting unit of Towers, Perrin, Forster & Crosby Inc.

And, while the changes may not seem significant at the insurance trading level, the progress has been "monumental" at the consumer level, with people in one E.C. country being able to easily purchase products made in other E.C. countries, said Steve Schleisman, senior vp of AIGlobal.

The changes in the European Community also are aiding the growth of captive insurance companies in Europe, according to Ken Davey, regional sales manager for Arkwright Mutual Insurance Co. in Shelton, Conn.

"Many companies are using captives in very sophisticated ways" now, he said.

For example, "captives are assuming SIRs in the millions of dollars on a broad-form basis to provide coverages in the all-lines aggregate and buying selective reinsurance behind it," Mr. Davey said. ■

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# Global overseas policies fill coverage gaps

By MICHAEL SCHACHNER

Maintaining adequate insurance at all international locations is the biggest concern for U.S.-based multinational risk managers, but many say they allay those concerns by obtaining global overseas policies.

Multinational risk managers also are concerned that Europe's liability climate is beginning to more closely resemble that in the United States, though many say the pace of that evolution is not overwhelming.

To minimize the day-to-day problems that arise from operating internationally, most risk managers choose to entrust responsibilities like loss control, market research, risk evaluation, regulatory familiarity, foreign communica-

tions and interpretation to their international brokers (see story, page 16).

But, most risk managers say they have little trouble complying with various pollution laws throughout Europe (see story, page 20).

The problem of maintaining comprehensive coverage at all locations is often solved through a global overseas insurance program that functions to fill in the gaps that go uncovered by primary policies issued by local insurers.

"Maintaining adequate insurance that has appropriate limits and policy language is my biggest concern," said Douglas S. Williams, associate director-corporate insurance with Boehringer Ingelheim Corp., the Ridgefield, Conn.-based unit of a German chemical and pharmaceutical giant.

"To keep up requires constant review of changes in case law and regulations in the countries we operate in," he explained.

Risk managers say that uniformity of coverage can be obtained through global overseas insurance programs.

Boehringer Ingelheim has an overseas property and excess umbrella liability program for all of its non-North American risks. The layered program is written by four German insurers and a Swiss insurer, Mr. Williams said.

The Walt Disney Co. of Burbank, Calif., whose Disney products are sold worldwide, has overseas property and casualty programs, says Stephen M. Wilder, Disney's director of corporate risk management.

Disney's overseas property insurance is written by AIU Insur-

ance Co. of New York, a unit of American International Group Inc. Philadelphia-based CIGNA Corp. writes its overseas liability insurance.

Disney purchases primary coverage in some countries from local underwriters to meet statutory requirements. In other countries, Disney's global overseas insurance plan is the company's primary coverage.

Insurance for Euro Disneyland outside of Paris, which is under construction, is a separate program. Various members of the Factory Mutual System write all-risk property coverage while Paris-based UAP Insurance Co. insures Euro Disneyland's casualty risks.

However, communication among the overseas sites is a major concern for Mr. Wilder.

"We strive to get all our locations operating with the same values. Our broker helps us standardize insurance, but communication is our biggest concern. Risk management for Euro Disneyland is handled in France. It's our job in the U.S. to act as a consultant and work with local people," he said.

"With the emphasis being placed on loss control by insurers, we're trying to get all our plants operating off one standard," said Richard C. Heydinger, risk manager with Hallmark Cards Inc. in Kansas City, Mo.

He said adequate insurance is not a major problem for Hallmark, which operates printing facilities in several European countries as well as Australia, Canada, Mexico and New Zealand.

"Most primary coverages—especially liability coverages—are written locally to satisfy national tariffs and regulations. Our global excess policy fills any gaps," Mr. Heydinger said.

Hallmark recently began a global property program underwritten by Allendale Mutual Insurance Co. "We feel we can accomplish more by consolidating insurance programs. The more uniformity we can get, the better chance we have to take advantage of volume purchasing. I just wish we could get more credit from European underwriters for the high retentions we'd be willing to take. Now, they're only willing to talk with us about it," he said.

Another company that recently moved to a global property program is Ethyl Corp., a Richmond, Va.-based chemical company with international exposures in Belgium and England.

Ethyl Insurance Manager Edwin Tomlinson said that based on a recommendation from broker Johnson & Higgins, the company in July secured a joint global program through Industrial Risk Insurers and a German unit of Munich-based Allianz A.G. Holding.

Under the program, 85% of Ethyl's worldwide property exposure is insured by IRI, with Allianz responsible for the remaining 15%.

"We got great terms from IRI, who we have been using domestically since 1948. Our broker said it made sense to use them on a global basis and they were willing. Our rate structure was going to go up in Europe because we were expanding in Belgium, so it made sense to pursue the coverage through IRI," Mr. Tomlinson said.

Previously, IRI insured all of Ethyl's U.S. property, with several European insurers writing its European properties.

Ethyl's worldwide casualty coverage is written globally on an excess basis by another U.S.-based insurer, Mr. Tomlinson said.

"International insurance is no big problem," said Arnold C. Weigel, risk manager for Dow Corning Corp. in Midland, Mich. "You just need to know the rules of the countries you operate in and play by them."

Dow Corning, with units in Europe, Japan and South America, insures its property and casualty exposures on an all-risk global basis through AIU Insurance Co.

Another a concern for risk managers with European operations is the changing liability climate, consultants and risk managers say.

"One of the biggest concerns I see in Europe is their changing liability climate," said Leonard J. Silver, president of Feasterville, Pa.-based First Risk Management Co.

"Unfortunately, the Western Europeans are acting like idiots: They're mimicking us. They're starting to shape their liability

Continued on page 16



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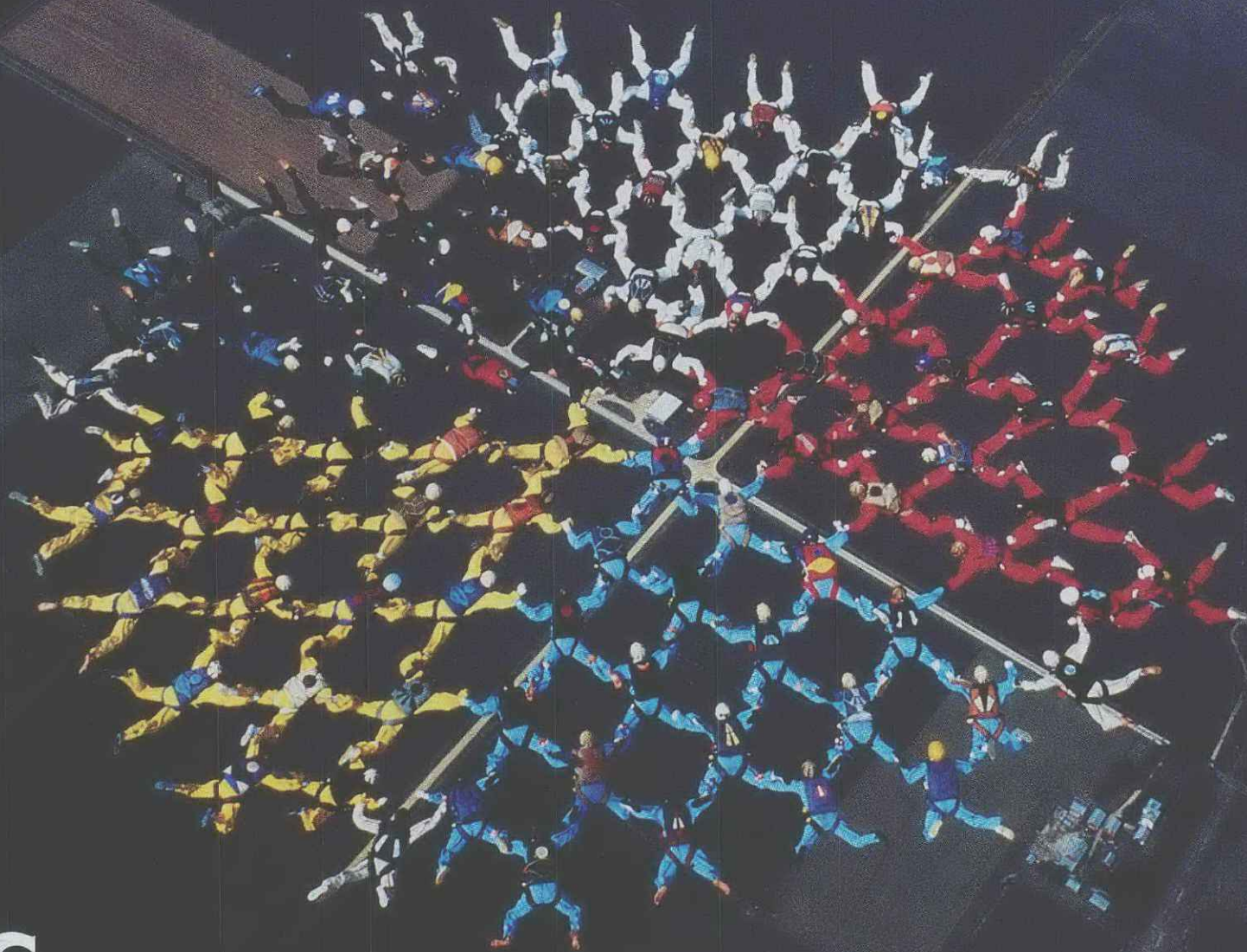
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# MEDICAL COST CONTAINMENT REPORT

American International Companies

ACCOUNT NO. 9999999  
 POLICY NO. 999999999  
 ACCOUNT NAME ABC CORPORATION  
 REPORTING DIVISION 100 ALL DIVISIONS  
 REPORTING LOCATION 011 ALL LOCATIONS

POLICY PERIOD  
1/1/90-12/31/91

PAYMENT PERIOD  
8/1/90-8/31/90

REPORT DATE  
9/5/90

PAGE  
1

OFF	CASE	CLAIMANT NAME	STATE	NUMBER BILLS	ORIGINAL AMOUNT	AMOUNT PAID	S	E	PBA	HBR	V	I	C	PPO	E OTHERS	S	GROSS SAVINGS	
001	123451	S. HURCHALLA	PA	2	1,250.00	985.93	0.00	0.00	0.00	245.07	0.00	0.00	0.00	0.00	0.00	0.00	245.07	
001	123452	G. KOSTURK	OH	1	327.00	183.44	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	41.51	
001	123453	M. DORN	FL	6	2,251.58	1,751.74	258.59	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	479.84	
001	123454	J. GREENE	TX	1	190.00	152.99	26.06	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	37.81	
001	123455	K. MURRAY	GA	5	15,203.48	10,719.58	369.63	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	3,484.10	
001	123456	J. HARRINGTON	MI	2	3,081.38	1,687.75	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	1,393.64	
001	123457	A. HAYES	PA	1	3,040.69	2,343.87	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	696.82	
001	123458	D. PSZONEK	FL	3	9,122.07	7,031.61	221.79	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	2,090.46	
001	123459	C. FINN	GA	1	1,520.33	1,171.93	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	348.40	
TOTALS FOR LOCATION 011 ALL LOCATIONS					22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						
TOTALS FOR DIVISION 100 ALL DIVISIONS					22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						

TOTALS FOR LOCATION 011 ALL LOCATIONS  
 TOTALS FOR DIVISION 100 ALL DIVISIONS

PBA: PROVIDER BILL AUDIT PPO: PREFERRED PROVIDER ORGANIZATION HBR: HOSPITAL BILL REVIEW OTHERS: OTHER TYPES OF SAVINGS

# MEDICAL COST CONTAINMENT SUMMARY

NUMBER BILLS	ORIGINAL AMOUNT	AMOUNT PAID	S	E	PBA	HBR	V	I	C	PPO	E OTHERS	S	GROSS SAVINGS
22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						
22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						
22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						
22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						
22	38,844.53	30,026.88	876.05	355.96	7,367.21	218.43	8,817.65						

then are they worth anything?"  
 Central America is also a concern,  
 he said.

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# Europe's pollution rules met: U.S. firms

By MICHAEL SCHACHNER

Tougher pollution laws in Europe are having little effect on U.S. companies, whose long-standing standards exceed even new legal requirements, say risk managers and consultants.

Several European nations—most notably Belgium, France, Germany and Great Britain—have implemented stricter laws on emissions, storage and waste disposal.

But, "only now is regulation catching up with what most major industrial companies have already been doing," said Douglas S. Williams, associate director-corporate insurance with Boehringer Ingelheim Corp., a pharmaceutical concern based in Ridgefield, Conn.

"About 90% to 95% of the big

companies that operate in Europe were ahead of governmental environmental regulations, which are just now getting up to speed with laws in the United States," he said.

Stricter pollution laws in Germany (BI, Nov. 19, 1990), the only European nation where Boehringer Ingelheim operates, are still "far inferior" to the company's internal environmental standards, added Mr. Williams.

Compliance with the tougher measures in many European countries does not appear to be an overwhelming concern of U.S. companies, said Brady Young, a principal in Boston with the Tillinghast division of Towers, Perrin, Forster & Crosby Inc.

"Our clients are only concerned because they're unfamiliar with

the new laws. They're performing environmental risk assessments to see if they comply, and in almost all cases they do," said Mr. Young.

"Europe is still far behind us" in environmental regulation, added Leonard J. Silver, president of First Risk Management Co. in Feasterville, Pa. "Germany is leading the way in terms of cracking down, and other countries will probably follow. This could lead to a large-scale pollution exposure for U.S. companies operating in Europe, but for now it isn't a problem."

Most risk managers at industrial corporations say complying with foreign environmental regulations is far from their greatest international concern. Gaps in coverage, for one, are much more problem-

atic (see story, page 12).

"A few countries have some laws that may be a little ahead of ours, but the bulk are behind us. If they do make changes, they'll likely enact many of the same laws as here," surmised Arnold C. Weigel, risk manager with Midland, Mich.-based Dow Corning Corp., a unit of Dow Chemical Co. with production plants throughout Western Europe.

"Now, compliance is no problem. It could be in the future if European countries choose to follow waste disposal and cleanup regulations already established in the United States," he said.

Not all risk managers, however, consider European pollution laws lax.

Richard C. Heydinger, risk man-

ager for Hallmark Cards Inc. in Kansas City, Mo., which prints greeting cards and other materials in several European countries, contends that the laws already are fairly strict.

"There are pockets that have insufficient pollution laws, but as a whole, Western Europe may be ahead of us environmentally," he said.

Europe, he added, is less of a "throwaway" society than the United States. "I think there's a lot we can learn from them. In terms of pollution, by no means is all of Europe like Eastern Europe, where soot and filth covers everything."

Very few U.S. risk managers say they have had trouble complying with European pollution standards.

At least one company, though, has run into problems.

"We have a site outside Antwerp, Belgium, where we still cannot get a construction permit because the Belgian government has become overwhelmingly concerned with underground storage of chemicals," explained Paul Sprague, insurance director for CIBA-GEIGY Corp. of Ardsley, N.Y., the U.S. arm of the Swiss chemical firm.

He attributed Belgium's concern to the poor experience its neighbor Germany has had with underground storage since World War II.

"Belgium has witnessed Germany and the troubles it has had, despite the fact that strict liability has existed there for years," Mr. Sprague said. "They know what problems can arise (with poorly stored materials), and they're trying to make it so costly to build underground tanks that you're almost forced to seek alternatives."

CIBA-GEIGY will likely get its construction permit eventually, he added.

However, "We have come up with contingencies in case it doesn't work out." ■

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**FACT:** American and Canadian capital represent 70% of total foreign investment in Mexico.

**FACT:** Pending North American free trade agreements will increase this capital flow.



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# Insurers see opportunity in former East Germany

By DON LEWIS KIRK

COLOGNE, Germany—A year after reunification of Germany, commercial insurance business is booming.

Industries in the former East Germany are finding coverage much faster than expected, says Adolf Morsbach, chief executive officer of Cologne-based Haftpflichtverband der Deutschen Industrie V.a.G., Germany's largest industrial mutual insurer.

"It surprised us to find so many companies are a relatively good risk," Mr. Morsbach said. "Many companies are in much better condition than we expected. We're still very critical about whom we insure, but even then, business is very good."

This year, HDI expects a 100 million deutsche mark (\$59.8 million) increase in premiums from business in eastern Germany. More important, its loss ratio remains low, which indicates existing premium rates are reasonable against the slow increase in claims costs.

Just one year ago this month, the barriers between West Germany and East Germany fell, creating a single market of about 79 million people.

Within months of unification, West German insurers made significant purchases of East German insurers. In June 1990, Allianz A.G. Holdings of Munich, bought a 51% stake in former state insurance monopoly Staatliche Versicherungs der DDR. Two months later, Cologne-based Colonia Versicherung A.G. bought 40% of Deutsche Versicherungs und Rückversicherungs AG (DARAG), the state monopoly reinsurer (BI, Oct. 22, 1990).

In terms of insurance, the vacuum left by the former East German government is enormous. Formerly, claims could not be brought against state-owned conglomerates, so they had no experience with liability risks. Companies also lacked adequate insurance to cover the value of their property, with first-party losses absorbed by the state. Business interruption insurance was non-existent.

For the German insurance industry, the prospect of massive new business is tempered only by the tremendous risk involved. "We have to be very cautious," Mr. Morsbach said. "Risk analysis is everything."

The demand for insurance is brisk, agrees Peter Korner, formerly director of risk management and now marketing director at Gerling-Konzern Allgemeine Versicherungs A.G. in Cologne.

Gerling, which is Germany's largest industrial insurer, has made extensive efforts to expand in eastern Germany, underwriting fire, general liability and business interruption insurance, said Mr. Korner.

"It is still too early to say how claims will develop," he said. "These companies are far from producing at full capacity—if they are running at all. That means the danger of a claim is not very high. We'll have another situation on our hands if an economic turnaround occurs and production increases."

And, while insurers are busy writing coverage, brokers also are enjoying increased business. The new clients in eastern Germany require the expertise in insurance that the brokers offer.

In addition, German law since January has imposed strict liability and stiffer penalties for pollution (BI, May 20; Nov. 19, 1990).

Under the law, companies with "dangerous facilities" are required to have liability coverage for environmental damage, including that caused by normal operations.

Representatives of industry and German insurers recently agreed—in principle—on coverage for environ-

mental liability risks.

Insurers have agreed to provide coverage—at a higher premium—for strict liability for soil, water and air pollution. Insurers also have agreed to provide coverage in controversial areas like damage caused by "normal operations." In addition, they have agreed to cover salvage expenses.

However, existing polluted areas will not be covered by insurance. And, the maximum limit of 30 million deutsche marks (\$17.9 million) is less than the 160 million deutsche mark (\$95.7 million) limit of liability under the law.

It is unlikely, though, that any "old" East German industrial company will obtain the coverage, said the Assn. of German Brokers. ■

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# Caution and optimism in the Baltics

## Western insurers see long-term potential

By MARIA KIELMAS  
GAVIN SOUTER  
and JOANNE WOJCIK

As the Baltic states of Estonia, Latvia and Lithuania move to firmly establish their independence from Soviet control, insurance companies are stepping in to help spread some of the risk inevitable in a free market economy.

Leading the charge are Scandinavian insurers, which is an obvious consequence of long historical ties and cultural affiliations among the nations involved.

However, with the exception of American International Group Inc., which is developing joint ventures in the region, most Western insurers are taking a wait-and-see stance.

Executives in the Baltic states will need time to learn Western insurance practices, insurers point out. Meanwhile, they add, Western partners in joint ventures must try to understand the sensitivities of the newly independent states, particularly toward their former rulers in Moscow.

And, Western insurance executives are well aware that they now will be competing directly for business in the Baltics with the Soviet state-owned international insurer and reinsurer, Ingosstrakh, the Insurance Co. of the U.S.S.R. Ltd.

Finland's largest insurer, Pohjola Insurance Co. Ltd., was the first to establish a joint venture in neighboring Estonia.

Pohjola holds a 35% stake in the company, Seesam A.S., and AIG and Estonian commercial bank Union

Baltic Bank each hold 20%. Various industrial companies in Estonia and the local office of a Soviet savings bank hold the remaining quarter.

Why is a Soviet institution involved, rather than just Estonian ones? "We began our discussions one and a half years ago when the political situation was different," explains Jorma Varis, a member of the board of directors and head of international operations at Pohjola in Helsinki.

With six employees, Seesam initially will concentrate on personal lines insurance. It will underwrite both life and general business, said Bengt Westergren, an AIG executive vp in Paris. Though it has written only a few policies, the company sees opportunities in personal accident policies, which will be sold through the branches of the stakeholder banks, he said.

"It is difficult to say what the potential market is because they have not really been insured before," Mr. Westergren said. "The only insurance they have bought has been small amounts of coverages like homeowners insurance and auto insurance offered by the local Gosstrakh company."

State-owned Gosstrakh covers domestic lines, primarily life, some property and agricultural risks in the Soviet Union.

But given the paucity of coverages that have been available to Estonians there could well be demand for new products, he predicted.

"We will offer more modern products later, but this is only the beginning with simple products," Mr.

Varis concurred.

The main problem facing the joint venture at the moment is the indeterminate state of insurance law in Estonia, Mr. Varis said. "But we have good contacts with the state authorities," he said.

In addition to the Seesam venture, Pohjola and AIG recently signed a letter of intent with Soviet savings bank SBER Bank to market personal lines products throughout the Soviet Union. (see story, page 26).

AIG also is seeking to set up an insurance joint venture in Lithuania and Latvia, but no deals have yet been struck, Mr. Westergren said.

Sweden's Trygg Hansa Group also has launched a joint venture in Estonia, which will primarily write commercial insurance.

Called Hansa Kindlustus, the second name being Estonian for insurance, the company is 45% held by Trygg Hansa, while two Estonian partners, Partu Commercial Bank and BRK, the former Estonian Insurance Co., hold the remaining 55%.

"We chose Estonia because it is close to Sweden and the Estonians are a more Western people in their culture," said Matti Rattik, an executive in Trygg Hansa's international department in Stockholm. At present, Mr. Rattik, a Swede of Estonian descent, is the acting managing director of the insurer, but the hope is to eventually find an Estonian national to take over the job.

In addition to commercial coverage, the venture will also write some accident and health insurance, primarily for Estonians traveling

abroad, Mr. Rattik said.

"We are also working with the Estonian authorities on a new social health system," he added.

Mr. Rattik would not predict the first-year premium income for Hansa Kindlustus. "We have to look at things in the long term, and we also have a problem with rubles. We will be writing business at first in Western currency and we are investigating the possibility of writing ruble business in the future," he said.

The new insurer's policy wordings are based on Western insurance practices, Mr. Rattik noted. "But we have reworked some wordings to suit the Estonian market," he said. "Life insurance isn't the same as in the West, and we have very restrictive burglary insurance because of the high risk there," he said.

In commercial coverage, Mr. Rattik said that essentially the same conditions are offered as those in the West.

Sweden's largest insurer, Skandia Group Insurance Co. Ltd., is not planning any joint ventures in the Baltic states, said Vp Johannes Norby. Stockholm-based Skandia does not deem the market prospects large enough, he said. However, it will have ties in the region through Fchjola, in which Skandia has a 10% cross-ownership agreement.

Denmark's Baltica Insurance Co. Ltd. has been active in developing business in the Baltic states for several years.

The origin of Baltica's joint venture in Latvia dates back more than two years when employees of Germany's Cologne Reinsurance Co. traveled the length and breadth of the Soviet Union searching for investment opportunities, according to

Mogens Skov, project manager in the foreign department of Baltica in Copenhagen. Baltica holds a stake in French financial group Cie. Financiere de Suez, which is the majority shareholder in Cologne Re's parent.

Mr. Skov says that Baltica also has a solid advantage over other Western companies: Its partner, Latvia, has been the only insurer in the newly independent country of Latvia.

Formed in September, the venture—Balta Insurance Co. Ltd.—is 35% owned by Baltica. Latvia also owns 35%, and Riga Commercial Bank and the City Council of Riga each have a 15% stake.

"They paid their share of the capital in rubles and we paid ours in the foreign equivalent of rubles," Mr. Skov said. He would not disclose the exchange rate adopted, noting that "competitors might think it was too favorable to us."

The company will employ eight people beginning next year, he said. Its managing director, Ivars Preiditis, does not have an insurance background, but has worked in foreign trade and has extensive experience in deals between Latvian and foreign companies. "He knows everyone," Mr. Skov said.

The company's chairman will be Janes Medens, who is president of Latvia Insurance Co. and chief adviser to the Latvian government about drafting a new insurance code. Mr. Skov will serve as deputy chairman of Balta.

Balta expects to write at least \$1 million in premiums in the first year, primarily in marine cargo cov-

*Continued on next page*

## WHEN 12 TOP EUROPEAN & AMERICAN BROKERS UNITE



Johnson & Higgins,  
United States, Italy, Asia  
David A. Olsen,  
Chairman & CEO

Jauch & Hübener,  
Germany, Austria  
Christian Labms,  
Managing Partner

Gras Savoye,  
France  
Patrick Lucas,  
Chairman

Continued from previous page  
erage and eventually in commercial coverage for foreign joint ventures.

Cover will be written in hard currency, but a few transactions will be done in rubles, Mr. Skov said. The Latvians plan "to introduce their own currency, but we will deal with that when the time comes," he said.

Eventually, the company plans to have Balta take over commercial lines and Latva take largely personal lines. "We might see Ingosstrakh in competition with us, as we are attacking traditional Ingosstrakh territory," Mr. Skov noted.

Policy wording will be along Western lines, but there will be stringent inspection of risks like commercial buildings because many do not meet Western construction standards, Mr. Skov said.

"It is not our intention from the outset to cover liability, but if we ever do in the future, it will only be in hard currency. It's up to Latva to look at liability," he said.

Coming from such different backgrounds, the partners are making efforts to get to know one another's idiosyncrasies.

"When we talk about budgets, they remember the days of central planning and say, 'Oh no, we don't want any more of that. We had enough of it from Moscow,'" Mr. Skov said. "But then we say we must have this because every company has to run on a budget."

Then there are differing concepts of legality, he said. "In the West, we have a system where if something is not expressly forbidden, we can do it. But in the Soviet Union, the system has been that for anything to be allowed, it has to be stated that it is allowed," he said.

Baltica has been training Latvians in Copenhagen since the beginning of the year and the two sides are beginning to understand each other, Mr.

Skov said. "When one of us gets the impression that the other has said something foolish, we stop and think, because we know they do not mean to be foolish."

Norway's UNI Storebrand A/S has yet to get any Baltic venture off the ground, but is currently investigating opportunities in Lithuania.

"Our strategy is to look at a market position in a wider Nordic sense, especially in Sweden and Denmark," said Knut Franke, the insurer's strategy manager. The Oslo-based insurer has been occupied over the past year with the merger of UNI Forsikrings A/S and Storebrand A/S and, more recently, with the acquisition of a stake in Sweden's Skandia (Bi, Sept. 30).

UNI Storebrand selected Lithuania as a Baltic target as bilateral political ties grow stronger between the Norwegian government and the first independent Lithuanian government, Mr. Franke said. Lithuania is also in the process of drafting new insurance laws, he noted.

"We have had a couple of meetings with people from the Lithuanian financial sector, and we have been invited to go over there," Mr. Franke said. "In principle, we would be interested to take a further look but, at the moment, there is a question of timing that is preventing us from doing more."

These foreign ventures are bringing the first real competition for Ingosstrakh on its home turf.

"Business is difficult, but we are not terribly concerned about the future," said Mikhail Safronov, chairman of Ingosstrakh. "But we know how our network should work. We will transform our branches into new entities in the republics."

In the Ukraine, Moldavia and Armenia, agreements have been reached with local partners to create new ventures from former local Ingos-



GRAPHIC BY CYNTHIA WATSON

strakh offices. Talks are also under way in the Baltic states and Byelorussia, he said.

Mr. Safronov vehemently denied reports from Western insurance sources that the Baltic governments had refused Ingosstrakh a license to operate because some partners in its local offices had been Communist Party officials. "No one has ever refused us anything," he stressed.

He expects foreign competition, but does not want to overestimate it. "We are not yet facing competition. Those companies are trying to get local know-how" and on that score, "I don't think there is anything comparable to Ingosstrakh. We shall try our best to be as strong as we used to be, and if they are here, they will be competitors," said Mr. Safronov.

Although some foreign insurers expect new currencies to emerge, Mr. Safronov forecast that business in the new republics will continue to be

conducted in rubles. "We are not ready for a new currency to be introduced. Actually, the introduction of a new currency would be very painful for us and connected with the question of frontiers and other important issues," he said.

Mr. Safronov also downplayed suggestions that Ingosstrakh, as a Soviet entity, will have an image problem in the new republics because it could be seen as representing the old order. "That is not going to be important; it all depends on the local environment," he said.

Some Western observers agree that the Soviet insurer will continue to have a significant role in the new markets.

Property/casualty risks of joint ventures between local companies and Western companies to date have largely been underwritten by Ingosstrakh, observed Ron Iles, chairman of Alexander Howden Reinsurance Brokers Ltd. in London, who recently returned from meetings with Ingosstrakh in Moscow. Given the practical stance that the Soviet international insurer is taking regarding the political upheavals in the Soviet Union, this arrangement will probably continue, he predicted.

"Ingosstrakh is being very pragmatic. It has offices in all of the Soviet republics and it is adapting the ownership of the operations according to the circumstances it meets," Mr. Iles said. For example, in Vladivostok, the ownership of the local Ingosstrakh branch has passed to the local government. Similar arrangements may be made in the Baltic states, he said.

"Ingosstrakh is taking the view that rather than have the individual republics set up individual insurance operations, it should adapt to the circumstances and carry on," Mr. Iles said.

Willis Corroon P.L.C., which re-

cently opened a representative office in Moscow, is counting on the continued viability of Ingosstrakh and Gosstrakh for the success of ventures in the Baltics.

For example, Willis Corroon is becoming more closely involved in the Lithuanian insurance market, attempting to set up educational seminars in conjunction with the local Gosstrakh company, said Michael White, territorial managing director for Central and Eastern Europe.

It has been 15 months since the Gosstrakh office in Lithuania approached Willis Corroon about offering two-day seminars in the republic on commercial insurance topics. But so far, political difficulties have prevented any from taking place, Mr. White said. One seminar had to be cancelled on short notice during the week of the abortive Soviet coup.

However, the first seminar should take place next month, Mr. White said. Topics covered will include property damage and technical breakdown insurance.

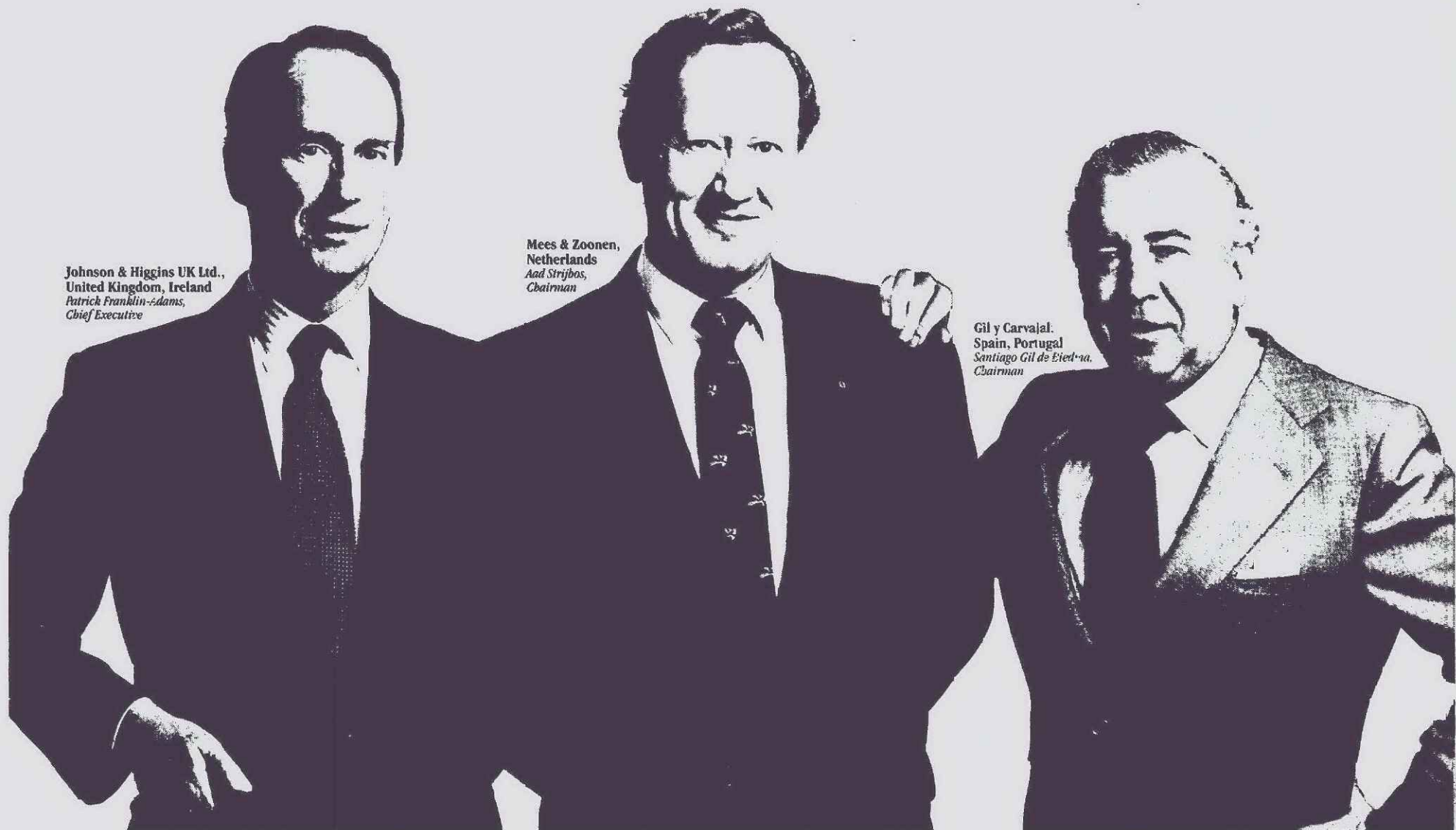
Although the Scandinavians are venturing into the Baltic insurance markets, most U.S. insurance companies are taking a wait-and-see stance.

Travelers Corp. has established alliances with the state-run insurers in Poland, Czechoslovakia and Hungary, but "there's nothing in the Baltics yet," according to James Webb, international division vp. While the Baltics will probably be a major growth area in the future, "we want to move cautiously," he said.

"We're not about to establish subsidiary companies" in the Baltics, said Ker Davey, international sales manager for Arkwright Mutual Insurance Co. in Shelton, Conn. "If we have customers that go into the Baltics, we will follow them through our

Continued on next page

# TO CREATE THE WORLD'S STRONGEST GLOBAL NETWORK...



Johnson & Higgins UK Ltd.,  
United Kingdom, Ireland  
Patrick Franklin-Edams,  
Chief Executive

Mees & Zoonen,  
Netherlands  
Aad Srijbos,  
Chairman

Gil y Carvajal,  
Spain, Portugal  
Santiago Gil de Eiedra,  
Chairman

## Baltic outlook

Continued from previous page  
subsidiaries in London."

Arkwright also does not want to capture indigenous Eastern European business because the exposures there are significantly greater, according to Mr. Davey, who recounted the tale of a West German chemical company that purchased an East German facility.

"They found out the plant produced more pollution in one week than all West German facilities do in a year," he said.

"You are not going to build a dynamic economy until you have people in jobs who have some disposable income," observed Michael Marchesani, president of Continental Corp.'s international division in Cranbury, N.J.

"We have enough trouble doing business in Texas. Can you imagine what the regulatory environment in Poland will be like?" he quipped.

CIGNA Worldwide Inc. has singled out Poland, Czechoslovakia, Russia and Hungary for "close review," but has made no forays into Eastern Europe, according to H. Edward Hanway, president of the Philadelphia-based CIGNA Corp. unit.

The Baltics, he added, "are not in our top four."

Chubb & Son is "looking at Eastern Europe, but we won't just go in there and buy something," said Joe Ptazynski, assistant manager in the international department of the Chubb Corp. unit in Warren, N.J. "But we will have a facility available either through a joint venture or an affiliation to service clients there," he said.

As far as the Baltics are concerned, Chubb is "waiting," Mr. Ptazynski said.

Despite their reluctance to individually move into these markets, many Western insurers participate in

property/casualty insurance networks that will have a presence there or in neighboring countries (see directory, page 36).

Michael Rodman, vp at J.H. Albert International Insurance Advisors in Needham, Mass., expects U.S. insurers' investment in Eastern Europe and the Baltics to be "very slow."

"Even investment in other industries in those countries is moving very slowly," he pointed out. In addition, "risk management is non-existent in those countries."

But, "if these countries go more toward free enterprise, there will be a need for insurance expertise," Mr. Rodman said.

Once the Eastern Bloc countries have opened their doors fully to capitalism, "why wouldn't we see the dramatic changes occurring on a political level translated on a commercial level?" asked Ron Forrest, chairman, president and chief executive officer of Alexander & Alexander Inc. in New York.

Leonard J. Silver, president of First Risk Management Co. in Feasterville, Pa., said the Baltics do have "the potential of becoming more of an insurance haven." And, if the Baltics do become a market for international insurance, underwriters can expect a regulatory environment similar to the Scandinavian countries, Mr. Silver predicted.

Drew Talley, vp in A&A's global client services group in New York, sounded a more skeptical note. The Baltics, he said, "have nothing" in the way of an insurance environment. "They're preparing to create an insurance environment from scratch. It's very unclear at this point what path they'll take and whether it will work."

Like insurance companies, U.S. risk managers remain wary of the risks of establishing joint ventures in the Baltic states.

"It's quite a challenge" to integrate a former Soviet Bloc company with a Western one, according to William Irle, assistant secretary and executive director of risk management for Sara Lee Corp. in Chicago, which recently purchased a Hungarian coffee company.

"Where do you find a socialistic mind to run a capitalistic company?" he queried. "They don't have the capitalistic culture."

In addition, most of the Eastern European and Baltic countries lack the financial infrastructure necessary to foster the growth of commercial industry, Mr. Irle said.

Hallmark Cards Inc. is considering eventually moving into Eastern Europe or the Baltics as part of its worldwide expansion strategy, according to Richard C. Heydinger, risk management director for the Kansas City, Mo.-based company.

"Eastern Europe is certainly being looked at," he said.

"However, our product requires some discretionary income," and it hasn't been determined yet whether greeting cards would take off in the former Soviet Bloc countries, he added.

When corporate expansion into those markets does occur, it likely will take the form of joint ventures in which Hallmark would license existing print houses to publish under its trademark, according to Mr. Heydinger. And eventually the company may buy some of those licenses, he said.

"In time, there'll probably be some industrial links between Baltic enterprises and Western companies that will lead to insurance opportunities. But for now, nothing is happening," said J.H. Albert's Mr. Rodman.

Associate Editor Michael Schachner in New York contributed to this report.

## Eyes of West also on USSR

Many Western insurers and commercial ventures are looking at the Soviet Union in addition to the independent Baltic states for new opportunities.

Take, for example, Pohjola Insurance Co. Ltd. of Helsinki, Finland. It recently started a joint venture in Estonia and, along with American International Group Inc., signed a letter of intent with Soviet savings bank SBER Bank to market personal lines products throughout the Soviet Union. The agreement eventually could expand to include commercial coverages.

SBER Bank has a total of 75,000 branches throughout the Soviet Union, said Jorma Varis, a director and the head of international operations of Pohjola in Helsinki. He added that he did not know how the venture would develop as the Soviet Union breaks up.

New York-based AIG and SBER Bank each will have a 40% stake in the new company, while Pohjola will have a 20% stake, said Bengt Westergren, an executive vp with AIG in Paris.

"There are a lot of rubles throughout the Soviet Union, but there is nothing to spend them on. So perhaps protection and security offered by insurance could attract some of the money," Mr. Westergren said.

And, although commercial ventures with Western companies eventually should abound in the Baltic nations, Baltic firms still will have significant amounts of trade with Russia and other Soviet republics, Mr. Westergren noted.

The joint venture between Pohjola, AIG and SBER Bank may pick up some of the insurance of trade between the Baltic states and other republics, he said.

Maintaining trade ties with the Soviet Union, particularly the Russian republic, could be crucial for future insurance opportunities in the Baltic republics, agreed Ron Iles, chairman of Alexander Howden Reinsurance Brokers Ltd.

"The ship owners in the Baltic region are already interested in obtaining insurance coverage in London, but a lot of the shipping trade that goes through the Baltics is destined for Russia," he said.

If the Russian republic decides that, given the political independence of the Baltic states, it would be prudent to accept its trade through its own Baltic Sea port of St. Petersburg, then many of the Baltic states' marine insurance needs for their shipping fleets would disappear, Mr. Iles explained.

Western companies are more interested in the Soviet Union than in any particular Eastern European or Baltic country, according to Douglas N. Smith, vp and manager of the international department at broker Johnson & Higgins in New York.

Most eager to move into the region are consumer products and pharmaceuticals manufacturers. However, rather than building plants, they mostly are looking for export opportunities, he said.

## FOR BUSINESS INSURANCE & RISK MANAGEMENT SERVICES

**Kessler & Co.**  
Switzerland  
Robert Kessler,  
Managing Partner

**Max Matthiessen,**  
Sweden  
Goran Groth,  
Managing Director

**Boels & Bégault,**  
Belgium  
Roger Bégault,  
Partner

# Storm losses create pricing dilemma

By WILLIAM PITT

LONDON—Europe's insurers remain in a quandary over how to rate windstorm risks following recent catastrophic losses from winter storms in northern Europe.

Reinsurers, though, are raising the cost of catastrophic coverage, which is putting pressure on insurers to raise rates.

The dilemma faced by insurers and reinsurers is highlighted in a recent study by Sigma, the research division of Swiss Reinsurance Co. Sigma put the insured cost of the eight winter storms that hit Europe last year at \$10.1 billion, which was 60% of all natu-

ral and man-made catastrophe losses incurred by insurers in 1990 (BI, Sept. 23).

The problem for insurers, Sigma said, is determining whether the storm losses were "statistical freaks" or whether they mark the onset of a trend.

During the 1970s, Sigma pointed out, "several years" usually separated catastrophes that produced insured losses in excess of \$1 billion. But, since 1987 "there has been at least one such catastrophe per year."

At least one risk manager contends that insurers have been hasty and overly cautious in raising property rates.

"On the basis of statistics for three years—1987 to 1990—insurers have taken a line for the whole of this century," charged Ian Drewer, risk manager at BT P.L.C. BT, formerly British Telecommunications, was particularly hard hit by last year's storms, he said.

"Either insurers don't have meaningful statistics or they can't divide them up sensibly. Many of us feel that the market pricing is ludicrous," Mr. Drewer said.

Mr. Drewer also identified a "major reduction in the available market capacity for windstorm cover for anything other than strong structures."

He acknowledged, however, that reinsurers are also putting pressure on the direct insurers.

"If you speak to reinsurers direct, they are even worse" than insurers, he said. Mr. Drewer concluded that there is little point in industrial companies seeking to cover windstorm risks through their captives in the hope of gaining access to better pricing in the reinsurance market.

"The jury is still out" on whether the storms represent a long-term change or are merely a "spasm," said Barry West, head of London market operations at Commercial Union Assurance Co. P.L.C. in London.

Reinsurers have "jacked up" rates for natural catastrophe covers since the windstorms, but most direct insurance companies have not yet passed these costs on to their customers, he contended.

A risk manager at a U.K. brewing company, who asked not to be named, agreed that rates are not necessarily rising. The risk man-

ager said that his company had just renewed its coverages at lower premiums after what he called a "major portfolio remodeling."

He argued that the market remains soft and said that insurers are being offered better property risks than before last year's storms because "vulnerable buildings have generally been repaired." However, he identified a "growing

belief that deductibles should be going up."

As if the weather did not pose enough problems for long-term rate stability, British utilities also fear they may have to contend with European legislation from Brussels that would make it harder for them to obtain long-term coverage against natural catastrophes.

The perceived threat comes from European Commission plans to require competitive bidding on all goods and services purchased by utilities. Although many British utilities, like BT, have been privatized by the government, they would be subject to the E.C. rules.

If the E.C. draft directive on public procurement becomes law in Britain, then utilities will annually have to put their insurance out for bids. That could raise costs for risk managers who want to de-

velop long-term, stable relationships with insurers.

BT's Mr. Drewer said the proposed E.C. directive would encourage what he called "a short-termist approach" to the relationship between insurers and risk managers.

"With most catastrophe covers, a stable relationship only comes with rating based on loss experience. That is very difficult if the insurer knows he must be re-selected again every year."

Large British companies have lent their support to a vigorous joint lobbying campaign by the Assn. of British Insurers and the Assn. of Insurance and Risk Managers in Industry and Commerce. Lloyd's of London has also participated in the effort, which sought to convince the British Treasury that the proposed directive would prove burdensome for risk managers and insurers alike.

Commercial Union's Mr. West has coordinated the lobbying effort, coordinating between the ABI and AIRMCI—two organizations that do not always see eye to eye.

If the directive as it is now written becomes law, it would "hamper competition" in the U.K. insurance market, Mr. West said. Insurers and risk managers have recommended that insurance be excluded from the procurement directive.

Mr. Drewer put it succinctly: "We seem to be faced with legislation that would discourage the logical development of underwriting skills."

Mr. Drewer said he feared that coverage against natural catastrophes and long-tail liability coverages would be casualties of the proposed E.C. legislation. ■

**'Many of us feel that the market pricing is ludicrous,' says Ian Drewer of BT P.L.C.**

## Soviet deal near for OPIC

WASHINGTON—The Overseas Private Investment Corp. plans to begin insuring U.S. ventures in the Soviet Union and the newly independent Baltic states by year-end.

Talks are set for later this month between Soviet authorities and the agency, which provides political risk insurance for U.S. companies in 120 developing countries, said an agency spokesman. These negotiations, he added, should lead to permission for OPIC to operate and insure U.S. ventures in the country, probably by year-end.

And deals eventually may be struck with individual Soviet republics like Russia and the Ukraine. "It looks like we'll have a bilateral agreement with the Soviet Union and have it cosigned by the other republics," said the spokesman.

How OPIC will deal with indi-

vidual republics will depend on the ultimate relationship of each individual republic with the central Soviet government, he said.

In addition, negotiations will take place with Estonian, Latvian and Lithuanian authorities.

OPIC says it plans to offer insurance against expropriation, war, revolution and civil strife in both the Soviet Union and the Baltic States. Coverage against currency convertibility risks will not be offered right away.

The agency has become very active in Eastern Europe since Communist regimes fell to free market-oriented governments in 1989, the spokesman noted. OPIC currently writes coverage for American firms doing business with all former Eastern Bloc countries except Albania and Romania.

—By Mark A. Hofmann

## ONLY ONE WORD CAN DESCRIBE IT: UNISON

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Norway  
Leif Eriksen,  
Managing Director

Mercury,  
Greece  
Dimitri Tarpozzy,  
Partner

Bonnor & Company,  
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# Japanese insurers expand slowly abroad

By JUDITH RAWNSLEY

TOKYO—Although Japan's non-life insurers have been active abroad for more than 50 years and have been steadily expanding their international networks, overseas business still only accounts for a tiny percentage of their overall operations.

Japan's highly profitable, highly regulated domestic market keeps many insurers close to home.

However, some say the deregulation of financial markets, set for 1994, could heighten competition,

prompting insurers to look abroad.

Tokio Marine & Fire Insurance Ltd., Japan's oldest and largest non-life insurer with a 17% share of the domestic primary market, first went overseas in 1880, when it started operations in the United States, England and France. Although all overseas assets and business networks were lost at the end of World War II, Tokio Marine quickly re-established business ties, as did the other major non-life companies. Today, most have large international networks.

Yasuda Fire & Marine Insurance

Co. Ltd., Japan's second-largest non-life insurer, has liaison and representative offices in 22 countries abroad, 12 underwriting agencies and 21 subsidiaries and affiliates.

Non-life insurers here have steadily increased their business overseas. In fiscal 1989, the most recent year for which figures are available, 13 insurers wrote risks in 27 nations.

Their direct premiums written abroad in 1989 through branch offices and agents amounted to 60.2 billion yen (\$418.8 million at year-end 1989 exchange rates), up 18.3%

from the previous year.

Despite that growth and the continued expansion of foreign networks, foreign business still comprises a mere fraction of the total gross premiums written of 9,591 billion yen in 1989 (\$66.7 billion).

Moreover, business abroad still centers largely on serving Japanese corporations overseas.

"Most non-life (insurers) operate overseas networks to serve Japanese clients. It's almost exclusively limited to taking up the risk of Japanese firms overseas like Sony, Toyota and

Toshiba," said Hitoshi Yoshida, general manager of international strategic planning for Mitsui Marine & Fire Insurance Co. Ltd. in Tokyo.

That is because the insurers' lack of knowledge and experience abroad makes it extremely difficult for them to penetrate local markets, except where they can serve businesses.

"We can't get deeply into the local market," said Shinsaku Shionoya, deputy general manager of the overseas management department at Tokio Marine. "We have very little knowledge and experience of local markets and insufficient personnel power to really become involved in local business."

Isao Kuzuhara, managing director of the Dai Tokyo Fire & Marine Insurance Co., points out that while Japanese firms may be able to gain an edge in writing corporate insurance abroad, it would be almost impossible to take a large share of the personal lines insurance market.

"Big corporations are seeking cheaper rates and more competitive service, but people are very patriotic when it comes to personal lines; they want to be insured by people from their own country," he said.

Sensitive to the fact that local insurers are wary of potential competition, the large non-life companies all express the view that they must adapt to local conditions if they want to be successful and accepted abroad.

"We always try to run our operations abroad as a local company and not a Japanese company, whether that means tying up with a local firm or employing nearly all local staff," said Mr. Yoshida of Mitsui.

The major reason why overseas business has until now remained so inconsequential to Japanese non-life firms is clear: the far greater profits available in the domestic market.

That profitability is largely due to the protection insurers are afforded from competition. Until now, non-life and life insurers, banks and securities firms have only been allowed to operate in their own business areas.

This protective and highly profitable structure makes it largely unnecessary for Japanese insurers to look overseas.

"We don't have a target to increase the volume of our overseas business because, generally speaking, it's not very profitable," said Tokio Marine's Mr. Shionoya. "Rather, I should say, the Japanese market is highly attractive, and it's also our home ground, so we might as well enjoy good profits in our own country."

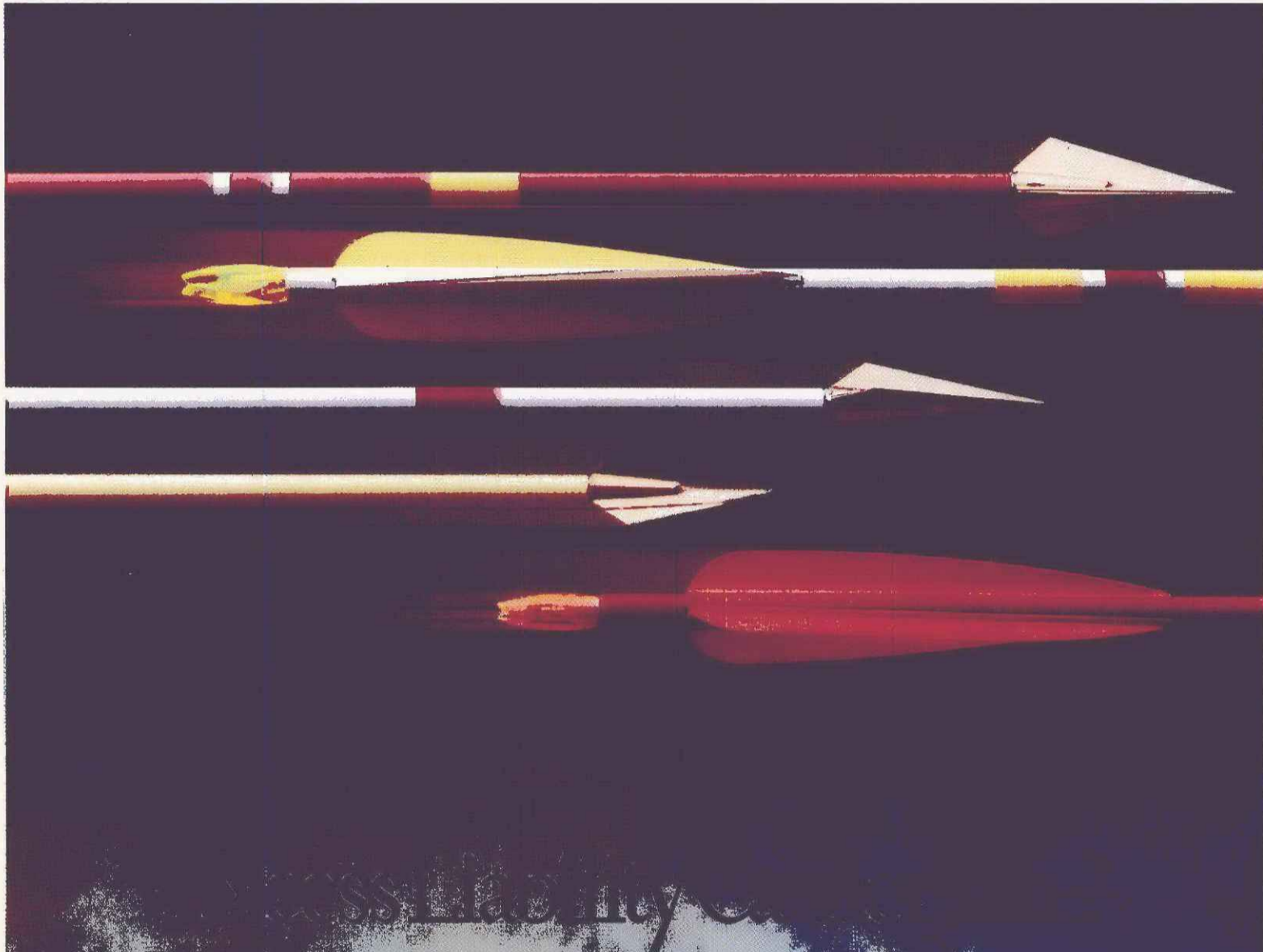
Now, however, deregulation of Japan's financial markets, including insurance, is likely to spur competition and reduce profits for non-life insurers. The Insurance Council is working on a report that recommends insurance deregulation, which is expected to lead to revisions of the Insurance Business Law and a restructuring of the industry no later than 1994 (BI, May 27).

Some non-life insurers realize that, ultimately, more competition and lower profits at home will force them to expand overseas.

"At the moment, the Japanese market is very profitable, but as deregulation of the market proceeds, and the tariff structure is slowly removed, profitability will be reduced step by step," said Mr. Yoshida of Mitsui. "Considering that situation, we must look to having a wider business base. Overseas business currently accounts for only 4% of our total business. . . In the future, we want to increase this to about 10%."

Others, however, point out that deregulation will not dampen profits overnight.

"The insurance Council is still only discussing plans for reform," said Osamu Kawasa, senior deputy manager of the international operations department at Yasuda. "Deregulation will begin in specific areas only. We don't feel a threat right now." ■



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Unless the carrier is the American Excess Insurance Association.

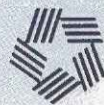
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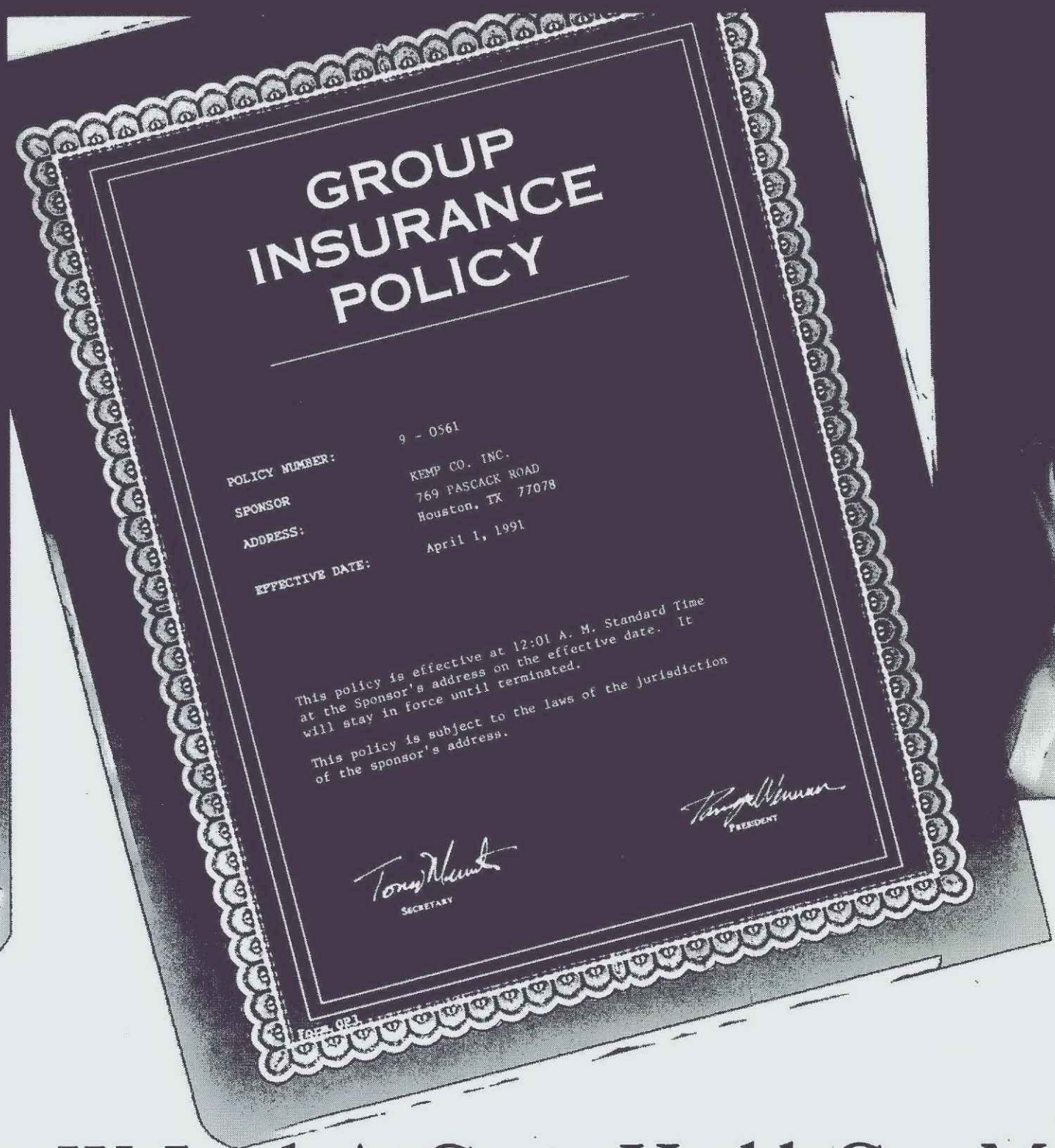
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# Global property/casualty insurers

A

**Allianz A.G.**

Koniginstrasse-28 Postfach 44 01  
24, D-8000 Munich 44 Germany;  
089-380-00; fax: 089-34-99-41

	1990	1989
Int'l premiums	\$7.34 billion	\$5.32 billion
Employees	20,888	20,387
Foreign countries	45	NA

**International operations began:** 1893.

**International services:** Loss control.

**Licensed or accepted insurer in:** Argentina, Australia, Austria, Belgium, Brazil, Canada, Chile, Denmark, Egypt, France, Germany, Great Britain, Greece, Hong Kong, Hungary, Indonesia, Ireland, Italy, Japan, Liechtenstein, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Peru, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Thailand, Tunisia, Turkey, United Arab Emirates, United States, Venezuela and Yugoslavia.

**Acquisitions:** Deutsche Versicherungs A.G., Germany; Hungaria Biztosito, Hungary; and Fireman's Fund Insurance Co., United States.

**Principal officers:** Dr. Wolfgang Schieren, chairman; Dr. Jan Boetius, business administration; Detlev Bremkamp, European division; Dr. Uwe Haasen, Allianz property and casualty group; Dr. Friedrich Schiefer, finance; Dr. Henning Schulte-Noelle, Allianz Lebensversicherungs A.G.; Ernst Wunderlich, reinsurance and international industrial insurance.

**U.S. contact:** Herbert Hansmeyer, Fireman's Fund Insurance Co., 777 San Marin Drive, Novato, Calif. 94998; 415-899-2000.

**American Excess Insurance Assn.**

77 Hartland St., Suite 400, East  
Hartford, Conn. 06108;  
203-528-2105; fax: 203-282-9393

	1990	1989
Int'l premiums	\$4,800,000	\$11,500,000
U.S. owned	65%	45%
Non-U.S. owned	35%	55%
Offices	0	0
Employees	0	0
Combined ratio	NA	NA

**International operations began:** 1986.

**Participating companies:** The Aetna Casualty & Surety Co., American Home Assurance Co., Continental Casualty Co., Continental Insurance Co., Federal Insurance Co., General Star National Insurance Co., The Home Insurance Co., Insurance Co. of North America, Maryland Casualty Co., NAC Reinsurance Corp., The Travelers Indemnity Co., U.S. Fire Insurance Co., Zurich-American Insurance Group.

**Specialties:** All commercial liability excess of \$25 million.

**Principal officers:** H. Donald Hanson, president; Clinton Greene, vp; Norma Colgan, secretary/treasurer.

**U.S. contact:** Mike St. Pierre, underwriting manager, 203-528-2155.

**American International Underwriters**

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

	1990	1989
Int'l premiums	\$3.16 billion	\$2.89 billion
Offices: Claims	121	121
Underwriting	244	255
Employees	8,654	9,247
U.S.	806	825
Non-U.S.	7,848	8,422
Foreign countries	73	72
Owned offices	69	67
Combined ratio	95.1	95.5

**International operations began:** 1919.

**Parent:** American International Group Inc.

**International services:** Captive programs, loss control services, re-

trospectively rated programs, loss statistics in support of international programs.

**Licensed or accepted insurer in:** Argentina, Aruba, Australia, Austria, Belgium, Bermuda, Bolivia, Brazil, Brunei, Camaroon, Canada, Chile, China, Colombia, Cyprus, Denmark, Dominican Republic, Ecuador, Egypt, Estonia, Finland, France, Germany, Greece, Guam, Guatemala, Holland, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Italy, Jamaica, Japan, Kenya, Korea, Liberia, Macau, Malaysia, Malta, Marianas Islands, Mexico, New Zealand, Nigeria, Norway, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Puerto Rico, Romania, Saudi Arabia, Singapore, South Africa, Soviet Union, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Turkey, Uganda, United Kingdom, United States, Uruguay, Venezuela,

Virgin Islands, Yugoslavia, Zimbabwe.

**Acquisitions:** First American Polish Insurance & Reinsurance Co. S.A., Poland; and First American Hungarian Insurance Co. Rt., Hungary.

**Principal officers:** James E. Smith, chairman; Brian Duperrault, president.

**U.S. contact:** Sandra Davis, Assistant Vp, AIU marketing, 212-770-6138.

**Arkwright Mutual Insurance Co.**

225 Wyman St., Waltham, Mass.  
02254; 617-890-9300;  
fax: 617-890-0075

	1990	1989
Int'l premiums	\$95,976,000	\$85,507,000
U.S. owned	65%	64%
Non-U.S. owned	35%	36%

Offices: Claims	8	8
Underwriting	5	5
Employees	424	411
U.S.	61	56
Non-U.S.	363	355
Foreign countries	78	78
Owned offices	1	1
Combined ratio	146.2%	144.6%

**International operations began:** 1963.

**Specialties:** Property.  
**International services:** Captive programs, loss control for all risks, retrospectively rated programs, loss statistics in support of international programs.

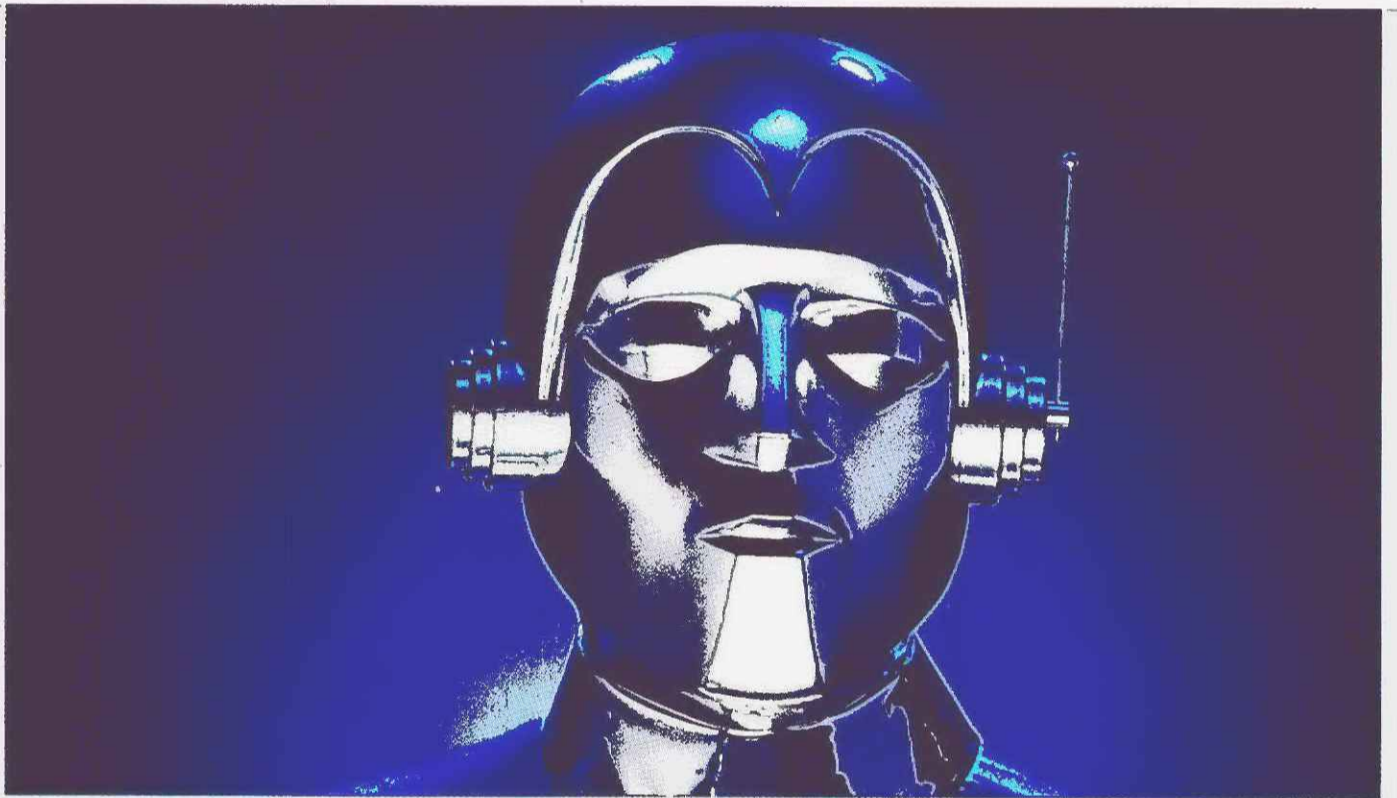
**Licensed or accepted insurer in:** Algeria, Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Bolivia, Botswana, Brazil, Cameroon, Canada, Caribbean Islands, Chad, Chile, China, Colombia, Costa Rica, Cyprus, Dominican Republic, Egypt, El Sal-

vador, Ecuador, Finland, France, Germany, Greece, Guam, Guatemala, Guyana, Honduras, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Ivory Coast, Jamaica, Japan, Kuwait, Luxembourg, Madagascar, Mexico, Malta, the Netherlands, Netherlands Antilles, New Zealand, Nigeria, Norway, Panama, Peru, Philippines, Poland, Portugal, American Samoa, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Surinam, Sweden, Switzerland, Thailand, Taiwan, Tobago, Trinidad, Tunisia, Turkey, United Arab Emirates, United Kingdom, Venezuela, Virgin Islands.

**Affiliates:** FM Insurance Co. Ltd.

**Principal officers:** Frederick J. Bumpas, president/chief executive officer; Ronald L. Jones, executive vp/senior staff officer; W. Glenn Yancey, executive vp; Robert J.M. O'Hare Jr., senior vp/secretary/gen-

*Continued on next page*



**Group benefits services  
can't always be programmed.**

Continued from previous page  
 eral counsel; Thomas G. Kaiser, senior vp; Wolfgang F. Friedel, vp-international operations; Douglas B. Fay, regional vp/manager-international brokerage operations.  
**U.S. contact:** Thomas G. Kaiser, Senior Vp, 617-243-7175 or Wolfgang Friedel, 203-925-6767.

**C**  
**Chubb Group of Insurance Cos.**  
 15 Mountain View Road, Warren, N.J. 07059; 908-580-2000; fax: 908-580-3606

	1990	1989
Int'l premiums...	\$498,110,000	\$438,371,000
U.S. owned.....	15%	15%
Non-U.S. owned	85%	85%
Offices: Claims...	42	38
Underwriting.....	42	38
Employees.....	1,510	998
U.S.....	98	95

Non-U.S.....	1,412	903
Foreign countries.	104	104
Owned offices.....	18	17
Combined ratio...	94%	98%

**International operations began:** 1902.

**Parent:** Chubb Corp.  
**Specialties:** Multinational package policy, D&O liability, fidelity, kidnap/ransom, film productions, exporters, excess liability, personal insurance for expatriates.

**International services:** Captive programs, loss control services for all lines, retrospectively rated programs, loss statistics in support of international programs.

**Licensed or accepted insurer in:** Australia, Belgium, Brazil, Canada, Colombia, Denmark, Ecuador, France, Germany, Hong Kong, Ireland, Italy, Japan, the Netherlands, Puerto Rico, Singapore, Spain, Taiwan, Thailand, United Kingdom, United States, Venezuela; also throughout Africa and the Middle East.

**Subsidiaries:** Federal Insurance Co. in Denmark, Germany, Hong

Kong, Japan, the Netherlands, Puerto Rico, Singapore, Taiwan, United Kingdom and United States; Chubb Insurance Co. of Europe in Belgium, Denmark, France, Ireland, Italy, the Netherlands, Spain and United Kingdom; La Federal Compania de Seguros S.A., Colombia; Chubb Insurance Co. of Canada, Canada; Chubb Insurance Co. of Australia, Australia.

**Affiliates:** ARGOS Companhia de Seguros, Brazil; La Federacion Compania de Seguros C.A., Venezuela; Bolivar Compania de Seguros del Ecuador S.A., Ecuador; PFA Skade-Agentur A/S, Denmark; Chubb Insurance Co. of Thailand, Thailand.

**Acquisitions:** Chubb Insurance Co. of Thailand.

**Principal officers:** Robert T. Van Gieson, managing director-overseas zone (London); Robert M. Lynyak, managing director-foreign underwriting (Warren, N.J.); Lawrence Grant, European zone manager (London); Ernest Handelman, Pacific rim zone manager (Singapore); Donald Mergen, international manager (Warren, N.J.).

**U.S. contact:** Dennis J. Orio, Marketing Manager, 908-580-3608.

**CIGNA International Property & Casualty Operations**

1601 Chestnut St.-TLP53, P.O. Box 7716, Philadelphia, Pa. 19192-2531; 215-761-1000; fax: 215-761-5468

	1990	1989
Int'l premiums....	\$2.11 billion	\$1.98 billion
U.S. owned.....	11.1%	11.3%
Non-U.S. owned	88.9%	88.7%
Offices: Claims...	195	194
Underwriting.....	201	200
Employees.....	4,489	4,499
U.S.....	484	NA
Non-U.S.....	4,005	4,499
Foreign countries.	120	126
Owned offices.....	67	72
Combined ratio...	110.2%	112.3%

**International operations began:** 1792.

**Parent:** CIGNA Corp.  
**Specialties:** Commercial risks, construction, energy, boiler and ma-

chinery, worldwide casualty, marine and large risks.

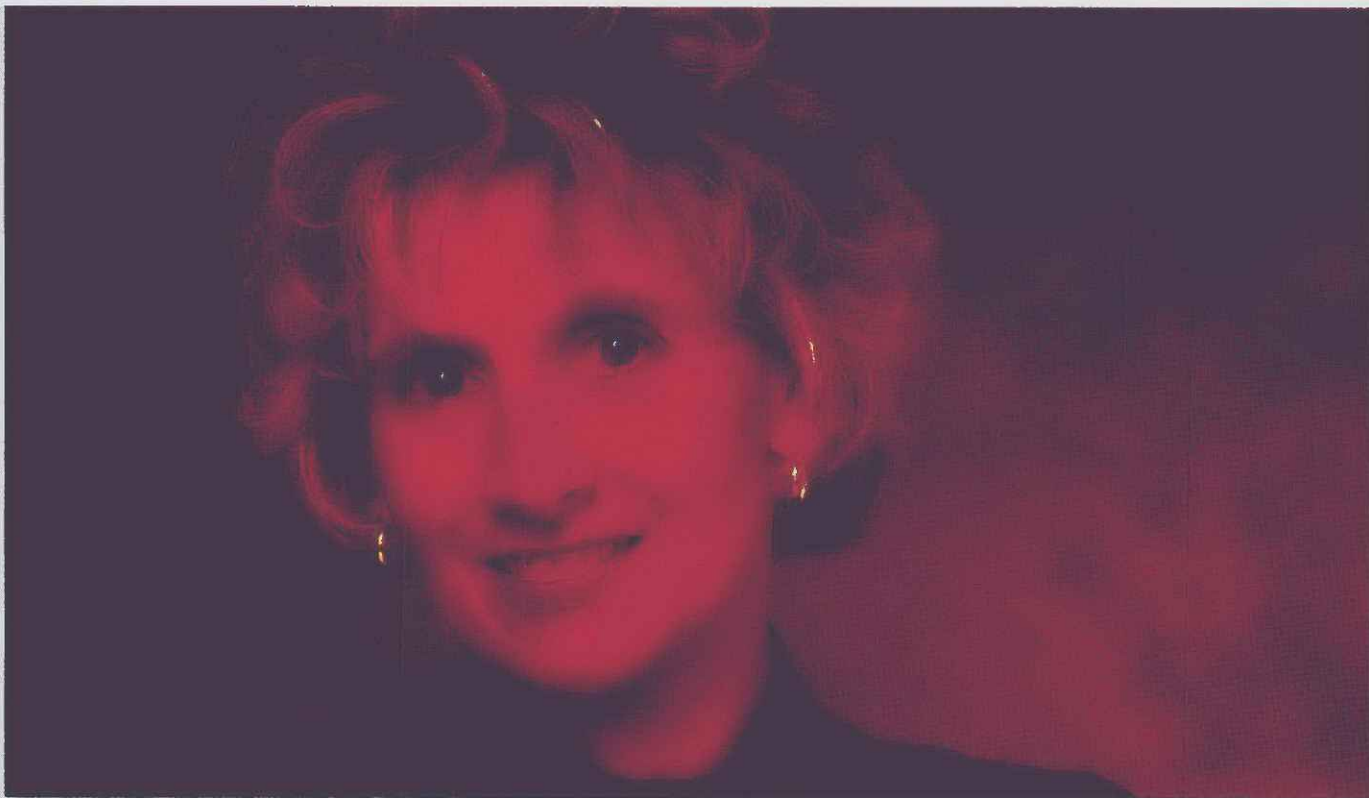
**International services:** Captive programs, loss control services for all lines, loss statistics in support of international programs.

**Licensed or accepted insurer in:** Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bermuda, Brazil, Canada, Cayman Islands, Chile, Colombia, Curacao, Cyprus, Denmark, Ecuador, France, Germany, Greece, Grenada, Guam, Guatemala, Hong Kong, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Lebanon, Liberia, Macau, Malaysia, Malta, Monaco, the Netherlands, New Zealand, Nigeria, Northern Mariana Islands, Norway, Oman, Pakistan, Panama, Paraguay, Peru, Philippines, Portugal, Puerto Rico, St. Lucia, St. Vincent, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Taiwan, Thailand, Trinidad and Tobago, Turkey, Turks and Caicos Islands, United Arab Emirates, United Kingdom, United States, Venezuela, Virgin Islands.

**Affiliates:** Located in Bahamas, Barbados, Cayman Islands, Grenada, Indonesia, Jamaica, Nigeria, Peru, St. Lucia, St. Vincent, Trinidad and Tobago, Turkey, Turks & Caicos Islands, British Virgin Islands.

**Principal officers:** H.E. Hanway, president-CIGNA Worldwide Inc.; Stewart H. Steffey, senior vp-field management; Arthur H. Liebelt, senior vp-underwriting; Edward M. Feder, senior vp-marketing.

**U.S. contact:** Edward M. Feder, Continued on next page



**That's why clients write to thank CNA's Beverly Powell for her caring.**

We want you to know that we sincerely appreciate everything you have done for us and the moral support which you have given us. So often we hear other patients complaining about their disability carriers and we count ourselves lucky that CNA has been a very pleasant company to work with. We're sure you have plenty of cases on your desk but you never made us feel like that...we always felt as if you were genuinely interested in us and cared a lot. We will always appreciate that.

Sincerely,  
*Judy Schultz*  
 Tom and Judy Schultz and family

Insurance companies can make promises, but it's the people who keep the commitments. And CNA employees like Beverly Powell understand the significance of working out the best possible solution for each individual as opposed to just processing paperwork.

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It's the dedication and commitment of our people that have helped the CNA Insurance Companies become one of the leading group benefits insurers.

And this commitment is for the long term. CNA is one of the few major life/health groups to earn strong ratings from all four top insurance industry rating services.\*

For more information, call your independent agent, or your CNA representative.

\*A.M. Best, Standard & Poor's, Moody's, Duff & Phelps.



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Group Benefits from CNA: Life & Health • AD&D • Vision • Dental • LTD • Pensions • Long Term Care • Managed Care • Coverages are underwritten by Continental Assurance Company and Continental Casualty Company, two of the CNA Insurance Companies/CNA Plaza/Chicago, IL 60685.

**How to use global P/C insurer 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 1990 and 1989 is listed. Foreign gross premiums for property and casualty risks (and the percent generated by foreign operations of U.S. employers vs. foreign operations of non-U.S. employers) are given. Also provided are the number of foreign claims and underwriting offices, foreign-based employees in U.S. and non-U.S. locations, foreign countries represented and countries in which the company owns offices (51% or more ownership). The insurer's combined ratio for foreign business is also noted.

*Business Insurance* 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 it specializes in insuring. Special services related to international businesses are then detailed.

Countries in which the company operates as a licensed or accepted insurer, including where they participate through fronting or other arrangements are listed next, followed by names and locations of affiliates and subsidiaries of the insurer. Finally, names and titles of principal officers and a U.S.-based contact are supplied.

To locate countries in which a company does business, refer to the geographic index following the directory. The index includes locations of branch offices, subsidiaries and affiliated companies.

Listings are based on each network's response to the questionnaire; *Business Insurance* is unable to verify the information.

If you wish to be included in next year's directory, contact Karen Armaganian, Editorial Assistant, at 740 N. Rush St., Chicago, Ill., 60611-2590; 312-280-3195.

**Spotlight report**

Continued from previous page  
senior vp-marketing, 215-761-1385.

**The Continental Corp.**

180 Maiden Lane, New York, N.Y.  
10038; 212-440-3000; fax:  
212-440-7130

	1990	1989
Int'l premiums	\$662,800,000	\$630,000,000
U.S. owned	3.9%	4.2%
Non-U.S. owned	96.1%	95.8%
Offices: Claims	28	28
Underwriting	28	28
Employees	1,865	1,873
U.S.	121	147
Non-U.S.	1,744	1,726
Foreign countries	53	53
Owned offices	28	28
Combined ratio	NA	NA

**International operations began:** 1964.

**Specialties:** Property, casualty and marine on a primary basis. Multinational and indigenous commercial and personal lines, bonds and personal accident.

**International services:** Loss control services and loss statistics in support of international programs for all lines.

**Licensed or accepted insurer in:** Argentina, Australia, Austria, Bahamas, Belgium, Bermuda, Chile, China, Colombia, Cyprus, Denmark, Dominican Republic, Finland, France, Germany, Greece, Guadeloupe, Guam, Haiti, Hong Kong, Indonesia, Ireland, Italy, Jamaica, Japan, Malaysia, Martinique, Mexico, the Netherlands, New Zealand, Norway, Panama, Peru, Philippines, Portugal, Saudi Arabia, Singapore, South Korea, Spain, Sweden, Switzerland, Taiwan, Trinidad, United

Kingdom, United States, Venezuela, Virgin Islands.

**Subsidiaries:** Continental Pacific Insurance Co., Australia; The Continental Insurance Co. of Canada and The Dominion Insurance Corp., Canada; The Continental Insurance Co. (Europe) Ltd., Belgium, Denmark, France, Germany, Italy, Netherlands, United Kingdom; Lombard General Insurance Co. Ltd., Hong Kong; Lombard Insurance Co., Singapore; Lombard Continental Insurance P.L.C. and Continental Insurance Co. (U.K) Ltd., United Kingdom.

**Principal officers:** John P. Macscotte, chairman/chief executive officer-Continental Corp.; William E. Thiele, president/chief operating officer-Continental Corp.; Wayne H. Fisher, executive vp-Continental Corp. and president-Special Operations Group; Michael J. Marchesani, president-Continental International; Bill Ward, president-Continental Insurance Co. of Canada.

**U.S. contact:** Michael J. Marchesani, 609-395-2476.

**E**

**Engineering Insurance Co. Ltd.**

Ibex House-Minories, Fourth Floor,  
London EC3N 1DY, England;  
44-71-481-4825; fax:  
44-71-488-4539

	1990	1989
Int'l premiums	NA	NA
Offices: Claims	2	NA
Underwriting	2	NA
Employees	50	NA

Foreign countries	NA	NA
Owned offices	2	NA
Combined ratio	NA	NA

**International operations began:** 1990.

**Parent:** Engineering Insurance Group.

**Specialties:** Boiler and machinery, erection all-risk.

**International services:** Insurance and engineering programs, emphasizing preventive engineering technologies and loss control services based on worldwide loss statistics.

**Principal officers:** William Zindel, chairman; Michael L. Downs, managing director; Gordon Kreh, president; Alan McCormick, finance director; A.D. Thomas and John A. Sproha, vps; Patricia Teterus, second vp; Christopher Steggle, assistant vp.

**U.S. contact:** John Sproha, 203-541-7900.

**F**

**Factory Mutual International**

Southside, 105 Victoria St., London  
SW1E 6QT England;  
44-71-828-7799;  
fax: 44-71-630-7267

	1990	1989
Int'l premiums	\$112,000,000	\$108,000,000
U.S. owned	70%	75%
Non-U.S. owned	30%	25%
Offices: Claims	4	4
Underwriting	4	4
Employees	424	415
Non-U.S.	424	415
Foreign countries	43	40

Owned offices	2	2
Combined ratio	126.6%	99.8%

**International operations began:** 1963.

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

**Specialties:** Commercial property. **International services:** Captive programs, loss control services for industrial and commercial property, retrospectively rated programs, loss statistics in support of international property programs.

**Licensed or accepted insurer in:** Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Brazil, Czechoslovakia, Colombia, Denmark, Dominican Republic, Ecuador, Egypt, Finland, France, Germany, Greece, Guam, Guatemala, Haiti, Hong Kong, Hungary, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Luxembourg, Malaysia, Morocco, the Netherlands, New Zealand, Norway, Pakistan, Panama, Peru, Philippines, Poland, Portugal, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, Tunisia, Turkey, United Arab Emirates, United Kingdom, United States, Uruguay, Venezuela.

**Subsidiaries:** FM Do Brazil Servicos de Prevencao de Perdas Ltda. (Brazil) and FM International Italia Srl. (Italy).

**Principal officers:** Stephen D. Simpson, chairman/managing director; William R. Simmons, director-marketing/corporate development; Ian W. MacInnis, director-finance; James D. Sloan, director-engineering/underwriting; Margaret M. Edwards, director-administration.

**U.K. contact:** Jacky Sutherland, public relations manager; 44-71-828-7799.

**G**

**Generali-Assicurazioni Generali S.p.A.**

Piazza Duca degli Abruzzi 2,  
Trieste, Italy; 040-6711;  
fax: 040-671922

	1990	1989
Int'l premiums	\$5.2 billion	\$4.1 billion
Offices	NA	NA
Employees	15,000	14,700
Owned offices	40	40
Combined ratio	NA	NA

**International operations began:** 1831.

**International services:** Captive programs, loss control services, retrospectively rated programs, loss statistics in support of international programs for multinational accounts, industrial and technological risks.

**Licensed or accepted insurer in:** Austria, Belgium, Brazil, Colombia, France, Germany, Greece, Guatemala, Hungary, Italy, the Netherlands, Netherlands Antilles, Portugal, South Africa, Spain, Switzerland, Turkey, United Kingdom, United States.

**Acquisitions:** Businessmen's Assurance Co. of America, United States; Interunfall Versicherung A.G., Austria; Interunfall Allgemeine Versicherungs A.G., Germany; Muenchener Lebensversicherung A.G., Germany; Providencia Osztrak Macyar Biztosito, Hungary; African Development Insurance Co., Nigeria; Adria Vita, Italy.

**Principal officers:** Enrico Randone, honorary chairman; Eugenio

Continued on next page

Employers Reinsurance Corporation

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Los Angeles/New York

Philadelphia/San Francisco

and Toronto.

A General Electric

Financial Services Company.

Continued from previous page  
Coppola di Canzano, chairman/managing director; Antoine Bernheim, Francesco Cingano and Carlo della Torre e Tasso, vice chairmen; Fabio Fegitz, managing director.

U.S. contact: Giorgio Balzer.

**Gerling Insurance Group**

Gereonshof, 5000 Cologne, Germany; 49-221-1441; fax: 49-221-144-3319

	1990	1989
Int'l premiums	\$393,936,000	\$298,368,000
Offices	50	49
Employees	9,400	9,200
Foreign countries	20	19
Owned offices	19	18
Combined ratio	NA	NA

**International operations began:** 1955.

**Parent:** Gerling-Konzern Versicherungs-Beteiligungs-A.G.

**Specialties:** Industrial risks.

**International services:** Captive programs, loss control services, retrospectively rated programs, loss statistics in support of international programs.

**Subsidiaries and affiliates:** Located in Australia, Austria, Belgium, Brazil, Canada, France, Germany, Hungary, Luxembourg, Malaysia, Mexico, the Netherlands, Norway, Portugal, South Africa, Spain, Sweden, Switzerland, United Kingdom, United States.

**Principal officers:** Adolf Kracht, chairman; Dr. Rolf Gerling, Bernhard Fink, Dr. Frank Thomas, Dr. Paul-Robert Wagner, Anton Weiler and Dr. Richard Woltereck, board members.

U.S. contact: Wolfgang Schlaeger, President, Gerling America Insur-

ance Co., 717 Fifth Ave., 18th Floor, New York, N.Y. 10022; 212-752-8900; fax: 212-759-4910.

**H**

**Hartford Fire International Ltd.**

Hartford Plaza, Hartford, Conn. 06115; 203-547-5000; fax: 203-547-6590

	1990	1989
Int'l premiums	\$1,430,000	\$1,234,000
Non-U.S. owned	100%	100%
Offices: Claims	18	16
Underwriting	18	16
Employees	1,800	1,723
Non-U.S.	1,800	1,723
Foreign countries	42	42
Owned offices	9	11
Combined ratio	108.9%	108.8%

**International operations began:** 1970.

**Parent:** ITT Corp.

**Specialties:** Direct, multi-line, reinsurance.

**Licensed or accepted insurer in:** Argentina, Australia, Austria, Bahamas, Barbados, Belgium, Bermuda, Brazil, Colombia, Denmark, Dominican Republic, Finland, France, Guatemala, Germany, Greece, Haiti, Hong Kong, Indonesia, Italy, Ireland, Jamaica, Japan, Luxembourg, Malaysia, Mexico, the Netherlands, New Zealand, Norway, Panama, Peru, Philippines, Portugal, South Korea, Singapore, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad, Turkey, United Kingdom, Venezuela.

**Subsidiaries:** London & Edinburgh Insurance Co. Ltd., United

Kingdom; Zwolsche Group, Netherlands; ITT-Assurances, France; Hartford International Insurance Co., Belgium.

**Affiliates:** Fencourt Re, Bermuda.

**Principal officers:** Larry Doyle, president; Rex Barberis, executive vp; Robert DeBoer and James Leber, senior vps; Paul Engstrom, senior vp/ chief actuary; Kenneth Hemming, vp/controller.

U.S. contact: Larry Doyle, 203-547-4936.

**K**

**Kemper International Corp.**

1 Kemper Drive, Long Grove, Ill. 60049-0001; 708-540-3767; fax: 708-540-4271

	1990	1989
Int'l premiums	\$60,000,000	\$44,400,000
U.S. owned	20%	20%
Non-U.S. owned	80%	80%
Offices: Claims	16	16
Underwriting	16	16
Employees	152	149
U.S.	27	25
Non-U.S.	125	124
Foreign countries	77	77
Owned offices	9	9

**International operations began:** 1969.

**Parent:** Lumbermen's Mutual Casualty Co.

**Specialties:** All lines of property/casualty, including technical loss prevention programs on industrial property.

**International services:** Captive programs, loss control services, re-

trospectively rated programs, loss statistics of international programs.

**Subsidiaries:** Kemper Insurance Co. Ltd., Australia; Kemper S.A., Belgium, France, Germany, the Netherlands, United Kingdom; Kemper Management Co., Bermuda; Seven Continents Insurance Co. Ltd., Bermuda; Lumbermen's Mutual Casualty Co., Japan; Kemper International Insurance Co. (Pte) Ltd., Singapore.

**Affiliates:** Principal partner relationships include L'Union des Assurances de Paris, Sun Alliance & London Insurance P.L.C., Eagle Star Holdings P.L.C. and Winterthur Swiss Insurance Co.; locations include Bermuda and France.

**Principal officers:** J.S. Kemper III, chairman; R.L. Smialek, chief executive officer; T.J. Hoeh, president; A.J. Espinosa, M.R. Del Rosso, W.L. Halvorsen, W.E. Simmons and W.L. White, vps.

U.S. contact: Theodore J. Hoeh, President; 708-540-3767.

**T**

**The Travelers International Operations**

1 Tower Square, 7MS, Hartford, Conn. 06183-7040; 203-277-2777; fax: 203-277-6508

	1990	1989
Int'l premiums	NA	NA
Offices	NA	NA
Employees	75	62
U.S.	NA	NA
Non-U.S.	NA	NA
Foreign countries	110	110
Owned offices	2	2
Combined ratio	NA	NA

**International operations began:** 1967.

**Parent:** Travelers Corp.

**Specialties:** Middle-market risks with premium levels (including foreign local) of \$10,000 to \$300,000 and physical operations in one to eight foreign locations.

**International services:** Loss control services and loss statistics in support of international programs for all standard lines.

**Licensed or accepted insurer in:** Antigua, Argentina, Aruba, Australia, Austria, Bahamas, Barbados, Belgium, Belize, Bermuda, Brazil, Cameroon, Chile, Colombia, Curacao, Czechoslovakia, Denmark, Dominica, Dominican Republic, Ecuador, El Salvador, Finland, France, Germany, Ghana, Granada, Greece, Guatemala, Haiti, Hong Kong, Indonesia, Ireland, Israel, Italy, Jamaica, Japan, Kenya, Malaysia, Martinique, Mexico, the Netherlands, New Zealand, Nigeria, Norway, Pakistan, Panama, Papua New Guinea, Peru, Philippines, Poland, Portugal, Rhodesia, St. Lucia, St. Maarten, Saudi Arabia, Singapore, South Africa, South Korea, Spain, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Turkey, United Kingdom, United States, U.S. Virgin Islands, Venezuela, Zimbabwe.

**Subsidiaries:** La Metropole, Belgium; The Travelers Indemnity Co., Japan.

**Affiliates:** In more than 110 countries worldwide; major affiliates include Guardian Royal Exchange Assurance P.L.C., United Kingdom; L'Union des Assurances de Paris, France; Riunione Adriatica di Sicurtà S.p.A., Italy; Nippon Fire & Marine Insurance Co. Ltd., Japan.

**Principal officers:** Bruce S. Mac-

Continued on next page

*To take no risk is the biggest risk of all.*



*The world is a labyrinth of peril. Some glide through it while others become mired in difficulty. Finely calculated risks and adapting to the terrain are the keys. ERC's balance of assuming risk and absorbing loss stands out, dramatically.*

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PHONE 708/272-8340

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Continued from previous page  
Millian, president; James W. Webb,  
division vp.  
U.S. contact: James W. Webb.

# W

## Winterthur Swiss Insurance Co.-International Division

Rudolfstrasse 1, P.O. Box 286,  
8401 Winterthur, Switzerland;  
52-261-1111; fax: 52-212-1629

	1990	1989
Int'l premiums	\$2.5 billion	\$2.4 billion
U.S. owned	25%	25%
Non-U.S. owned	75%	75%
Offices	NA	NA
Employees	11,921	10,463
J.S.	2,976	1,818
Non-J.S.	8,945	8,645
Foreign countries	50	50
Owned offices	19	15
Combined ratio	NA	NA

International operations began:

1875.  
**Specialties:** Liability, property, life and health, motor, machinery, marine.

**International services:** Captive programs, loss control services, retrospectively rated programs, statistics in support of international programs.

**Licensed or accepted insurer in:** Australia, Austria, Bahrain, Belgium, Brazil, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Japan, Kenya, Korea, Luxembourg, Malaysia, the Netherlands, New Zealand, Norway, Portugal, Saudi Arabia, Singapore, South Africa, Spain, Sweden, Switzerland, Taiwan, Thailand, United Kingdom, United States.

**Affiliates:** Norwich Winterthur Insurance Ltd. in Australia, Bahrain, Hong Kong, Malaysia, New Zealand, Saudi Arabia and Singapore; The Heritage Insurance Co. Ltd., Kenya; Aegis Insurance Co. Ltd., South Africa; Tapiola Group, Finland; Norwich Union Insurance Group, United Kingdom; The Chiyoda Fire & Marine Insurance Co. Ltd., Japan;

Storebrand Insurance Co., Norway; Victoria Insurance Co. Ltd. and Syrius Industrial & Marine Insurance Co. Ltd., Sweden; Ankuk Fire & Marine Insurance Co. Ltd., South Korea; Bangkok Insurance Co. Ltd., Thailand; Kemper International Corp. and Liberty Mutual Insurance Co., United States.

**Subsidiaries:** Located in Australia, Austria, Belgium, Brazil, Canada, Denmark, France, Germany, Hong Kong, Italy, Japan, Luxembourg, Netherlands, Portugal, Singapore, Spain, Taiwan, United Kingdom and United States.

**Acquisitions:** General Casualty Co., United States; majority of Norwich Winterthur in Hong Kong, Singapore and Australia.

**Principal officers:** Peter Spalti, chairman/chief executive officer; Winterthur Group; W.E. Schurpf, general manager-international and reinsurance department.

**U.S. contact:** George Keller, vp-international department, Republic Group, 214-359-1222.

# Y

## The Yasuda Fire & Marine Insurance Co. Ltd.

26-1, Nishi-Shinjuku 1-chome,  
Shinjuku-ku, Tokyo 160, Japan;  
03-3349-3111; fax: 03-3348-3041

	1990	1989
Int'l premiums	\$51,000,000	\$49,000,000
U.S. owned	NA	NA
Non-U.S. owned	NA	NA
Offices: Claims	NA	NA
Underwriting	32	31
Employees	123	120
U.S.	27	25
Non-U.S.	96	95
Foreign countries	34	32
Owned offices	7	6
Combined ratio	120	136

International operations began: 1953.

**International services:** Captive programs, loss control programs for overseas travelers personal accident insurance and cargo insurance.

**Licensed or accepted insurer in:** Australia, Bahamas, Bahrain, Belgium, Bermuda, Brazil, Canada, China, France, Germany, Hong Kong, Indonesia, Italy, Luxembourg, Malaysia, Mexico, the Netherlands, Philippines, Saudi Arabia, Singapore, Spain, Taiwan, Thailand, United Kingdom, United States.

**Subsidiaries and affiliates:** The Yasuda Fire & Marine Insurance Co. of America, Yasuda Kasai International (U.S.A.) Inc., Yasuda Claims Service Inc., Yasuda Re Management Corp., Yasuda Kasai Realty Inc., United States; The Yasuda Fire & Marine Insurance Co. of Europe Ltd., Yasuda Claims Ltd. and Pan Financial Insurance Co., United Kingdom; The Yasuda Fire Investment (Europe) S.A., Luxembourg; Companhia de Seguros America do Sul Yasuda and Yasuda do Brasil Ltda., Brazil; The Yasuda Management Service Co. Ltd., Bermuda; The Yasuda Fire Bahama Ltd., Bahamas; William S.T. Lee Insurance Co. Ltd., The Yasuda Fire Asset Management Co. Ltd. and The Yasuda Reinsurance Co. Ltd., Hong Kong; P.T. Asuransi Yasuda Indonesia, Indonesia; People's Trans-East Asia Insurance Corp., Philippines; Yasuda Management (Singapore) Private Ltd., Singapore; Yasuda International Services Co. Ltd., Thailand.

**Acquisitions:** PEA Yasuda Insurance Co., Philippines; Istanbul representative office, Turkey; Vienna representative office, Austria.

**Principal officers:** Yasuo Goto, president; Masahiko Mizoguchi, Tsuneyoshi Seto, Koji Furuta, Seiichiro Sugizaki and Kunihiko Sasamoto, executive vps.

**U.S. contact:** Shinya Shimohira, general manager-North America Department, 212-466-6300.

# Z

## Zurich Insurance Group

Zurich Towers, 1400 American Lane, Schaumburg, Ill. 60196;  
708-605-6373; fax: 708-605-3436

Continued on page 36

# Too Many U.S. Firms Are In The Dark About Their Foreign Exposures.

A lot of American businesses have foreign exposures they don't even know about. Consider the many businesses without a single office in a foreign country. But the staff travels. So do the products. International risks—and potential coverage gaps—may result.

The fact is, domestic coverage doesn't travel well, if it travels at all. And insuring certain foreign exposures under a domestic policy can be expensive. Even worse, arranging foreign coverage without the right guidance can lead to bigger—and costlier—surprises.

That's why you should rely on Hartford Fire International—a company that understands both domestic and international markets.

HFI can provide a complete line of primary property/casualty products along with excess and umbrella coverages. All tailored to meet special needs. All from a single source.

And between our wholly owned foreign operations and correspondent companies, our customers get the stability and worldwide service they expect from The Hartford.

If you're in the dark about foreign exposures, let us shed some light on the subject. For the HFI Office nearest you, call James Leber, Senior Vice President, at 1-800-533-STAG (In Connecticut, 547-3030).



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**and Olsten Health Care**

**Services have come**

**together to create the**

**preeminent home health**

**care force of the 90's:**

**Olsten HealthCare. The**

**name has changed, but**

**the quality, care and**

**service you have come**

**to expect promise to be**

**better than ever. Why?**

**Because together, Upjohn**

**HealthCare Services and**

**Olsten Health Care**

**Services bring you over**

**forty years of experience**

**as industry leaders in the**

**fields of home health care**

**and staffing. So what's in**

**a name? Excellence. And**

**change. For the better.**

# **OLSTEN HealthCare**

**Change. For The Better.**

**Spotlight report**

Continued from page 34

	1990	1989
Int'l premiums	\$7.0 billion	\$5.4 billion
U.S. owned	NA	NA
Nor-U.S. owned	NA	NA
Offices/Claims	600	600
Underwriting	530	530
Employees	34,000	33,250
U.S.	2,800	2,800
Nor-U.S.	31,200	30,200
Foreign countries	80	80
Owned offices	46	46
Combined ratio	NA	NA

**International operations began:** 1872

**Parent:** Zurich Insurance Group, Zurich, Switzerland.

**Specialties:** Combined master

property/casualty programs.

**International services:** Captive programs, loss control services, retrospectively rated programs, loss statistics in support of international programs.

**Licensed or accepted insurer in:** Argentina, Australia, Austria, Bahamas, Bahrain, Barbados, Belgium, Bermuda, Bolivia, Brazil, Brunei, Bulgaria, Canada, Cayman Islands, Chile, China, Colombia, Ivory Coast, Curacao, Czechoslovakia, Denmark, Dominican Republic, Ecuador, Egypt, El Salvador, Finland, France, Germany, Greece, Guam, Guatemala, Haiti, Honduras, Hong Kong, Hungary, Iceland, India, Indonesia, Iran,

Iraq, Ireland, Italy, Jamaica, Japan, Jordan, Kenya, Korea, Kuwait, Lebanon, Libya, Liechtenstein, Luxembourg, Malaysia, Mexico, Morocco, the Netherlands, New Zealand, Nigeria, Norway, Oman, Pakistan, Panama, Papua New Guinea, Paraguay, Peru, Philippines, Poland, Portugal, Qatar, Romania, St. Lucia, Saudi Arabia, Singapore, South Africa, Soviet Union, Spain, Sri Lanka, Sudan, Sweden, Switzerland, Taiwan, Thailand, Trinidad and Tobago, Tunisia, Turkey, United Arab Emirates, United Kingdom, Uruguay, U.S. States, Venezuela, Yugoslavia.

**Subsidiaries:** Zurich Australia Insurance Ltd., Australia; Zurich

KOSMOS Versicherungen A.G., Austria; Zurich International, Belgium; Zurich International (Bermuda) Ltd., Bermuda; Zurich International, France; Zurich International, Germany; Zurich Insurance Inc., Guam; Zurich Insurance Co. (Asia) Ltd., Hong Kong; Zurich International Services Ltd., Ireland; Zurich International S.p.A., Italy; Zurich Insurance, Malaysia; Zurich International, the Netherlands; Companhia de Seguros, Portugal; Zurich Insurance pte. Ltd., Singapore; Zurich International Ltd., United Kingdom.

**Affiliates:** Zurich-Anglo Seguradora S.A., Brazil; African Interna-

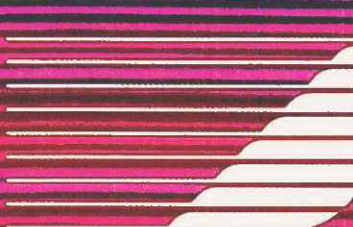
tional Insurances Ltd., Kenya; Le Garantie Generale Marocaine, Morocco; Malayan Zurich Insurance Co. Inc., Philippines; Malayan Overseas Insurance Corp., Taiwan.

**Principal officers:** Rolf Huppi, president/chief executive officer; Rolf Hanggi, deputy chief executive officer; Gunther Goan, Hans-Peter Karlem, Rolf Schaible, Heinrich Wirth and Charles Wyniger, general manager; Peter Eckert and D. Steiner, deputy general managers

**U.S. contact:** Tom Hite, president-Zurich International, United States, 708-605-6156; John Ormerod, vp/director-marketing, 708-605-6531. ■


# Global property/casualty insurers by nation

<p><b>Algeria</b></p> <p>Arkwright Mutual Insurance Co.</p>	<p>American International Underwriters Arkwright Mutual Insurance Co. CIC Insurance Ltd. (Winterthur Swiss Insurance Co.) Chubb Insurance Co. of Australia (Chubb Corp.) CIGNA Corp. Continental Pacific Insurance Co. (The Continental Corp.) Gerling Insurance Group Hartford Fire International Ltd. Kemper Insurance Co. Ltd. Travelers International Operations Winterthur Swiss Insurance Co. Yasuda Fire &amp; Marine Insurance Co. Zurich Insurance Group</p>	<p><b>Bahamas</b></p> <p>Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Yasuda Fire &amp; Marine Insurance Co. Zurich Insurance Group</p>	<p><b>Belgium</b></p> <p>Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Chubb Insurance Co. of Europe (Chubb Corp.) CIGNA Corp. The Continental Insurance Co. (Europe) Ltd. (The Continental Corp.) Factory Mutual International Assicurazioni Generali S.p.A. Gerling Insurance Group Hartford International Insurance Co. NV Kemper S.A. La Metropole (Travelers Corp.) Travelers International Operations Winterthur Swiss Insurance Co. Yasuda Fire &amp; Marine Insurance Co. Zurich Insurance Group</p>	<p>Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Fercourt Re (Hartford Fire International Ltd.) Kemper Management Co. Seven Continents Insurance Co. Ltd. (Kemper International Corp.) Travelers International Operations Yasuda Fire &amp; Marine Insurance Co. Zurich Insurance Group</p>
<p><b>Antigua</b></p> <p>Travelers International Operations</p>	<p><b>Austria</b></p> <p>Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Assicurazioni Generali S.p.A. Gerling Insurance Group Hartford Fire International Ltd. Travelers International Operations Winterthur Swiss Insurance Co. Zurich Insurance Group</p>	<p><b>Bahrain</b></p> <p>Arkwright Mutual Insurance Co. Norwich Winterthur (Gulf) Ltd. (Winterthur Swiss Insurance Co.) Yasuda Fire &amp; Marine Insurance Co. Zurich Insurance Group</p>	<p><b>Belize</b></p> <p>Travelers International Operations</p>	<p><b>Bolivia</b></p> <p>American International Underwriters Arkwright Mutual Insurance Co. Zurich Insurance Group</p>
<p><b>Argentina</b></p> <p>Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group</p>		<p><b>Barbados</b></p> <p>Arkwright Mutual Insurance Co. CIGNA Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group</p>	<p><b>Bermuda</b></p> <p>American International Underwriters</p>	<p><b>Botswana</b></p> <p>Arkwright Mutual Insurance Co.</p>
<p><b>Aruba</b></p> <p>American International Underwriters Travelers International Operations</p>				<p><b>Brazil</b></p> <p>Allianz A.G. American International Underwriters ARGOS Companhia de Seguros (Chubb Corp.)</p>
<p><b>Australia</b></p> <p>Allianz A.G.</p>				<p><i>Continued on page 41</i></p>



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735 Chesterbrook Blvd., Suite 200  
Wayne, PA 19087  
215/993-2800  
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Continued from page 36

Arkwright Mutual Insurance Co. CIGNA Corp. FM do Brasil Servicos de Prevencao de Perdas Ltda. (FM Insurance Co. Ltd.) Assicurazioni Generali S.p.A. Gerling Insurance Group Hartford Fire International Ltd. Inter-Continental Seguradora S.A. (The Continental Corp.) Itau-Winterthur Seguradora S.A. (Winterthur Swiss Insurance Co.) Travelers International Operations Winterthur Swiss Insurance Co. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**British Virgin Islands**

CIGNA Corp.

**Brunei**

American International Underwriters

**Bulgaria**

Zurich Insurance Group

**Cameroon**

American International Underwriters Arkwright Mutual Insurance Co. Travelers International Operations

**Canada**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Chubb Insurance Co. of Canada (Chubb Corp.) CIGNA Corp. The Continental Insurance Co. of Canada (The Continental Corp.) The Dominion Insurance Corp. (The Continental Corp.) Gerling Insurance Group Winterthur Swiss Insurance Co. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Caribbean Islands**

Arkwright Mutual Insurance Co.

**Cayman Islands**

CIGNA Corp. Zurich Insurance Group

**Chad**

Arkwright Mutual Insurance Co.

**Chile**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. The Continental Corp. Travelers International Operations Zurich Insurance Group

**China**

American International Underwriters Arkwright Mutual Insurance Co. The Continental Corp. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Colombia**

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International La Federal Compania de Seguros S.A. (Chubb Corp.) Assicurazioni Generali S.p.A. Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Costa Rica**

Arkwright Mutual Insurance Co.

**Curacao**

CIGNA Corp. Travelers International Operations Zurich Insurance Group

**Cyprus**

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp.

**Czechoslovakia**

Factory Mutual International Travelers International Operations Zurich Insurance Group

**Denmark**

Allianz A.G. American International Underwriters Chubb Insurance Co. of Europe (Chubb Corp.) CIGNA Corp. The Continental Insurance Co. (Europe) Ltd. (The Continental Corp.) Factory Mutual International Federal Insurance Co. (Chubb Corp.) Hartford Fire International Ltd. PFA Skade-Agentur AS (Chubb Corp.) Travelers International Operations Winterthur Swiss Insurance Co. Zurich Insurance Group

**Dominica**

Travelers International Operations

**Dominican Republic**

American International Underwriters Arkwright Mutual Insurance Co. The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Ecuador**

American International Underwriters Arkwright Mutual Insurance Co. Bolivar Compagnia de Seguros del Ecuador SA (Chubb Corp.) CIGNA Corp. Factory Mutual International Travelers International Operations Zurich Insurance Group

**Egypt**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Factory Mutual International Zurich Insurance Group

**El Salvador**

Arkwright Mutual Insurance Co. Travelers International Operations Zurich Insurance Group

**Estonia**

American International Underwriters

**Finland**

American International Underwriters Arkwright Mutual Insurance Co. The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**France**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Chubb Insurance Co. of Europe (Chubb Corp.) CIGNA Corp. The Continental Insurance Co. (Europe) Ltd. (The Continental Corp.) Assicurazioni Generali S.p.A. Gerling Insurance Group ITT Assurance (Hartford Fire International) Kemper S.A. L'Union des Assurances de Paris (Travelers Corp.) Travelers International Operations Winterthur Swiss Insurance Co. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Germany**

Allianz A.G.

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Insurance Co. (Europe) Ltd. (The Continental Corp.) Federal Insurance Co. (Chubb Corp.) Assicurazioni Generali S.p.A. Gerling Insurance Group Hartford Fire International Kemper S.A. Travelers International Operations Winterthur Swiss Insurance Co. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Ghana**

Travelers International Operations

**Greece**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Assicurazioni Generali S.p.A. Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Grenada**

CIGNA Corp. Travelers International Operations

**Guadeloupe**

The Continental Corp.

**Guam**

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Zurich Insurance Group

**Guatemala**

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. Comercial Aseguradora Suizo Americana S.A. (The Continental Corp.) Factory Mutual International Assicurazioni Generali S.p.A. Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Guiana**

Arkwright Mutual Insurance Co.

**Haiti**

The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Honduras**

American International Underwriters Arkwright Mutual Insurance Co. Zurich Insurance Group

**Hong Kong**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Engineering Insurance Group Factory Mutual International Federal Insurance Co. (Chubb Corp.) Hartford Fire International Ltd. Lombard General Insurance Co. Ltd. (The Continental Corp.) Norwich Winterthur (International) Ltd. (Winterthur Swiss Insurance Co.) Travelers International Operations Winterthur Swiss Insurance Co. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Hungary**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Factory Mutual International Assicurazioni Generali S.p.A. Gerling Insurance Group Zurich Insurance Group

**Iceland**

Zurich Insurance Group

**India**

Zurich Insurance Group

**Indonesia**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Iran**

Zurich Insurance Group

**Iraq**

Zurich Insurance Group

**Ireland**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Chubb Insurance Co. of Europe (Chubb Corp.) CIGNA Corp. The Continental Corp. Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Israel**

Arkwright Mutual Insurance Co. CIGNA Corp. Factory Mutual International Travelers International Operations

**Italy**

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**Ivory Coast**

Arkwright Mutual Insurance Co. Zurich Insurance Group

**Jamaica**

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Hartford Fire International Ltd. Travelers International Operations Zurich Insurance Group

**Japan**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Federal Insurance Co. (Chubb Corp.) Hartford Fire International Ltd. Lumbermens Mutual Casualty Co. (Kemper International Corp.) Nippon Fire & Marine Insurance Co. Ltd. (Travelers Corp.) Travelers International Operations Winterthur Swiss Insurance Co. Zurich Insurance Group

**Jordan**

Zurich Insurance Group

**Kenya**

American International Underwriters Factory Mutual International

The Heritage Insurance Co. Ltd. (Winterthur Swiss Insurance Co.) Travelers International Operations Zurich Insurance Group

**Kuwait**

Arkwright Mutual Insurance Co. Zurich Insurance Group

**Lebanon**

CIGNA Corp. Zurich Insurance Group

**Liberia**

American International Underwriters CIGNA Corp.

**Libya**

Zurich Insurance Group

**Liechtenstein**

Allianz A.G. Zurich Insurance Group

**Luxembourg**

Arkwright Mutual Insurance Co. Factory Mutual International Gerling Insurance Group Hartford Fire International Ltd. Winterthur Swiss Insurance Co. Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Macau**

American International Underwriters CIGNA Corp.

**Madagascar**

Arkwright Mutual Insurance Co.

**Malaysia**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp. The Continental Corp. Factory Mutual International Gerling Insurance Group Hartford Fire International Ltd. Norwich Winterthur Insurance (Malaysia) Sdn. Bhd. (Winterthur Swiss Insurance Co.) Travelers International Operations Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Malta**

American International Underwriters Arkwright Mutual Insurance Co. CIGNA Corp.

**Martinique**

The Continental Corp. Travelers International Operations

**Mexico**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. The Continental Corp. Gerling Insurance Group Hartford Fire International Ltd. Travelers International Operations Yasuda Fire & Marine Insurance Co. Zurich Insurance Group

**Monaco**

CIGNA Corp.

**Morocco**

Factory Mutual International Zurich Insurance Group

**Netherlands**

Allianz A.G. American International Underwriters Arkwright Mutual Insurance Co. Chubb Insurance Co. of Europe (Chubb Corp.) CIGNA Corp. The Continental Insurance Co. (Europe) Ltd. (The Continental Corp.)

Continued on next page

**Spotlight report**

*Continued from previous page*

Factory Mutual International  
Federal Insurance Co. (Chubb Corp.)  
Assicurazioni Generali S.p.A.  
Gerling Insurance Group  
Kemper S.A.  
Travelers International Operations  
Winterthur Swiss Insurance Co.  
Yasuda Fire & Marine Insurance Co.  
Zurich Insurance Group  
Zwolsche Insurance Group  
(Hartford Fire International Ltd.)

**New Zealand**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Norwich Winterthur Insurance (New Zealand) Ltd. (Winterthur Swiss Insurance Co.)  
Hartford Fire International Ltd.  
Travelers International Operations  
Zurich Insurance Group

**Nigeria**

American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
Travelers International Operations  
Zurich Insurance Group

**Northern Marianas Islands**

American International Underwriters  
CIGNA Corp.

**Norway**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Gerling Insurance Group  
Hartford Fire International Ltd.  
Travelers International Operations  
Zurich Insurance Group

**Oman**

CIGNA Corp.  
Zurich Insurance Group

**Pakistan**

American International Underwriters  
CIGNA Corp.  
Factory Mutual International  
Travelers International Operations  
Zurich Insurance Group

**Panama**

American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Hartford Fire International Ltd.  
Travelers International Operations  
Zurich Insurance Group

**Papua New Guinea**

American International Underwriters  
Travelers International Operations  
Zurich Insurance Group

**Paraguay**

American International Underwriters  
CIGNA Corp.  
Zurich Insurance Group

**Peru**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Hartford Fire International Ltd.  
Travelers International Operations  
Zurich Insurance Group

**Philippines**

American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Hartford Fire International Ltd.  
Travelers International Operations  
Yasuda Fire & Marine Insurance Co.  
Zurich Insurance Group

**Poland**

American International Underwriters  
Arkwright Mutual Insurance Co.  
Factory Mutual International  
Travelers International Operations  
Zurich Insurance Group

**Portugal**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Assicurazioni Generali S.p.A.  
Gerling Insurance Group  
Hartford Fire International Ltd.  
Travelers International Operations  
Winterthur Swiss Insurance Co.  
Zurich Insurance Group

**Puerto Rico**

American International Underwriters  
CIGNA Corp.  
The Continental Corp.

Federal Insurance Co. (Chubb Corp.)

**Qatar**

Zurich Insurance Group

**Rhodesia**

Travelers International Operations

**Romania**

American International Underwriters  
Zurich Insurance Group

**St. Lucia**

CIGNA Corp.  
Travelers International Operations  
Zurich Insurance Group

**St. Maarten**

Travelers International Operations

**St. Vincent**

CIGNA Corp.

**Saudi Arabia**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Norwich Winterthur Insurance (Saudi Arabia) Ltd. (Winterthur Swiss Insurance Co.)  
Travelers International Operations  
Yasuda Fire & Marine Insurance Co.  
Zurich Insurance Group

**Singapore**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Federal Insurance Co. (Chubb Corp.)  
Hartford Fire International Ltd.

Kemper International Insurance Co. (Pte.) Ltd.  
Lombard Insurance Co. Ltd. (The Continental Corp.)  
Norwich Winterthur Insurance (Far East) Pte. Ltd. (Winterthur Swiss Insurance Co.)  
Travelers International Operations  
Winterthur Swiss Insurance Co.  
Yasuda Fire & Marine Insurance Co.  
Zurich Insurance Group

**South Africa**

Aegis Insurance Co. Ltd. (Winterthur Swiss Insurance Co.)  
Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
Factory Mutual International  
Assicurazioni Generali S.p.A.  
Gerling Insurance Group  
Travelers International Operations  
Zurich Insurance Group

**South Korea**

American International Underwriters  
*Continued on next page*



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Risk management was tough enough when the risks were on the surface. Now, environmental exposures have opened up a whole new area of potential liability. When it's time for the clean-up, will it close down your business?

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Don't get shut down by the costs of environmental exposure. Talk to the experts at AM-RE MANAGERS.

Continued from previous page

Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Hartford Fire International Ltd.  
Travelers International Operations

**Soviet Union**

American International Underwriters  
Zurich Insurance Group

**Spain**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
Chubb Insurance Co. of Europe  
(Chubb Corp.)  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Assicurazioni Generali S.p.A.  
Gerling Insurance Group  
Hartford Fire International Ltd.  
Travelers International Operations  
Winterthur Swiss Insurance Co.  
Yasuda Fire & Marine Insurance Co.  
Zurich Insurance Group

**Sri Lanka**

Zurich Insurance Group

**Sudan**

Zurich Insurance Group

**Surinam**

Arkwright Mutual Insurance Co.

**Sweden**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Gerling Insurance Group  
Hartford Fire International Ltd.  
Travelers International Operations  
Zurich Insurance Group

**Switzerland**

Allianz A.G.  
American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Assicurazioni Generali S.p.A.  
Gerling Insurance Group  
Hartford Fire International Ltd.  
Travelers International Operations  
Winterthur Swiss Insurance Co.  
Zurich Insurance Group

**Taiwan**

American International Underwriters  
Arkwright Mutual Insurance Co.  
CIGNA Corp.  
The Continental Corp.  
Factory Mutual International  
Federal Insurance Co. (Chubb Corp.)  
Hartford Fire International Ltd.  
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## Benefit networks

Continued from page 3

much more financially appealing to their clients.

"The emphasis on why (companies) use the networks may have changed," observed Anthony Gillam, practice leader—international health and welfare in the international department of Johnson & Higgins in New York. These days, multinationals are using their clout "to get a lot of cash flow advantages," he added.

Levi Strauss International in San Francisco is representative of this new thinking. Evelyn Foster, the director of international benefits for the Levi Strauss & Co. unit, is generally satisfied with pooling, but she has some concerns. Those include the level of administrative charges and the rate of investment return.

Often this push by multinationals to bargain for a better deal takes place during year-end reviews.

Large contracts also are occasionally put out to bid, but not all of the networks are going after these, according to Robert M. Pickrell, president of the Multinational Benefit Associates in Norwalk, Conn., which represents the Brussels, Belgium-based Insurope network.

"The large clients are expecting a great deal more from the networks, and some are responding and some are not."

In 1990, Insurope's premiums and foreign lives covered rose nearly 29% and 20%, respectively, to \$187 million and 230,000 lives. The network is now represented in 38 countries.

Karl Muehlebach, executive vp of the Swiss Life Insurance and Pension Co. of Zurich, said most of his network's new clients were attracted from the large multinational sector "due to a transfer of business from other networks."

Swiss Life is represented in 39 countries and its premiums rose 11.34% to \$216 million last year. Master contracts rose 3.26% to 570.

Consulting actuary Gregory T. Glashan of Buck Consultants Inc. in Secaucus, N.J., observes an increased sophistication among many benefit managers. "I think benefit managers are getting smarter, so therefore, everybody has to work a little harder. The days when people didn't know where Belgium is are over."

Aetna/Generali's Ms. McDonald said that large multinationals are "playing to the bottom line" and expect the networks to do whatever they can to achieve improve the results on international benefit programs.

As a result, pooling arrangements and other network services are going to have to be improved, consultants and network officials agree.

While some of the attractive features being bandied about are not necessarily a part of today's international pooling contracts, observers believe techniques like administrative services only agreements, greater use of clients' captives and pan-European pension investments will become quite common.

"The major movement is in respect to worldwide ASOs," said Giles C. Archibald, managing director and the head of U.S. international consulting for William M. Mercer Cos. Inc. in New York.

As in domestic ASOs, the network provides administrative services to its self-funded client.

George G. Smyth, vp—international employee benefits department of the Winterthur Swiss Insurance Co. in New York, sees such arrangements gaining in popularity.

Winterthur boosted its premiums 24.5% to \$122 million last year with 124 master contracts and 105,000 foreign lives. To date, the network has orchestrated ASO arrangements only in a single country, and it has not handled any poolwide ASOs.

However, its new strategic partner, American International Group Inc., has put together a few ASOs for pools, Mr. Smyth said.

Similarly, GAIN's Mr. Janssen said

"there is no doubt that ASOs will gain in popularity on a worldwide basis."

What may be fueling the demand for ASO agreements is a desire by multinationals to pass on savings to local subsidiaries more quickly than they could with a traditional pooling arrangement.

According to a survey conducted by AIG's Group Management Division, 48% of this network's clients are using some type of a captive arrangement, an international ASO or "some other type of 'newer' funding arrangement, in addition to multinational pooling," reported Robert J. O'Connell.

Mr. O'Connell is the New York-

based group management director of this network, which last year boosted its premiums 18.3% to \$126.7 million. The network has 173 master contracts, 375,000 foreign lives and is represented in 139 countries.

Closely linked to the increased use of ASOs in some cases is a new willingness by the networks to incorporate a multinational's captive reinsurer into its program. Swiss Life is widely considered a leader with its new master captive treaty.

Mr. Muehlebach explained that the treaty "is an international ASO product for major multinationals with captives, which permits the corporation to effectively self-insure its subsidiaries' risks through the captive.

"This cash-flow based product offers important advantages, including self-management of insurance funds for potentially higher yields, while maintaining all the benefits of Swiss Life's local insurance expertise and administrative services."

Swiss Life's new ASO-captive link—which has yet to be purchased by a client—"appears to be something that's quite attractive that other networks will have to catch up with," predicted Mercer's Mr. Archibald.

Insurope is another network that appears willing to begin using a captive "in the true sense," said Mr. Pickrell, meaning that risk is actually transferred to the captive. In contrast, it has been possible for a mul-

tinational to have its captive sign the pooling agreement and receive the year-end dividend, without actually transferring any risk, he explained.

When a captive is used for reinsurance, "the belief is that you can earn greater interest than you can from local insurance companies," Mr. Pickrell said. That advantage is projected at 2% to 4%.

Consultants concur with Mr. Pickrell's assessment of the interest-earning capabilities of multinational captives. As Alexander's Mr. Long explained, by allowing a multinational's captive to act as the reinsurer, rather than another partner in the network, the multinational can

Continued on next page

# THE H O M



# OLD PROS ON

Continued from previous page usually reap an additional 3% or so in interest earnings. Combined with earnings on premiums and reserves, the captive can realize "big bucks" because the "year-end" dividend is already in its hands, Mr. Long said.

In evaluating Swiss Life's new product, Burt Murdoch, a vp with The Wyatt Co. in Stamford, Conn., said recent improvements in the process might make it more appealing to companies that want to use their captives more.

However, not everyone is convinced the time for captive reinsurance of an international benefits pooling arrangement has truly arrived.

"The biggest drawback we found with captives is the premium dollars just aren't big enough to make it worthwhile," said Virginia Hollis, vp—global benefits management for CIGNA Corp.

Formed in 1990, the Bloomfield, Conn.-based CIGNA network is new to the marketplace.

"But as the dollars start to grow, captives will be more of an issue," Ms. Hollis predicted.

CIGNA's clients, meanwhile, receive direct interest crediting, Ms. Hollis explained. Under such an arrangement, interest is earned and credited throughout the year on any surplus in a client's account.

This service "takes away some of

the necessity for a captive from a financial standpoint," Ms. Hollis contends.

Of course, direct interest crediting works the other way, too—interest is charged throughout the year on any excess expenses.

Mr. Long also expressed some concerns about captive arrangements, stressing that using a captive as part of an international pooling effort is only viable for very large multinationals, like those with at least 10,000 people to insure overseas. Smaller companies will not see a "noticeable impact," he said.

In addition, Insurope's Mr. Pickrell questioned the long-term prospects for captives. He argued that as the

differences in the value of European currencies narrow, interest rate differences will also narrow. In that case, the captive will not necessarily be able to outperform local insurers.

"We'll just have to wait and see," Mr. Pickrell concluded.

In addition to these developments, the discussions regarding pan-European pension investments continues, according to Joe LaSorte, an international consultant with Hewitt Associates, who recently moved from Hewitt's Lincolnshire, Ill., office to its St. Albans, England, office.

"We know the networks are looking into that" in response to the changing regulatory environment, Mr. LaSorte said.

Speaking last year, AIG's Mr. O'Connell said, "There is an increasing realization on the part of large multinationals that they have accumulated a large amount of pension assets worldwide." Furthermore, he said, these assets are being managed by local managers that may not be well-versed in global investment opportunities.

The networks are now beginning to respond. For instance, Winterthur launched its global managed funds program in January. According to Mr. Smyth, the program enables a corporation to diversify its investments, and because two of the funds are denominated in European Currency Units—whose value is based on a basket of European currencies—"the customer has a built-in currency hedge."

Winterthur's third fund is a cash reserve money market program in Swiss francs.

The future also promises more defined contribution plans, stock-option plans and other "U.S.-type programs for non-U.S. employees," predicted Mr. Glashan of Buck Consultants.

Most of the networks agree. AIG and Swiss Life both cited this trend as an outgrowth of multinationals' cost-control efforts.

However, GAIN's Mr. Janssen asserted that "defined contributions are no panacea.

"In the case of the Europeans who are so dependent upon the combined state- and employer-provided benefits, defined contributions will not be welcome."

International benefit networks also are seeking to improve their conventional services.

For instance, network managers are trying to respond to this perennial complaint by multinationals: "The bone of contention I have is why it takes so long to get the (year-end) check back," said Tom Harrison, the manager of corporate benefits and services for Stratus Computer Inc. of Marlborough, Mass.

In response to such complaints, Ms. Hollis said CIGNA now guarantees its clients that they will receive their year-end report within 120 days of the close of the pool year, provided that everyone in the pool has paid up. If the company fails to meet its self-imposed deadline, it tacks on 20% to the interest earned.

Ms. Hollis said that this guarantee is possible because CIGNA insists upon receiving monthly reports from its local network members. As a result, CIGNA can also provide clients interim reports, she said.

Service also is getting increased attention by the networks.

Ms. McDonald said Aetna/Generali is trying to move away from simply "selling a product." Instead, it emphasizes the need to work with clients to ascertain what its needs are. She said clients are asked, "What are your needs? What are the characteristics of what's being insured?"

George G. Smyth, vp-international benefits department of the Winterthur Swiss Insurance Co. in New York, suggests that a two-pronged challenge will require initiative by networks hoping to remain competitive: As corporations encounter more competition for workers, they will "try to improve their benefits and control costs" on a global basis, he said.

"The networks will have to become more creative and be more willing to become a partner with their clients. It behooves any network to look at their individual clients, see what they're looking for and tailor-make a suit that will fit them," he said.

This changing landscape of international pooling is not taking place solely in the backyards of large multinationals. Small- to medium-sized multinationals also stand to gain, particularly since this sector represents the networks' best chance to grow.

Johnson & Higgins' Mr. Gillam  
Continued on next page

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**Benefit networks**

Continued from previous page  
 said that while small group pooling "may not be very exciting," the networks are laying the groundwork for future growth.

The networks are banking on the fact that today's smaller companies—with, say, 200 people to insure in three countries—will someday grow into multinational giants needing coverage for thousands of people abroad.

Hewitt's Mr. LaSorte said the networks are spending much of their marketing effort on the smaller, emerging multinationals. "I think that's a smart move on their part."

According to Coopers & Lybrand's Mr. Souders and Alexander's Mr. Long, the potential for truly new pooling arrangements can be found only within the small- to mid-sized emerging multinational market.

Ms. McDonald said Aetna/Generali is "modifying (its) product for the

smaller market, working to simplify it, make it easier to understand."

Wyatt's Mr. Murdoch predicted that small group pooling will become more attractive, not only to multinationals new to pooling all together but to those who already have an individual pool established. "I think a lot of corporate clients who are in their own pool, perhaps with 300 lives, would do better in one of these small group pools."

Hewitt's Mr. LaSorte concurred, saying that "the networks are finding creative ways to put pools together" for smaller customers.

With only about 500 non-U.S. employees in 13 countries on its 2,400-person workforce, Stratus Computer is considered a small company in this field. "When you're smaller like we are, pooling makes all the more sense," Mr. Harrison said.

Yet one difficulty that can arise for a company the size of Stratus Computer is determining whether to be in its own pool or a part of a small

group pool. Mr. Harrison reported that Stratus has tried both approaches, and is now back in a group pool.

Regardless of their size, one factor ties multinationals together: a concern over costs.

While health care inflation probably is not as great outside the United States, relatively speaking, "health care costs are going up in the mature private sectors and employers are paying more attention," said Mr. Souders of Coopers & Lybrand.

"For the first time, clients are starting to question claims," Wyatt Co.'s Mr. Murdoch observed.

"What was immaterial in amount is now becoming in actual dollars, significant," said Anthony Gillam, practice leader—international health and welfare in the international department of Johnson & Higgins of New York.

In many parts of the world, costs are being pushed skyward by an aging population and advanced technology, observed Mr. McKay of Noble Lowndes.

Another reason behind medical inflation around the globe is the explosion in the number of long-term acute cases, including the rise in acquired immune deficiency syndrome cases, said Mr. Long of the A&A Consulting Group.

In response to rising health care costs, the multinational employee benefit networks are starting to introduce health care cost containment measures.

Second opinion programs, utilization and provider reviews and underwriting controls are being introduced in international benefit programs, according to Mr. O'Connell, of AIG.

Inflation and increased utilization, "brought on, in part by improved medical facilities," require the implementation of some cost containment measures, he said.

In all, the international benefit network market holds much promise for multinationals of all sizes, as the networks are "being more creative on both (the large and small) sides of the (customer) continuum," said Hewitt's Mr. LaSorte.

For the time being, expansion into Eastern Europe is on hold and—though it will take some time—competition is sure to get tougher as tariffs come tumbling down in post-1992 Europe.

Most of the networks believe that much near-term growth will be in the Pacific Rim, Latin America and, perhaps, among European and Far East multinationals that have not yet caught on to pooling.

CIGNA's Ms. Hollis said one "piece" of the growth puzzle can be found in "non-penetrated markets," like non-U.S. multinationals. "The real opportunities for us are the parent corporations based in the Far East and Europe."

Networks also may want to look at existing clients that are not fully pooled, like PepsiCo, Inc. of Purchase, N.Y., and Marriott Corp. of Washington, D.C.

According to Shan Burchenal, manager-international benefits for PepsiCo., local managers are required to have the corporation's two pooling carriers submit bids on the locally designed plan.

However, if local management determines that a proposal outside the pool is better, it can select another insurer.

Susan Busch, Marriott's director-international compensation and benefits, said the decision to pool a plan is made by the local operation.

And even though networks say they are interested in smaller employers, not everyone is finding the market receptive.

Sprint International pools whatever it can "to spread the risk," but it lacks the numbers to do much at this stage, said Robert Wickham, the manager of international compensation and benefits. Sprint is the Reston, Va.-based subsidiary of US Sprint Communications Co. ■



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## International networks pool benefit coverage

An international benefit network is a working arrangement among different insurance companies through which a multinational employer is able to obtain employee benefits coverages for one or more of its foreign-based subsidiaries through one master contract.

The claims experience of all of the employees' of foreign subsidiaries is pooled by the network, and good loss experience is rewarded with an "international dividend."

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

Whether a benefit is pooled through a network in a particular country depends in part on the quality of any state-sponsored benefit program and the coverage terms available from local insurers.

The structure of different networks can vary. A network can be formed by one insurer with subsidiaries in many foreign countries; by two large life insurance companies, usually a cooperative arrangement between one U.S. insurer and an overseas partner; or by several independent foreign insurers.

One unusual pooling program lets a multinational client form its own network by using insurers of its choice.

Most networks' master coverage 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 pooling program. The local insurer charges a premium, plus a risk charge that covers losses that exceed the income from the master contract, catastrophic coverage and costs involved if the contract is canceled. The premium is usually paid by the local subsidiary.

On the local level, a dividend is paid to the subsidiary if the insurer has a good year and the income exceeds costs. Local laws may determine the size of the dividend and whether it must be paid to the multinational's local subsidiary or to corporate headquarters.

The second agreement, between the network and the client's corporate headquarters, provides for pooling of experience under all local contracts. The total experience of all the subsidiaries is combined to determine if the parent corporation will receive what is known as an international dividend.

When determining the international dividend, the benefit network tallies premiums, investment earnings and reserves at the start of the year against claims, commissions, risk and expense charges, local dividends and reserves at year-end.

By spreading the risks through pooling, a firm's unfavorable claims experience in one country may be offset by good experience in another.

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

- Stop-loss system.

An employer's losses are fully underwritten by the network insurers in that experience year with no loss carried forward. The risk charge for this type of account is generally higher than for others.

- Loss-carryforward system.

All losses are charged to the current account and any negative balance is carried forward to the next experience year. The risk charge in this case is reduced to covering catastrophic losses and cancellation of a master contract with a deficit.

- Loss-carryforward system with contingency fund.

All losses and negative balances are treated as under a loss-carryforward system. However, to reduce

the normal risk charge for loss-carryforward, a contingency fund is established and maintained with an annual allocation which future losses may offset. In years of unfavorable claims experience, the contingency fund is first drawn upon to cover losses and any negative balance remaining is carried forward.

The contingency fund is an interest-bearing account. If a client cancels its contract with the network, that client's portion of the money is fully refunded, less any amount that has been used.

Some consultants say use of the loss-carryforward system with contingency fund is less prevalent than it once was because of the low yields generated by the funds. ■

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# Networks take long view of Eastern Europe's needs

By LORI BLOCK

Capitalism is beginning to take some bold, yet cautious steps behind what once was the Iron Curtain, but don't expect Western-style employee benefits to emerge in the old Eastern Bloc any time soon.

Though business opportunities are gradually emerging in the Soviet Union and other Eastern European countries, multinational corporations aren't exactly clamoring for international benefit networks to expand into this uncharted territory.

"In the last year, I have had one request for information about providing benefits in Eastern Europe," said Robert M. Pickrell, president of Multinational Benefit Associates of Norwalk, Conn., which represents the Insurope network.

Gregory T. Glashan, a consulting actuary with Buck Consultants Inc. in Secaucus, N.J., said clients aren't beating a path to his door seeking advice on employee benefits for their existing or future Eastern European or Soviet workers. "I expect that they will, though," Mr. Glashan added.

More than a dozen network representatives and benefit consultants agree that providing employee benefits in these fledgling free-market economies is a long-term possibility.

But for the moment, these workers—and their employers—"have an awful lot of other things to worry about," said Anthony Gilham, practice leader-international health and welfare in the international department of Johnson & Higgins in New York.

"Right now, the concern (among workers) is more where tomorrow's meal is going to come from," observed Jerry Long, managing director-international consulting services for Alexander & Alexander Consulting Group Inc. in Washington, D.C., a unit of Alexander & Alexander Services Inc.

From a company's perspective, the biggest concern right now is how to obtain the capital needed to start up or expand operations, said Michael Sandmann, division vp for the Multinational Insurance Arrangement, the benefit network orchestrated by Travelers Corp. of Hartford, Conn. Workers and employers alike "will have to go through massive pain before things can get better," he said.

"Private employee benefit plans have not yet developed, simply because of the historical pattern of 'cradle-to-grave' social care provided by the state governments," explained Robert J. O'Connell, group managing director of American International Group Inc. in New York.

However, Mr. Long said, "whether these governments will continue to provide cradle-to-grave coverage is questionable."

So far, these countries lack the internal mechanisms necessary for private health care and pension systems to exist.

"They haven't got private economies yet, and our product is private insurance," stated Virginia Hollis, vp-global benefits management with CIGNA Corp. in Bloomfield, Conn.

Burt Murdoch, a vp with The Wyatt Co. in Stamford, Conn., agrees. "If you want to provide benefits, there's only state insurance companies. There are no vehicles. It's not possible to write that kind of coverage."

Eric M. Janssen, a director with the Group Assurance International

Network of Brussels, Belgium, remarked that "the biggest challenge when entering these countries lies with the limited number of qualified partners. The lack of qualified and motivated personnel and the availability of hard currency in order to build up a solid infrastructure."

However, a gradual progression toward some form of employer-sponsored benefit system is expected.

"The more sophisticated these countries become, the greater the focus will be on benefits," predicted Jim McKay, an international actuary with Noble Lowndes U.S.A. in Chicago.

"The benefits that I predict will develop first are life insurance and disability insurance, because they are the cheapest. They give protection to the employees at a modest cost," he said.

Some expect that the state governments—sensing that they can engage in some large-scale cost shifting—will mandate that employers provide basic coverage.

Mr. Pickrell views this as an excellent possibility. "They're going to have to get relief from their own social security systems," he said of the "newly democratized" governments.

Mr. Long, however, offered this slightly more radical possibility for

these nations: the rebirth of the company town. Companies may choose to provide their workers with housing and low-cost food, medical care and clothing, thus borrowing an idea popularized during the American industrial revolution, he said.

"Certainly," Mr. Pickrell said, "many companies will feel paternalistic and want to provide (their employees with) benefits."

George G. Smyth, vp-manager of Winterthur Swiss Insurance Co.'s international employee benefits department in New York, concurs. "Companies are expanding into Eastern Europe and the Soviet Union. Eventually, they'll want to put in some benefits."

"Obviously, U.S. and European companies are going to be worried about their bottom line, but eventually benefits will be used as a tool to motivate their workers."

All the international benefit networks profess to be "looking into"

expansion opportunities behind the now-defunct Iron Curtain.

Many of the networks believe they have a head start: Some of the network's organizations are already involved via property/casualty insurance; others have a partner that has a ready established offices in locations like Hungary, Poland, Czechoslovakia or the former East Germany.

Winterthur, for example is counting on its alliance with AIG, which is already conducting property/casualty business in Eastern Europe.

All of the networks expressed an intention to be prepared for the eventual demand from multinational employers for benefit coverage in these countries.

"Our view is that once all these things sort themselves out, we'll be in those markets," said Elaine McDonald, managing director of Aetna/Generali International Benefits Network in New York. ■

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# Networks dismiss Europe 1992

By LORI BLOCK

Rather unceremoniously, international employee benefit network managers and benefit consultants are dismissing "1992" in Europe as a "non-event."

"1992" is the shorthand used to describe the falling of trade barriers between members of the European Community and the cross-boarder placement of insurance as a result of The Single European Act of 1985.

Those new trading opportunities will mean little for employee benefits as long as tax laws, currencies and languages remain different throughout the European Community, said Michael Sandmann, division vp of the Multinational Insurance Arrangement, the benefit network of Travelers Corp. in Hartford, Conn.

The impact of 1992, Mr. Sandmann

added, "is going to be gradual rather than sudden—a slow slide toward a more consolidated market."

"Everybody is talking like, as of Jan. 1, 1993, the whole world is going to change. That's not going to happen," insisted Robert M. Pickrell, president of Multinational Benefit Associates in Norwalk, Conn., which represents the Insurope network.

Barriers to the placement of group insurance between member states are to fall by May 1993.

"I don't think it's going to mean much of anything for quite a long time," said Virginia Hollis, vp-global benefits management with CIGNA Corp. in Bloomfield, Conn.

The problem, many agree, is that while the different nations are coming together politically, they still are struggling to come together in the regulatory and financial realms.

Joe LaSorte, an international consultant with Hewitt Associates who recently left the Lincolnshire, Ill. office for Hewitt's St. Albans, England, office, compares the E.C. members' recent behavior to that of a "bridegroom getting butterflies the night before his wedding."

"In theory, when 1993 comes into force, you should be able to write one plan (for all your employees throughout the European Community). But right now, with multinational pooling, that's really what I am doing," Mr. Pickrell said.

When the "true reality" of a single market comes to fruition, a multinational should be able to have its insurer write one policy and then see to it that the local insurers within the network provide the necessary service in each country.

But, he pondered how such ar-

rangements will be accepted: Will a German employee be comfortable being insured by a French insurer?

However, observers are confident that the single market will be a factor in European employee benefits.

And, when that happens, it's "going to intensify competitive pricing and require more flexibility on the part of European insurers," said Geraldine Pangaro, a field vp with The John Hancock International Group Program in Boston.

George G. Smyth, vp-manager of the international employee benefits department of Winterthur Swiss Insurance Co. in New York, said the move toward a single market is "forcing (networks) to regroup, consolidate and fine-tune" their efforts.

"Some networks are strengthening their cross-border capabilities with a European-wide strategic vision," said Robert J. O'Connell, director of the American International Group Inc.'s group management division. This includes the "consolidation of opera-

tions across Europe around a common identity, more efficient use of capital resources, sharing of systems support and (the) establishment of new distribution opportunities."

AIG is represented in 139 countries, including 64 represented by AIG subsidiaries, like the American Life Insurance Co. AIG also has entered into a strategic alliance with Winterthur.

Thus, network managers are optimistic that prospects are bright while the single common market is still developing and will continue to shine after it becomes a reality.

According to Karl Muehlbach, executive vp of Swiss Life Insurance & Pension Co. of Zurich, Switzerland: "The imminent onset of the single European market is affecting insurers in that competition is increasing rapidly. The networks are in a unique position because of their vast international experience to develop new products and services to respond to the challenges and opportunities." ■

## Benefit design is determined by local norms

As with domestic employee benefit plans, plans developed for foreign nationals are designed to control costs without sacrificing the ability to recruit and retain employees in disparate economies and cultures.

"The biggest challenge is to come up with equitable long-term benefits while making each local company look attractive for recruiting purposes in the short term," said Art Young, benefit manager at Hewlett-Packard Co. of Palo Alto, Calif.

Thus, Hewlett-Packard "goes through a fair amount of debate" before tinkering with plan designs and has an international benefits committee consisting of the chief financial and operating officers, the personnel director and an executive vp.

Some 40,000 of the firm's 93,000 employees are non-U.S. employees. In the future, Mr. Young said, the groups comprising the majority and minority will be reversed.

PepsiCo. Inc. of Purchase, N.Y., and Marriott Corp. of Washington, D.C., rely on their local foreign operations to design benefit plans.

"The local management is much more familiar with local preferences and local practices," said Shan Burchenal, PepsiCo.'s manager-international benefits.

"Usually we are providing local social security coverage" and determine what additional benefits other firms provide, said Susan Busch, director-international compensation and benefits for Marriott. "The locals have to decide what they need to provide and what they can afford."

Sprint International, the Reston, Va.-based subsidiary of US Sprint Communications Co., traditionally provides supplemental medical coverage to foreign nationals to provide near-full coverage, said Robert Wickham, manager of international compensation and benefits. For example, if the government provides 75% of an individual's health care, Sprint will cover another 15% or 20%.

Generally, it's not thought that foreign nationals have lower expectations than their American counterparts—just different ones.

"We have not found that workers abroad have lower expectations about their benefits," said Paul Warner, the manager of insurance plans for United Airlines Inc. of Chicago, a subsidiary of UAL Corp.

"Their perceptions regarding accessibility of health care and how claims are processed are extremely important to us. On the other hand, these international employees do not expect to have 'U.S. style' benefits. However, they do expect that the benefits they have will be completely administered" by the company.

—By Lori Block



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## 'Home plan' offers comfort overseas

By LORI BLOCK

In an effort to minimize their international employee benefit headaches, major multinational companies often keep their expatriates in the U.S. employee benefit program.

Keeping American employees working abroad in the "home plan," or in a plan that mimics the home plan, minimizes problems, benefit managers say.

United Airlines Inc. of Chicago, a subsidiary of UAL Corp., provides its

U.S. expatriates with "generally the same benefit program" and "experiences very few problems in the international area," explained Paul G. Warner, United's manager of insurance plans.

It's an approach that simply "works better," says Shan Burchenal, manager-international benefits for PepsiCo Inc. of Purchase, N.Y.

Americans would be uncomfortable in a plan designed for—and administered by—foreigners, it's agreed.

Washington, D.C.-based Marriott

Corp. has a benefit plan specifically designed for its 130 American expatriates and third-country nationals that parallels the U.S. program.

The program provides medical and dental care to the employees and their dependents, permitting them to select their own physicians. It also provides the expatriates with comparable life insurance, accidental death and dismemberment coverage and long-term disability insurance.

Susan Busch, Marriott's director-international compensation and benefits, says the plan in practice differs little from the U.S. plan. However, one key difference is that the turn-around on claims is actually quicker on the overseas plan, which is pooled, than the U.S. plan, she said.

Also, there is only one medical plan; managed care with multiple medical plans is currently not a part of the expatriate program, Ms. Busch added. Furthermore, in the last four years, the company has not incurred a rate increase and its experience has been good, she said.

Foreign nationals and expatriates appear satisfied with the plan, which allows them to choose their own health care providers and guarantees them that they will be "air evacuated" should the local provider determine that the appropriate treatment is not available in that location, Ms. Busch noted.

And, operating a plan that is similar to a corporation's primary plan or, in the case of PepsiCo and Hoechst-Celanese Corp., keeping these employees in the U.S. benefit plan, is easier on the benefit managers.

Such an arrangement guarantees "simplicity of administration," explained Murray Forbes, assistant manager of international human resources at Somerville, N.J.-based Hoechst-Celanese. Its 70 expatriates are covered under the chemical company's self-funded medical plan.

Some benefit managers are fortunate that none of their employees is stationed in a location where the health care would be considered substandard.

"We are a company that's not located in third world countries," explained Evelyn Foster, the director of international benefits for Levi Strauss International, a San Francisco-based subsidiary of Levi Strauss & Co.

Thus, the company has to make few special arrangements for its international executives. However, like other multinationals, Levi Strauss offers its expatriates tax equalization and goods and services allowances, while keeping them in the home benefits plan.

Sprint International, the Reston, Va.-based subsidiary of US Sprint Communications Co., also keeps its few expatriates in the home plan, while providing them with various cost of living adjustments. "The underlying philosophy right now is to keep these people whole in terms of their standard of living vis-a-vis the U.S.," said Robert Wickham, Sprint International's manager of international compensation and benefits.

Other perquisites such as employees may receive include housing assistance, foreign service and hardship premiums, child education, relocation expenses and regular trips back to the United States for the entire family, Ms. Busch said.

Of course, some companies do have to cope with issues of inadequate health care abroad.

Tom Harrison, manager of corporate benefits and services for Stratus Computer Inc. of Marlborough, Mass., recalled when an expatriate became ill in China. First, the employee was larger than the average Chinese patient, and the average Chinese examination table. Then came an air evacuation and other emergency measures. In the end, the illness cost the company \$12,000. ■

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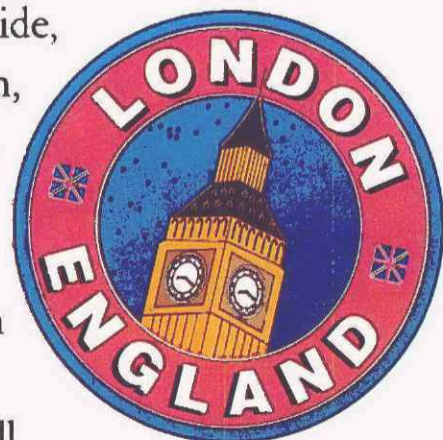
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# Claims-made form under fire

By William Platz

**I**N THE COURSE of discussing insurance issues in Europe, we often hear assurances that while the insurance environment is changing, it is not likely to follow the path of the United States.

The absence of jury trials for civil cases, punitive damages, joint and several liability and contingency fees are among the reasons cited for the continuation of a more stable insurance climate in Europe. Another is the judicial interpretation of the insurance contract, which has not favored policyholders to the extent witnessed in the United States.

While this generally has been the case, recent developments in France call into question this notion. The Cour de Cassation, France's supreme court, last December rendered seven decisions that refused to recognize the claims-made trigger in liability insurance policies.

The court reasoned that the claims-made clause "deprives the insured of the necessary consideration received in return for the payment of insurance premiums for the policy period, thus creating an illicit advantage, without cause, to the profit of the insurer."

These seven rulings thus strike down the claims-made trigger in France.

This is quite an interesting development in a country where almost all of the general liability policies are written on a claims-made basis.

At present, the insurance industry is reacting with a proposed agreement for handling claims to avoid any disputes between different insurers over which policy covers a given claim.

The agreement is designed to prevent insurers from taking advantage of the December rulings by bringing court action against the insurer on a risk at the time of a loss.

Such an agreement is in the interest of the insurance companies, as individual court actions based on the rulings would compromise the companies' common position regarding the validity of claims-made wordings.

The Assemble Pleniere des Societes D'Assurances Dommages, an insurance industry organization, recommends that even for disputes between

## Rulings in France favor policyholders

successive insurers that are based solely on policy language rather than on the new rulings, the differences should be settled among the insurers themselves.

Legal proceedings for such disputes concerning the application of successive policy periods would "come at a bad time," given the questions raised by the recent decisions.

The supreme court is made up of three civil chambers, the First Chamber being the recent "aggressor" of the claims-made position. The three chambers are not hierarchical, but are equal in their power to set judicial precedent.

It is not uncommon to receive conflicting decisions from different chambers of the Cour de Cassation. This is the setting for future debates on the life or death of the claims-made trigger in France.

It is worth noting that the court had delivered an earlier blow in January 1985 by ruling that third parties bringing a direct action against the insurer can still benefit from the insurance, even if the policy period expires. While this was also a denial of the claims-made trigger, it had rather limited effects.

If insurance still was in force at the time of the claim, the injured party had no interest in taking direct action against the prior insurer. Only in the absence of insurance at the time of the claim was there likely to be an action against the prior insurer.

The December 1990 rulings, of course, break new ground. The basis for refusal to recognize the claims-made trigger is basically that it is "unjust" in that the policyholder would not receive any consideration in exchange for insurance premiums paid.

Insurers intend to try and promote an understanding in the court of the insurance mechanisms that allow parties to contract freely in negotiating the events that are to be covered and

those that are to be excluded. However, the industry group APSAD points out in a recent circular the following:

- In rendering the seven decisions on the same day, the high court intended to create a significant new legal precedent.
- Although all the rulings concerned the construction sector, the reasoning of each is drawn up in general terms that apply to all general liability and product liability/completed operations policies that are written on a claims-made basis.
- The judges do not understand that the insurance provided by an insurer does not always cover all the liability incurred by the policyholder. In this regard, the December rulings proceed from the same logic as those of May and July 1990, which refused to take into account the defective product exclusion.

(Those earlier rulings refer to the exclusion for damage to the policyholder's own products. These are earlier examples of very broad judicial interpretation in the policyholder's favor.)

The APSAD circular goes on to express concerns of a destabilization of liability insurance in a European market characterized by strong competition.

There is not yet a decision or an official recommendation for modification of the policy language to take into account these developments. The APSAD finds it premature to modify the affected clauses to conform with these questionable rulings that challenge the system utilized by nearly the entire French market.

Instead, there will be a period of reflection on possible improvements to the most recent claims-made clause recommended to the market in 1988.

Thus, there is no immediate plan to stop issuing claims-made policies in the French market, but ultimately the future course of action will depend on the success or failure of the insurers' common argument to the court. ■

*William Platz is underwriting manager at Zurich International-U.S., a unit of Zurich-American Insurance Group in Schaumburg, Ill.*

# Weighing risks in medical treatment

By Beverly Patrick

**I**MAGINE YOU ARE suffering from a life-threatening illness and know about an experimental drug or therapy that has been found to be effective in some situations. However, when you ask your physician about the treatment, you are informed that he or she cannot help you because the risks associated with the treatment are simply too great. Sadly, all too often this is the case.

Unfortunately, all medical breakthroughs involve some degree of risk. Most medical innovations considered standard procedure today would not exist if absolute caution reigned in medicine. We wouldn't have transplants; we wouldn't have vaccines. However, when the inherent risk associated with any medical treatment is combined with our country's liability system, in many cases the risk simply becomes too much to bear.

Consider one area of continuously expanding liability. Recently in New York, lawyers asked the State Court of

Appeals to consider whether their client is a victim of a drug taken by her grandmother more than 30 years ago. Although such third-generation cases have not been successful in the past, even the threat of liability over such a wide-sweeping time frame can have a chilling effect on the development of new drugs and procedures.

One of the most pressing problems facing risk managers today is trying to weigh these risks against the benefits of new drugs, procedures and therapies. A new medical device may lead to medical breakthroughs, a revolution in treatment. Or, trying out an unproven machine may result in severe patient injury and catastrophic negligence losses.

Where do we draw the line? How can we carefully weigh the risks associated with a particular treatment or therapy against the potential benefits?

In general, each individual health care risk manager must make an assessment about the mission of his or her particular organization and weigh it against the new drug or procedure.

What may be considered acceptable risk in a teaching and research facility—where experimentation is almost expected—may be considered quite unacceptable in a community hospital.

There are, however, some specific steps that health care risk managers can take to help make these dramatic life-and-death decisions easier. For example, three questions risk managers should ask themselves are:

- Is the procedure in the best interest of the patient?
- Is there enough clinical information to go on to support the application of therapy?
- What are the state and federal regulations that might apply to the procedure?

In addition, another crucial factor for health care risk managers to consider is informed consent. Risk managers must be certain that all the appropriate consent and disclosure forms are provided to the patient and that the patient is aware of any side effects or potential hazards.

Risk managers also should evaluate

new clinical procedures by having a medical staff committee discuss the concept. In addition, anyone else who might have expertise in the area should be involved to analyze the protocols and establish a way to monitor the development of the new procedure.

Clearly there are no easy answers. In medicine, taking risks can mean saving lives or experiencing catastrophic losses.

As a result, health care risk managers must learn, to the best of their abilities with available resources, to determine which risks are worth taking. ■

*Beverly Patrick is president and chief executive officer of Professional Risk Management Services, a Washington, D.C.-based firm specializing in professional liability programs.*



# Japan's insurance market

## Affluence spurs shift from commercial to personal lines

By Douglas N. Smith

THE OPENING of the Japanese market to foreign companies is the subject of serious bilateral and multilateral trade negotiations.

Difficulties encountered by American companies in gaining Japanese market share is often discussed in the popular media. Books discussing this subject are frequently on the best seller lists. While most attention is given to manufactured products, the service industry and financial community also share the spotlight.

However, the liberalization of the insurance market, although at one time a major issue with the United States and European Community members, is no longer a major agenda item. An understanding of the Japanese market may help to understand the current situation.

The Japanese insurance market currently is the second-largest market in the world, after the United States. A recent survey listed five Japanese insurance companies in the Top 10 of the world's largest insurers. Interestingly, of the 58 insurers operating in the Japanese domestic market, 34 are owned by foreign companies.

In 1989, the direct premium written by these foreign companies was \$1.8 billion. However, this represented only 2.8% of the total gross written premiums generated in Japan. Despite this seemingly smaller market share, Japan remains the single largest overseas business operation for such non-Japanese insurers as CIGNA Corp. and AIGlobal.

By line of insurance, automobile coverage by far generates the most premiums in Japan. Including compulsory liability, automobile premiums account for 39.5% of the country's premiums. This is followed by personal accident insurance, 30.2%; fire insurance for industrial, commercial and household risks, 21.2%; ocean and inland marine, 3.3%; and miscellaneous other coverages—general liability, workers compensation, aviation, computers and nuclear liability—round out the figures at 5.8%.

If one looked back 30 years ago, a general shift from corporate insurance to personal lines would be detected. In 1960, personal lines accounted for 55% of gross written premiums, but has grown to 85% today. This means that corporate buyers of insurance have decreased to only 15% of the market.

The explosive growth in personal lines can be attributed to the overall development of the Japanese economy and the growing affluence of its people. It also can be attributed to the introduction of "Tsumitate-gate coverage" (maturity refund-type insurance).

The "Tsumitate" coverages take advantage of the Japanese propensity to save money. The specific feature of these coverages is that the insurance

### International issues

companies will pay favorable dividends to policyholders after the coverage expiration regardless of losses or damages incurred. The long-term comprehensive insurance was first introduced in the marketplace in 1968, with the first Tsumitate Family Traffic Accident policy being underwritten in 1974. And, with the development of the Family Personal Accident and Ordinary Personal Accident coverages tied to maturity refunds in 1986, premium volume increased significantly for these types of policies. Since then, maturity-type refund insurance had maintained a market share of 40% of all premiums. Investment assets are increasing in parallel with the premium growth of these lines.

**Outside Japan, domestic insurers primarily restrict their operations to providing for Japanese firms operating overseas. When a domestic client decides to operate overseas, the lead Japanese insurer will obtain any necessary licenses in that country or appoint a general agency.**

The distribution of non-life insurance products in Japan is regulated by the Ministry of Finance. The regulations are based on the Insurance Business Law, 1939, whose aim is to supervise private joint-stock or mutual insurance companies. The objective of the Insurance Business Law is to protect the interests of the policyholders and to ensure that the companies conduct business using sound business principles. The regulations, therefore, encompass not only the organization, licensing and capital requirements of insurance companies but their daily activities as well.

Because of the extent of its regulatory charge, the Ministry of Finance has the responsibility to examine any and all aspects of the business, including:

- Annual reports, accounts, balance sheets and any other documents.
- Field audits of the books, vouchers, etc.

There are provisions for steps to be taken in order to protect policyholder interests, which include restrictions on the type of business the companies are allowed to engage in and limitations on the activities of corporate executives in management activities of other companies.

Each insurance company must file its rates and forms with the Ministry of Finance for approval before it may do business, even if the rates and forms are identical to those of other companies. Once a form is filed, it may be issued and rated only in the manner stipulated in the filing. Any unfiled or manuscript endorsement is, in effect, changing the character of the policy and requires a separate filing and

approval of the ministry. As one may imagine, such tight control can be frustrating, particularly because of the ministry's reputation as a slow-moving bureaucracy. However, it also has been the Ministry of Finance's practice not to be intrusive in the operations of foreign insurers with regard to their foreign-based clients operating in Japan.

The fire business in Japan has been relatively profitable. The rates are controlled by the Ministry of Finance. Historically, the Japanese are very sensitive to the consequences of fire. Because of the predominance of wood housing material and light construction, unchecked fires can take a terrible toll. For example, the city of Edo has burned to the ground due to out-of-control fires several times since the 1800s. Since 1923, when the last great earthquake occurred, the most far-reaching damage was a result of

incendiary bombing during the war. This sensitivity perhaps explains the excellent responsiveness to loss prevention programs.

The government has enacted various laws and regulations to encourage the eradication of the causes of fire. The laws promote:

- Greater use of incombustible or slow-burning building materials.
- Construction of cities with a view toward loss prevention.

As an example of the latter point, the Marunouchi—one of Tokyo's business centers—was planned with wide thoroughfares and excellent water supplies. This planning venture also shows an emphasis on providing equipment to extinguish fires in their early stages.

The Marine & Fire Insurance Assn. of Japan Inc. conducts a nationwide campaign for loss prevention with contests, movies, slogans and lectures about the importance of fire prevention and safety. These campaigns enjoy widespread support throughout Japan.

The operations of Japanese insurers outside of Japan have been somewhat limited. Only 13 companies operate facilities outside Japan, and they primarily restrict their operations to providing for Japanese corporations operating overseas. When a manufacturer that is a regular domestic client decides to operate in a foreign country, the lead Japanese insurer will obtain any necessary licenses in that country or appoint a general agency in order to issue local policies and provide needed services. The limited scope of Japanese insurers' foreign involvement is reflected in their total premium

written, which was only \$446 million in 1989.

Japanese insurers, however, are active in reinsurance markets. Because of the earthquake exposure, it is essential to export that risk by way of overseas reinsurance. In return, Japanese insurers accept large overseas risks like jumbo jets, bulk tankers, nuclear power plants, etc.

A developing challenge to the Japanese insurers is from reciprocal exchange cooperatives. These are quasi-insurance systems run by agricultural co-ops, farmers' associations or other groups. These systems are beyond the Ministry of Finance's control and are supervised only by municipal and other local authorities. The co-op system has generated premiums of about \$2.5 billion in 1989, which is equivalent to the premium volume of Japan's fourth-largest insurer. Their services may be considered poor in comparison to professional insurers, and their financial base may be considered weaker, but the exceptionally competitive rates offered make these cooperatives quite attractive to many insurance buyers.

Finally, a word about the case agent, which is a uniquely Japanese creation. Case agents are insurance agencies that are partly owned—up to 49%—by one company or industry. The case agent primarily handles the business of its associated companies.

Since under Japanese regulations Japanese companies cannot directly discount insurance commissions, the case agent provides a means by which a company can indirectly retrieve some of its own insurance premium. The case agent system also is an excellent vehicle to provide work for retired senior employees.

When the next round of trade negotiations get under way, we should not anticipate much discussion about insurance.

The reasons could be many, but the following seem primary:

- Good financial results of the operations of non-Japanese insurance companies despite lack of market share.
- Lack of intrusion by Japanese insurance companies in non-Japanese markets.
- Equal treatment to filings of foreign and domestic insurers by the Ministry of Finance.

In spite of the difficulties in other aspects of trade negotiations, the Japanese government will continue to make progress in the insurance market. ■



Douglas N. Smith is vp and manager of the International Department of Johnson & Higgins in New York. His column appears the first Monday of every month.

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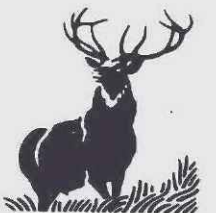
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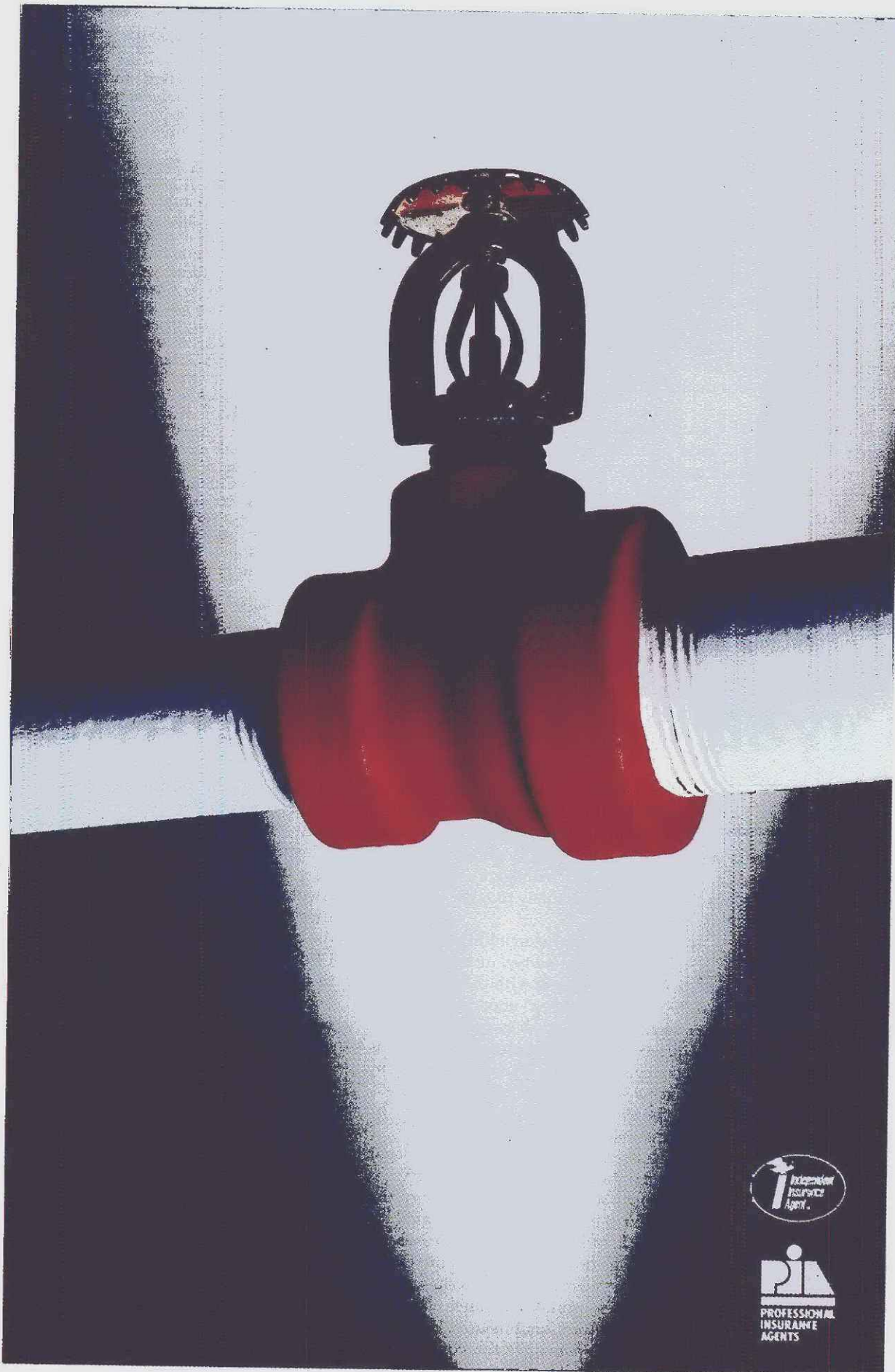
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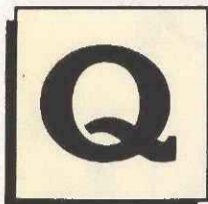
**ITT HARTFORD**

# BEFORE IT POURS, WE SHINE.

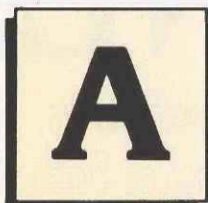


# ASK A BENEFITS ACTUARY

## IRS does about-face on plan restructuring



**How do new plan restructuring rules affect 401(k) plans?**



This question comes from the employee benefits manager of a large manufacturing company. His company has looked at plan restructuring as an option for satisfying the non-discrimination requirements of Internal Revenue Code Section 401(a)(4). The

benefits manager has heard of changes in the plan restructuring rules in recently issued final regulations from the Internal Revenue Service and is wondering about their impact on 401(k) plans.

The proposed regulations under IRC Section 401(a)(4) permitted a single plan or a group of plans (aggregated plans) to be restructured into component plans in order to pass the non-discrimination requirements of IRC Section 401(a)(4). Under this restructuring rule, if each of the component plans of the single plan or aggregated plans separately satisfies IRC Sections 401(a)(4) and 410(b) relating to minimum coverage requirements, then the single plan or aggregated plans satisfy IRC Section 401(a)(4). It is perhaps easiest to think of each of these component plans as a plan that could be established by the plan sponsor; all of the component plans, when taken together, would reproduce the same benefits of the single plan or aggregated plans.

The proposed regulations provided three alternative methods for restructuring a single plan or aggregated plans: employee group, total rate and rate segment. Plans that included 401(k) salary deferrals, employer matching contributions and employee after-tax contributions—the last two being 401(m) contributions—could use the employee group method. Under this method, a plan was

permitted to be restructured into component plans benefitting non-overlapping groups of employees—in other words, employee group restructuring. For example, employees at different locations might be restructured into component plans.

These restructuring rules in the proposed regulations were significant because they represented one of the few areas in which the IRS made a constructive attempt to eliminate some of the additional administrative burdens imposed by the Tax Reform Act of 1986.

In the May 1990 regulations proposed to implement the new rules under IRC Section 401(a)(4), the IRS indicated that the goal of restructuring was to permit a plan to satisfy the non-discrimination rules if each of the component plans would have satisfied the non-discrimination rules. Because of this rule, a plan sponsor would not have to maintain these component plans as separate plans to satisfy the non-discrimination rules; such splitting of plans would increase the plan sponsor's administrative effort for government filings, plan documentation and other administrative tasks.

In this context, it is very disappointing that the IRS has indicated in both the final regulations for IRC Sections 401(k) and 401(a)(4) that it will not permit restructuring after the 1991 plan year for non-discrimination testing of IRC Section 401(k) salary deferrals and 401(m) contributions.

The IRS offers two reasons for this change on restructuring. First, "the statutory language of IRC Sections 401(k) and 401(m) indicates that the ADP and ACP (Actual Deferral Percentage and Actual Compensation Percentage) tests are to be applied, and appropriate corrections made, on a plan-wide basis."

This reason is weak at best. If the statutory language requires "plan-wide treatment," why did the IRS propose restructuring for IRC Sections 401(k) and 401(m) plans in the first place? The statutory language was the same when the IRS first proposed plan restructuring.

The second reason given by the IRS for its change on restructuring is that "restructuring dilutes employer incentives to encourage participation by non-highly compensated employees and may increase the individual disparities in deferrals and contributions that would otherwise be permitted

under the ADP and ACP tests."

I suggest that this is the real reason. The IRS does not want highly compensated employees to get too many tax benefits, and the IRS appears to believe that restructuring would give them too many.

And who pays the price for the IRS having backslid on its good intentions for easing administrative burdens? Plan sponsors, of course. Some plan sponsors incurred the expense of constructing plans under the assumption that restructuring 401(k) plans might be more than a two-year fling by the IRS. Now they have to incur the expense of creating separate plans if they want to maintain those same tax benefits for their highly compensated employees. The IRS has not precluded plan sponsors from maintaining these tax benefits to highly compensated employees; it has merely made it more difficult and expensive. The rational basis for this public policy is hard to understand. ■

*Would you like advice from an experienced colleague on a risk management, benefits management or actuarial problem? Four features in the Perspective section of Business Insurance can give you some answers.*

*Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefits management issues and actuarial problems.*

*This month's column on actuarial issues in the benefits field is written by William J. Miner, an actuary with The Wyatt Co. in Chicago. Richard E. Sherman, president of Pacific Actuarial Resources (PAR) EXCELLENCE in Ashland, Ore., answers actuarial questions in the casualty field. Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers risk management questions.*



Mr. Miner

*Dennis J. Nirtaut, manager of employee benefits at Continental Bank Corp. in Chicago, answers questions on employee benefit plans. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Ms. Werner's and Mr. Nirtaut's columns appear alternately on the second Monday of each month. Mr. Miner's next column will appear in December.*

*Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.*

## Avoiding pitfalls in standard endorsements

**"The Additional Insured Book"**  
By Donald S. Malecki and Jack P. Gibson

Published by International Risk Management Institute, 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217  
\$48.50

By Kevin M. Quinley

**L**IKE FLIES TO HONEY, an insurance policy tends to attract additional organizations and individuals, each in line to claim that they, too, are covered by a policy for which someone else has paid.

Although adding someone else as an additional insured to liability policies has become commonplace, the practice remains a highly misunderstood and controversial area that can cause big headaches.

Here is an authoritative book that not only identifies potential problems, but also gives insurance buyers practical ways to avoid them. Co-authors Donald S. Malecki and Jack P. Gibson are

### Books & ideas

heavyweights in this field. Mr. Malecki is president of his own risk management consulting firm in Cincinnati, while Mr. Gibson is president of the International Risk Management Institute in Dallas. Together, they have produced a work that will be considered the standard-setter in this field.

For example, "The Additional Insured Book" offers guidelines for developing manuscript endorsements that eliminate some pitfalls created by standard endorsements. Worth the cost of the book alone are the sample endorsements that risk managers can use with their comprehensive general liability and umbrella liability policies.

The 189-page text also includes reprints of the 27 standard additional insured endorsements developed by the Insurance Services Office Inc. The authors have added seven sample manuscript endorsements that incorporate some of the book's recommendations.

Here are some of the questions that "The Additional Insured Book" answers:

- Should risk managers agree to add others to their liability policies?
- Should risk managers require others to add their company to other liability policies?
- Should you be an additional insured or an additional *named* insured?
- What is wrong with the standard "additional insured" endorsements?

Knowing the answers to these questions can save risk managers much money and heartburn. The authors draw from a wealth of practical experience and definitely do not have an ivory tower orientation. Those risk professionals concerned about the legal ramifications of additional insured decisions will be comforted to learn that the text is based on extensive legal research. More than 100 court cases involving additional insureds are cited.

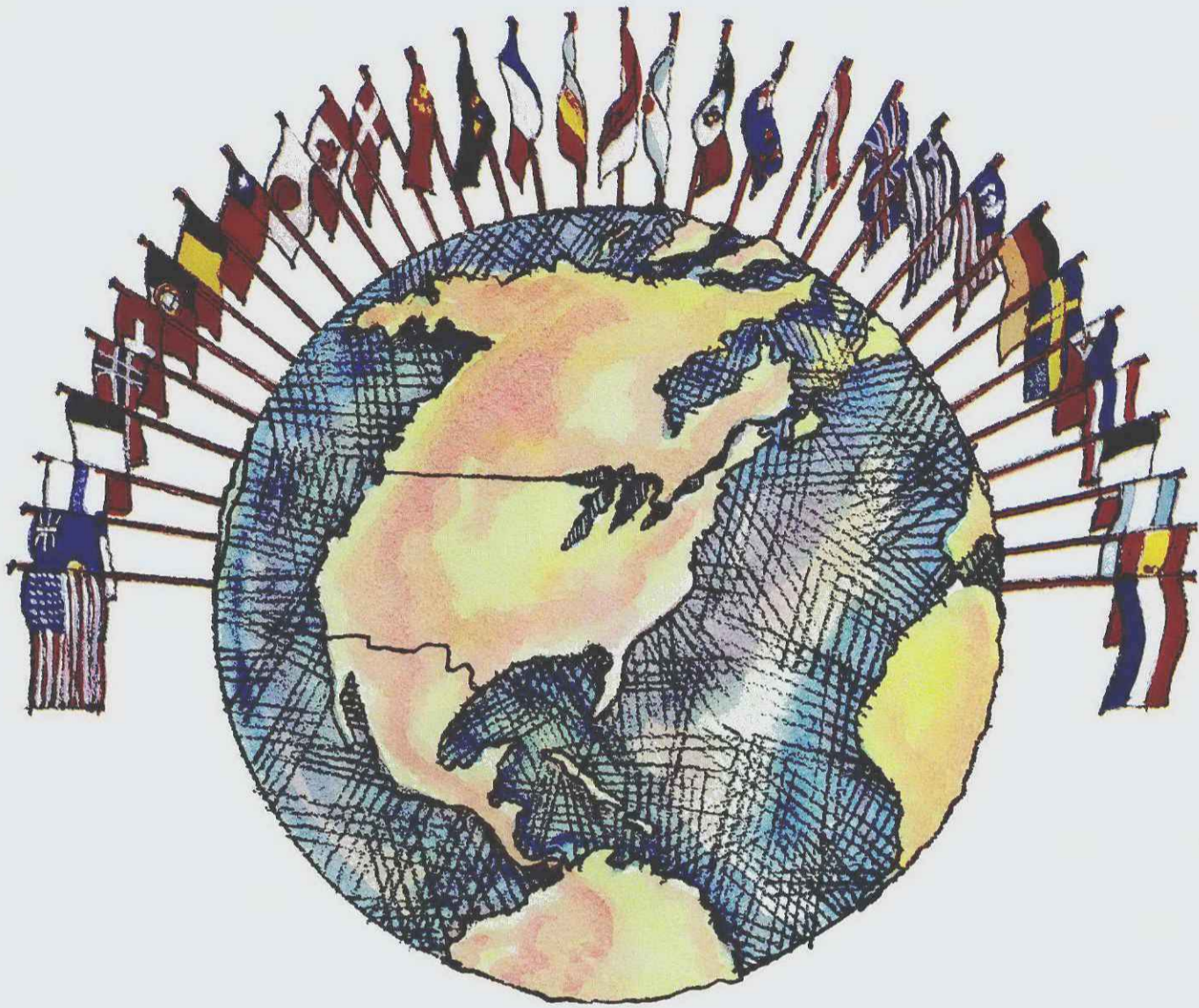
Anyone who sells, underwrites, adjusts or litigates liability insurance claims will find "The Additional Insured Book" very handy. Risk managers and corporate counsel, of course, will find it handy

when negotiating or drafting insurance requirements for leases, construction contracts and other similar documents.

Insurance agents and brokers will refer to this book repeatedly to help clients negotiate contracts and to make sure they arrange insurance programs that avoid common problems. Underwriters can apply the suggestions in this text to develop novel endorsements that eliminate or at least reduce the potential for conflicts with other insurers. Claims adjusters and attorneys should find the case law analysis essential when negotiating, settling or litigating additional insured coverage issues involving multiple liability insurers. ■

*Kevin M. Quinley is vp of risk services for MEDMARC Insurance Co. Risk Retention Group Inc. and subsidiary Hamilton Resources Corp., both of Fairfax, Va. Mr. Quinley holds the Chartered Property & Casualty Underwriter and Associate in Risk Management designations.*

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HUNTER**

# Directory of multinational benefit networks

A

## AGRI Benefits Network

Postbus 91, 3000 Leuven, Belgium;  
32-16-24-3300; fax: 32-16-24-3212

	1990	1989
Int'l premiums	NA	NA
Pension funds	NA	NA
Employees	NA	NA
Lives covered	NA	NA
Master contracts	NA	NA
Foreign countries	10	10
Offices	1	1

**Formed:** 1987.

**Member companies:** Raiffeisen Versicherung, Austria; ABB, Belgium; Tapiola, Finland; Groupama Assurances, France; R+V Versicherung, Germany; Agrotiki Life, Greece; La Luxembourgeoise Vie, Luxembourg; Interpolis, Netherlands; Lansforsakringar, Sweden; NFU Mutual, United Kingdom.

**Minimum requirements:** Lives must total 250 years, two countries.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Tom Meeus, secretary.

## Aetna/Generali International Network

1 Liberty Plaza, 37th Floor, New York, N.Y. 10006; 212-602-7600; fax: 212-587-9539

	1990	1989
Int'l premiums	\$210,000,000	\$201,000,000
U.S. owned	70%	74%
Non-U.S. owned	30%	26%
Pension funds	\$985 million	\$970 million
Employees	88	92
U.S.	28	32
Non-U.S.	60	60
Master contracts	115	110
Foreign countries	45	45
Offices	8	8

**Formed:** 1966.

**Member companies:** Assicurazioni Generali S.p.A. and Cia. Providencia Seguro de Retiro, Argentina; The Prudential Assurance Co. Ltd., Australia; Generali-Allgemeine Lebensversicherung, Austria; Generali Belgium S.A., Belgium; Generali do Brasil, Brazil; Aetna Canada, Canada; Aetna Chile Vida S.A., Chile; Cia. Granadina de Seguros, Colombia; La Nacional and Cia. de Seguros, Ecuador; Misr Insurance Co., Egypt; Generali France S.A., La Concorde and La Federation Continentale, France; Generali Lebensversicherung A.G. and Generali Krankenversicherung, Germany; Generali Life, Greece; Aseguradora General S.A., Guatemala; East Asia Aetna Insurance Co. Ltd. and Blue Cross Insurance Ltd., Hong Kong; Irish Life Assurance Co., Ireland; Assicurazioni Generali S.p.A., Italy; Mitsui Mutual Life Insurance Co., Japan; Dongbu Aetna Life Insurance Co. Ltd., Korea; Le Foyer and Cie. Luxembourgeoise d'Assurances, Luxembourg; Aetna Universal Insurance Co., Malaysia; Seguros America S.A., Mexico; De Nederlanden van 1870, the Netherlands; The Prudential Assurance Co. New Zealand Ltd. and Aetna Health New Zealand Ltd., New Zealand; Forenede Liv A/S, Norway; Cia. Internacional de Seguros de Vida S.A., Panama; Cia de Seguros "ATLAS", Peru; Insular Life Assurance Co., Philippines; Tranquilidade Seguros E.P., Portugal; Insurance Corp. of Singapore, Singapore; Standard General Insurance Co., South Africa; Assicurazioni Generali S.p.A., Spain; Skandia International Insurance Co., Sweden; Geneva Life Insurance Co., Switzerland; Aetna Life Insurance Co. of America, Taiwan; Siam Life Insurance Co. Ltd., Thailand; Generali Sigorta A.S., Turkey; Aetna Life Insurance Co. Ltd., London Clerical Medical Investment Group and London Assicurazioni Generali, United Kingdom; Aetna Life & Casualty/Employee Benefits Division, United States; Seguros Nuevo Mundo S.A.,

Venezuela; Aetra Life & Casualty, Bermuda; Assicurazioni Generali S.p.A., Channel Islands.

**New participants:** Aetna Taiwan, Taiwan; Dongbu Aetna Life Insurance Co., Korea; Tryg Group, Denmark; Aetna Universal Insurance, Malaysia; Generali Sigorta A.S., Turkey.

**Minimum requirements:** One country for participation; two countries and 100 lives for multinational pooling.

**Business:** 10% medical, 26% life, 2.5% accidental death, 9% long-term disability, 52.5% pensions.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Elaine McDonald, managing director-Aetna; Gianni Ban, senior vp-Generali.

**U.S. contact:** Susan Kramer, marketing department, 212-602-7640.

## American International Group Inc.-Group Management Division

80 Pine St., New York, N.Y. 10005; 212-770-2300; fax: 212-785-0687

	1990	1989
Int'l premiums	\$126,700,000	\$107,100,000
U.S. owned	79%	81%
Non-U.S. owned	21%	19%
Pension funds	\$668,000,000	\$581,000,000
Employees	426	442
U.S.	65	67
Non-U.S.	361	375
Lives covered	375,000	311,000
Master contracts	173	171
Foreign countries	139	137
Offices	84	84

**Formed:** 1953.

**Member companies:** Located in 97 countries.

**New participants:** First American Hungarian Insurance Hungary; First American Life Insurance, Poland; Winterthur Life Insurance network, Austria, Belgium, Denmark, France, Germany, Holland, Luxembourg, Switzerland, and in Ireland as New Ireland Life.

**Minimum requirements:** Two territories and \$100,000 annual premium.

**Business:** 53% medical, 43% life, 4% accidental death.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Robert J. O'Connell, Group Management Division director/president-AIG's dome life companies; Gregory A. Arms, vp/GMD deputy director; Henry Hsiang, vp/GMD deputy director-pensions.

**U.S. contact:** Gregory A. Arms, 212-770-2246.

## AREA Benefits Network International Services

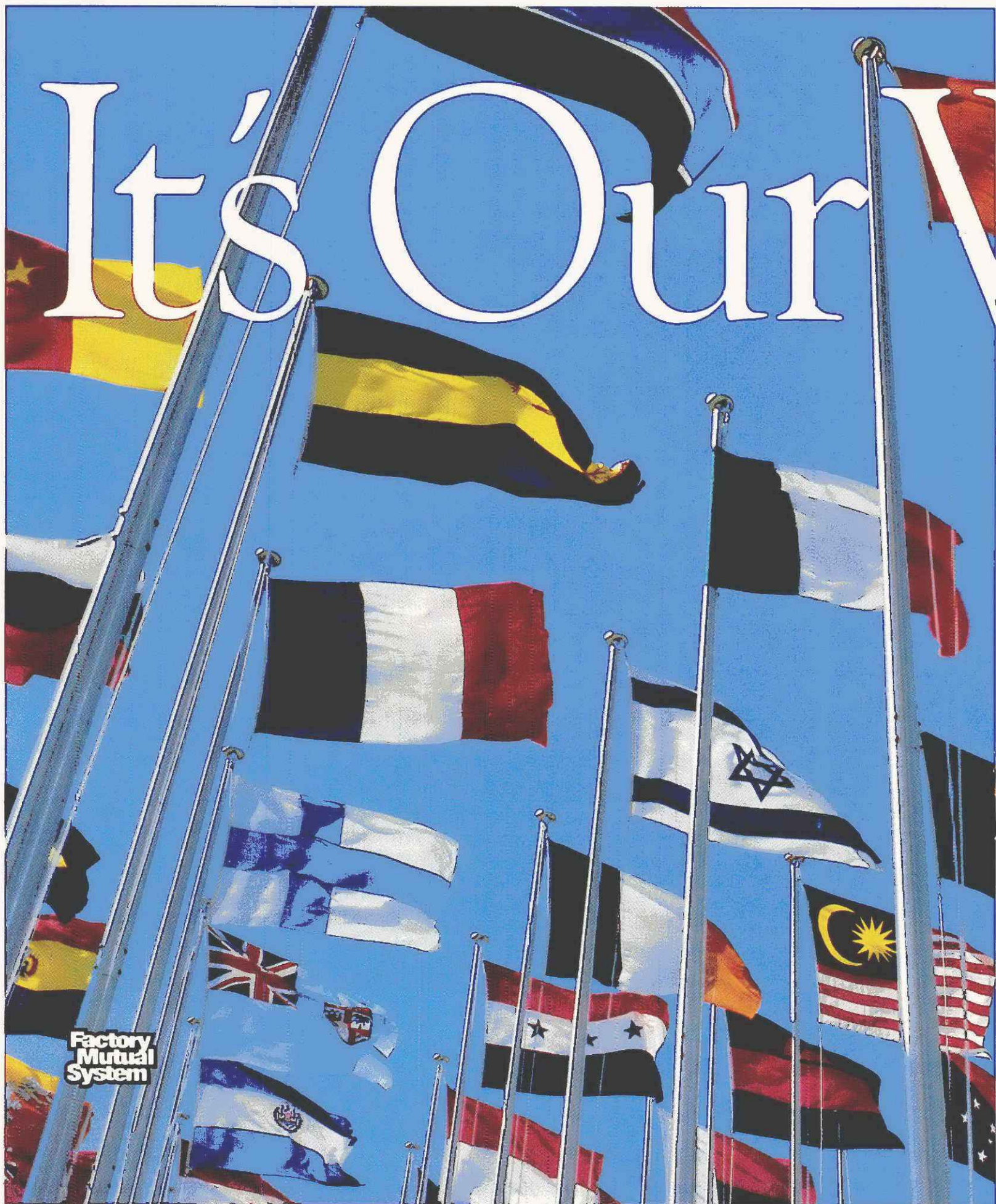
Ave. de Beaulieu 25, Box 7, 1160 Brussels, Belgium; 32-2-672-2279; fax: 32-2-660-0356

	1990	1989
Int'l premiums	NA	NA
U.S. owned	10%	10%
Non-U.S. owned	90%	90%
Pension funds	NA	NA
Employees	6	8
U.S.	1	3
Non-U.S.	5	5
Lives covered	50,000	42,000
Master contracts	80	72
Foreign countries	42	42
Offices	2	2

**Formed:** 1979.

**Member companies:** Plus Ultra, Argentina; Australian Eagle, Australia; Wiener Allianz Leben, Austria; Credit & Commerce Insurance Co.,

Continued on next page



## How to use benefit network directory

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

Networks are listed as an editorial service; there is no charge for inclusion in the directory.

Listings begin with the network name and address.

If supplied by the network, financial and operational information for 1990 and 1989 is given.

Also listed are foreign gross premiums for medical, life, accidental death and short- and long-term disability insurance (and the percentage generated by foreign operations of U.S. employers vs. foreign operations of non-U.S. employers); funds under management for foreign pension plans of international network clients; total network employees and those in U.S. locations; and the number of foreign lives covered. Also, the number of master contracts, foreign countries represented and network offices are given.

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

arrangement exists.

Provided also are the year the network was formed, names of insurers participating in the network and minimum requirements for employers' participation in the network. A percentage breakdown of business the network conducts in medical, life, accidental death, short- and long-term disability insurance and other benefits is given, as are methods in which it handles losses for determining international dividends.

Locations of branch offices, subsidiaries and affiliated companies of network participants also are given. Names and titles of principal officers and the name of a U.S.-based contact complete the listings.

Please refer to the geographic index following the directory to locate networks by country.

Listings are based on each network's response to the questionnaire; *Business Insurance* is unable to verify all information supplied.

If you represent an international benefits network and wish to be included in next year's directory, request a questionnaire from Karen Armaganian, Editorial Assistant, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590; 312-280-3195.

*Continued from previous page*

Bahrain; Royale Belge, Belgium; Grupo Bradesco Seguros, Brazil; Eagle Star, Cyprus; Tryg Pension A/S, Denmark; Suomi-Salama, Finland; L'Union des Assurances de Paris, France; Allianz Lebensversicherungen, Germany; Interamerican Life, Greece; Eagle Star Insurance Co., Hong Kong; Panin Putra, Indonesia; Eagle Star-Shield Life, Ireland; Allianz Pace, Italy; The Meiji Mutual Life, Japan; Al-Nisr Al-Arabi, Jordan; Credit & Commerce Insurance Co., Kuwait; Societe Nationale D'Assurances, Lebanon; Pax Versicherungen, Liechtenstein; La Luxembourgeoise, Luxembourg; Eagle Star Malta, Malta; Eagle Star International Financial Services, Isle of Man; Aseguradora Cuahtemoc S.A., Mexico; Amev Levensverzidering N.V., the Netherlands; African Alliance, Nigeria; Gjensidige LIV, Norway; Credit & Commerce Insurance Co., Oman; Metropolitana, Panama; Ayala Life Assurance Inc., Philippines; Fidelidade Grupo Segurador S.A., Portugal; Credit & Commerce Insurance Co., Qatar and Saudi Ara-

bia; Insurance Corp. of Singapore, Singapore; Catalana Occidente, Spain; Pax Versicherungen, Switzerland; Oyak Sigorta A.S., Turkey; Credit & Commerce Insurance Co., United Arab Emirates; Eagle Star Life Assurance Co., United Kingdom; EQUICOR, United States.

**New participants:** Aseguradora Cuahtemoc S.A., Mexico; Oyak Sigorta A.S., Turkey.

**Minimum requirements:** 100 lives in two countries for own pool and 25 lives worldwide and one country for participation in multi-employer pool.

**Business:** 2% medical, 40% life, 3% short-term disability, 5% long-term disability, 50% pensions.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Robert F. Hubbard, chairman (AREA)/divisional director (Eagle Star Life Assurance Co. Ltd.); Hugo Clemeur, managing director/actuary (AREA Benefits Network).

**U.S. contact:** Michael J. Smith, 914-738-2773.



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## C

### CIGNA Global Benefits Management

1 Beaver Valley, P.O. Box 15050,  
Wilmington, Del. 19850;  
302-479-6185; fax: 302-479-6650

	1990	1989
Int'l premiums . . . . .	NA	NA
Employees . . . . .	136	NA
U.S. . . . .	96	NA
Non-U.S. . . . .	40	NA
Foreign countries . . . . .	16	15
Offices . . . . .	25	23

**Formed:** 1984.

**Member companies:** Member companies in Australia, Bahamas, Brazil, Canada, Chile, Colombia, Greece, Guatemala, Haiti, Hong Kong, Japan, South Korea, New Zealand, Taiwan, United Kingdom and the United States.

**Minimum requirements:** Pooled contracts need 50 employees in two or more countries and \$15,000 in premiums.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** James Grigsby, president-CIGNA International Financial Services; Edward Parry, senior vp-CIGNA International Financial Services; Virginia Hollis, vp-Global Benefits Management.

**U.S. contact:** Terence Boudreaux.

### COMP through GPI

Gerling-Konzern Welt Service GmbH, Gereonshof, D-5000 Koln 1, Germany; 2-21-144-3817; fax: 2-21-144-5818

	1990	1989
Int'l premiums . . . . .	\$6,600,000	\$5,900,000
U.S. owned . . . . .	20%	20%
Non-U.S. owned . . . . .	80%	80%
Employees . . . . .	20	20
U.S. . . . .	5	5
Non-U.S. . . . .	15	15
Lives covered . . . . .	15,700	13,200
Master contracts . . . . .	16	14
Foreign countries . . . . .	36	34

**Formed:** 1982.

**Member companies:** 36 insurers in 17 countries.

**Minimum requirements:** 250 lives in two countries for COMP (Company's Own Multinational Benefit/Insurer Pool); 10 lives per country in two countries for a collective multinational pool.

**Business:** 3% medical, 21% life, 26% accidental death, 23% long-term disability, 27% pension and endowment.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Bernhard Fink, managing director; Michael Ehlers, director-International Employee Benefits Division.

**U.S. contact:** Wolfgang Schlaeger, President, or Oscar Rodrigues, Assistant Vp, Gerling America Insurance Co., 717 Fifth Ave., New York, N.Y., 212-752-8900.

*Continued on next page*

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 Bay Shore, New York 11706-9175  
 In NY: (516) 666-5050, Outside: (800) 645-5820  
 FAX: (516) 666-5723

Continued from previous page

# G

## GAIN-Group Assurance International Network

24 Ave. des Arts, 1040 Brussels, Belgium; 32-2-230-3385; fax: 32-2-230-3492

	1990	1989
Int'l premiums	NA	NA
Pension funds	NA	NA
Employees	7	7
U.S.	2	2
Non-U.S.	5	5
Foreign countries	23	24
Offices	2	2

Formed: 1975.

Member companies: Legal & General Life of Australia Ltd., Australia; Colonia Versicherung A.G., Austria; Assubel-Vie S.A., Belgium;

Brasil Companhia de Seguros Gerais; Brazil; Mutual Life of Canada, Canada; Tryg Forsikring A/S, Denmark; Assurances Generales de France, France; Colonia Lebensversicherung A.G., Germany; AGF Kosmos S.A., Greece; Irish Life Assurance P.L.C., Ireland; Societa Reale Mutua di Assicurazioni, Italy; Toho Mutual Life Insurance Co., Japan; First Life Insurance Co. Ltd., Korea; AEGON Verzekeringen, the Netherlands; Sociedade Portuguesa de Seguros, Portugal; Momentum Life Assurers Ltd., South Africa; AGF Seguros, Spain; Trygg Hansa, Sweden; Vaudoise Assurances, Switzerland; The First Life Insurance Co. Ltd., Taiwan; Legal & General Assurance Society Ltd., United Kingdom; The Principal Financial Group, United States; Fidelity Life Assurers of Zimbabwe Ltd., Zimbabwe.

**Minimum requirements:** Two countries, 25 employees and 10 lives per country.

**Business:** 8% medical, 19% life, 42% long-term disability, 31% deferred retirement.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Rene van der Smeede, chairman; Eric M. Janssen, managing director; Rich O'Brien, sales/marketing manager-United States; Rob Heiligers, sales/marketing manager-Europe; Jerry Bogart, actuary.

**U.S. contact:** Rich O'Brien, 1 Lincoln Centre, Suite 1370, Oakbrook Terrace, Ill. 60181.

# H

## The John Hancock International Group Program

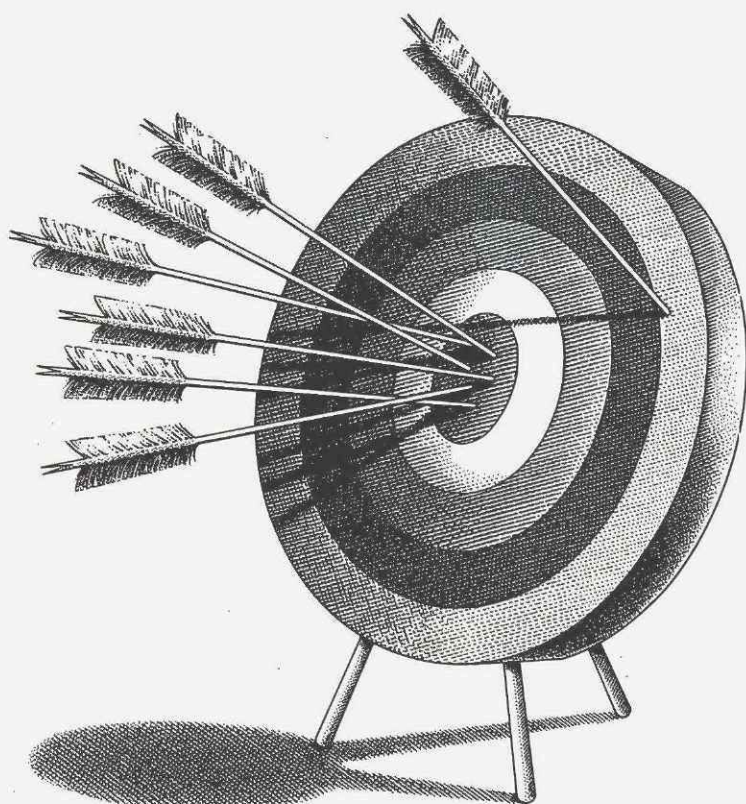
P.O. Box 111, John Hancock Place, Boston, Mass. 02117; 617-572-8677; fax: 617-572-8628 or 617-572-8633

	1990	1989
Int'l premiums	NA	NA
Pension funds	NA	NA
Employees	NA	NA
Lives covered	NA	NA
Master contracts	NA	NA
Foreign countries	NA	NA
Offices	NA	NA

Formed: 1967.

Member companies: Sud America Compania de Seguros de Vida y Patrimoniales S.A., Argentina; Australian Mutual Provident Society, Australia; Victoria-Volksbanken Versicherungs A.G., Austria; Groupe AG, Belgium; Sul America Companhia Nacional de Seguros, Brazil; Maritime Life Assurance Co., Canada; Pan American Life Insurance Co., Central America; Consorcio Nacional de Seguros S.A., Chile; Shin Kong Life Insurance Co. Ltd., China; Pan American de Colombia and Compania de Seguros de Vida S.A., Colombia; PFA Pension, Denmark; Sampo Pensions Insurance Co. Ltd., Finland; AXA Midi Assurances, France; Victoria Lebensversicherung A.G., Germany; Ethniki Hellenic General Insurance Co., Greece; National Mutual Insurance Co. Ltd., Hong Kong; P.T Asuransi Pensiun Bumiputera John Hancock, Indonesia; Irish Life Assurance P.L.C., Ireland; Societa Assicuratrice Industriale, Italy; Dai-Ichi Mutual Life Insurance Co., Japan; Samsung Life Insurance Co. Ltd., Korea; Groupe AG, Luxembourg; Aetna Universal Insurance Sdn. Bhd., Malaysia; Seguros Monterrey S.A., Mexico; AMEV Levensverzekering N.V., Netherlands; Australian Mutual Provident Society, New Zealand; UNI Storebrand A/S, Norway; Insular Life Assurance Co. Ltd., Philippines; Victoria Seguros, Portugal; Insurance Corp. of Singapore Ltd., Singapore; Sud America Vida y Pensiones, Spain; La Suisse, Societe d'Assurances sur la Vie, Pictet & Cie, Switzerland; Muang Thai Life Assurance Co. Ltd., Thailand; Halk Yasam Sigorta A.S., Turkey; Prudential Assurance Co. Ltd., Private Patients Plan, United Kingdom; John Hancock Mutual Life Insurance Co., United States; Seguros La Seguridad C.A., Venezuela; Old Mutual, Zimbabwe.

Continued on page 64



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**NORTH AMERICAN**



**Choosing A Reinsurer  
Shouldn't Be A Risk**

## Spotlight report

Continued from page 62

U.S. contact: Geraldine Pangaro, field vp, 617-572-8677.

## I

## Insurope/The Multinational Benefits Assn.

Boulevard Bischoffsheim 39, Box 18, B-1000, Brussels, Belgium; 322-217-8163

	1990	1989
Int'l premiums	\$187 million	\$145 million
U.S. owned	50%	50%
Non-U.S. owned	50%	50%
Pension funds	\$250 million	\$200 million
Employees	17	16
U.S.	6	6
Non-U.S.	11	10
Lives covered	280,000	193,000
Master contracts	260	250
Foreign countries	38	38
Offices	3	3

Formed: 1966.

**Member companies:** Equitative del Plata, Argentina; National Mutual, Australia; Osterreichischen Bundeslander, Austria; Assurances Generales A.G., Belgium; Bradesco Seguros, Brazil; Great Eastern, Brunei and Singapore; The Standard Life Assurance Co., Canada; Danica, Denmark; Ecuatoriano-Suiza, Ecuador; Pension Varma, Finland; A.G. de 1824 & Groupe des Assurances Nationales, France; CIGNA Hellas, Greece; Jiwasraya, Indonesia; Standard Life Assurance Co., Ireland; Fondiaria, Italy; Jamaica Mutual, Jamaica; Nippon Dantai & Asahi Mutual, Japan; Dong-Ah, Korea; Baloise/Basler, Leichtenstein and Switzerland; Assurances Generales A.G., Luxembourg; Great Eastern, Malaysia; Seguros de Mexico, Mexico; Delta Lloyd, the Netherlands; National Mutual, New Zealand; UNI Storebrand A/S, Norway; Peruano-Suiza, Peru; Pan Philippine Life, Philippines; Tranquilidade, Portugal; SANLAM, South Africa; Espana, Spain; Trygg Hansa SPP, Sweden;

CITC Life, Taiwan; Siam Commercial Life, Thailand; Guardian Life of the Caribbean, Trinidad and Tobago; Standard Life Assurance Co. and The British United Provident Assn. Ltd., United Kingdom; Provident Life & Accident Insurance Co. and Prudential Insurance Co. of America, United States; Pan American, Venezuela.

**Minimum requirements:** Insured employee benefit contracts in two countries for participation in multi-company pool; 200 units or 100 fully insured lives for single-company pools.

**Business:** 50% life, 30% pension, 10% survivors' benefits, 6% medical, 3% long-term disability, 1% accidental.

**International dividends:** Stop-loss system and loss carryforward system.

**Principal officers:** Frank Smolar, network manager; Jim Wallace, network actuary; Hugh Gallagher, marketing/sales coordinator; Mary Mellor, customer service coordinator.

**U.S. contact:** Robert Pickerell, 203-854-9144.

## M

## Multinational Insurance Arrangement

The Travelers International Operations, 1 Tower Square, Hartford, Conn. 06183-7040; 203-954-3784; fax: 203-277-6508

	1990	1989
Int'l premiums	\$24,700,000	\$19,300,000
U.S. owned	68%	74%
Non-U.S. owned	32%	26%
Pension funds	\$78,000,000	\$65,300,000
Employees	25	25
U.S.	19	19
Non-U.S.	6	6
Lives covered	146,000	140,000
Master contracts	236	225
Foreign countries	55	53
Offices	6	6

Formed: 1970.

**Member companies:** Compania la Buenos Aires, Argentina; Guardian Assurance P.L.C., Australia; Interun-

fall-RAS Versicherungs AG; The Travelers Insurance Cos., Bahamas; Patriotique S.A. Compagnie d'Assurances, Belgium; Companhia Adriatica de Seguros, Brazil; L'Union des Assurances de Paris, Burkina Faso; Compagnie Camerounaise d'Assurances, Cameroon; Crown Life Insurance Co., Canada; L'Union des Assurances de Paris, Central African Republic; La Star Nationale Societe Tchadienne d'Assurances, Chad; La Chilena Consolidada S.A., Chile; Skandia de Colombia, Colombia; Tryg Forsikring, Denmark; Compania Nacional de Seguros C. por A., Dominican Republic; NOVA Life Insurance Co., Finland; L'Union des Assurances de Paris and Groupe Malakoff, France; L'Union des Assurances de Paris, Gabon; Munchener Lebensversicherung A.G. and NOVA Krankenversicherung A.G., Germany; Allianz Life, Greece; Guardian Assurance P.L.C. and Union Insurance Society of Hong Kong Ltd., Hong Kong; Bumi Asih Jaya, Indonesia; Caledonian Insurance Co., Ireland; Riunione Adriatica di Sicurtà, Italy; L'Union des Assurances de Paris, Ivory Coast; Nippon Life Insurance Co., Japan; Le Foyer S.A., Luxembourg; Great Eastern Life Assurance Co., Malaysia; Grupo Nacional Provincial, Mexico; Al Amane, Morocco; Nationale-Nederlanden Levensverzekering Maatschappij N.V., Netherlands; Guardian Assurance P.L.C., New Zealand; L'Union des Assurances de Paris, Niger; Royal Exchange Assurance Ltd., Nigeria; UNI Storebrand Insurance Co., Norway; Compania Internacional de Seguros de Vida, Panama; El Sol, Compania de Seguros Generales, Peru; Great Pacific Life Assurance Co., Philippines; Portugal Previdente Companhia de Seguros, Portugal; The Travelers Insurance Cos., Puerto Rico; L'Union des Assurances de Paris, Senegal; Great Eastern Life Assurance Co., Singapore; Liberty Life Assn. of Africa Ltd., South Africa; Allianz-RAS Seguros, Spain; VITA Life Insurance Co. Ltd., Switzerland; Cathay Life Insurance Co. Ltd., Taiwan; The South East Insurance Co. Ltd., Thailand; L'Union des Assurances de Paris, Togo; Dhamen Union d'Assurance et de Prevoyance, Tunisia; Sark Sigorta T.A.S., Turkey; Guardian Royal Exchange Assurance, United Kingdom; The Travelers Insurance Cos., United States and U.S. Virgin Islands; Adriatica Venezolana de Seguros C.A., Venezuela.

**New participants:** Nova Life Insurance, Finland.

**Minimum requirements:** 100 employees in two countries.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**U.S. contact:** Michael G. Sandmann, Division Vp, 203-854-3784.

## S

## Swiss Life

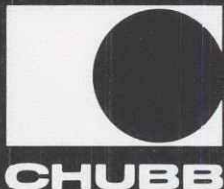
General Guisan-Quai 40, CH-8002 Zurich, Switzerland; 201-670-1515; fax: 201-670-0709

	1990	1989
Int'l premiums	\$216,000,000	\$194,000,000
U.S. owned	50%	50%
Non-U.S. owned	50%	50%
Pension funds	\$333,000,000	\$306,000,000
Employees	100	90
U.S.	10	10
Non-U.S.	90	80
Lives covered	NA	NA
Master contracts	570	552
Foreign countries	39	39
Offices	43	39

Formed: 1960.

**Member companies:** Sud Atlantica, Argentina; Colonial Mutual Life Assurance Society Ltd., Australia; Wiener Stadtische, Austria; Swiss Life (Belgium), Belgium; Iochpe Seguradora, Brazil; Canada Life Assurance Co., Canada; Renta Nacional, Chile; Seguros Boliyar, Colombia; PFA Pension Statsanstalten, Denmark; Ilmarinen, Finland; Societe Suisse, France; Schweizerische Rentenanstalt, Germany; Laiki, Greece; Seguros de Occidente, Guatemala; Jardine Life, Hong Kong; Irish Life Assurance P.L.C., Ireland; Swiss Life (Italia), Italy; Meiji Life, Japan;

Continued on page 66



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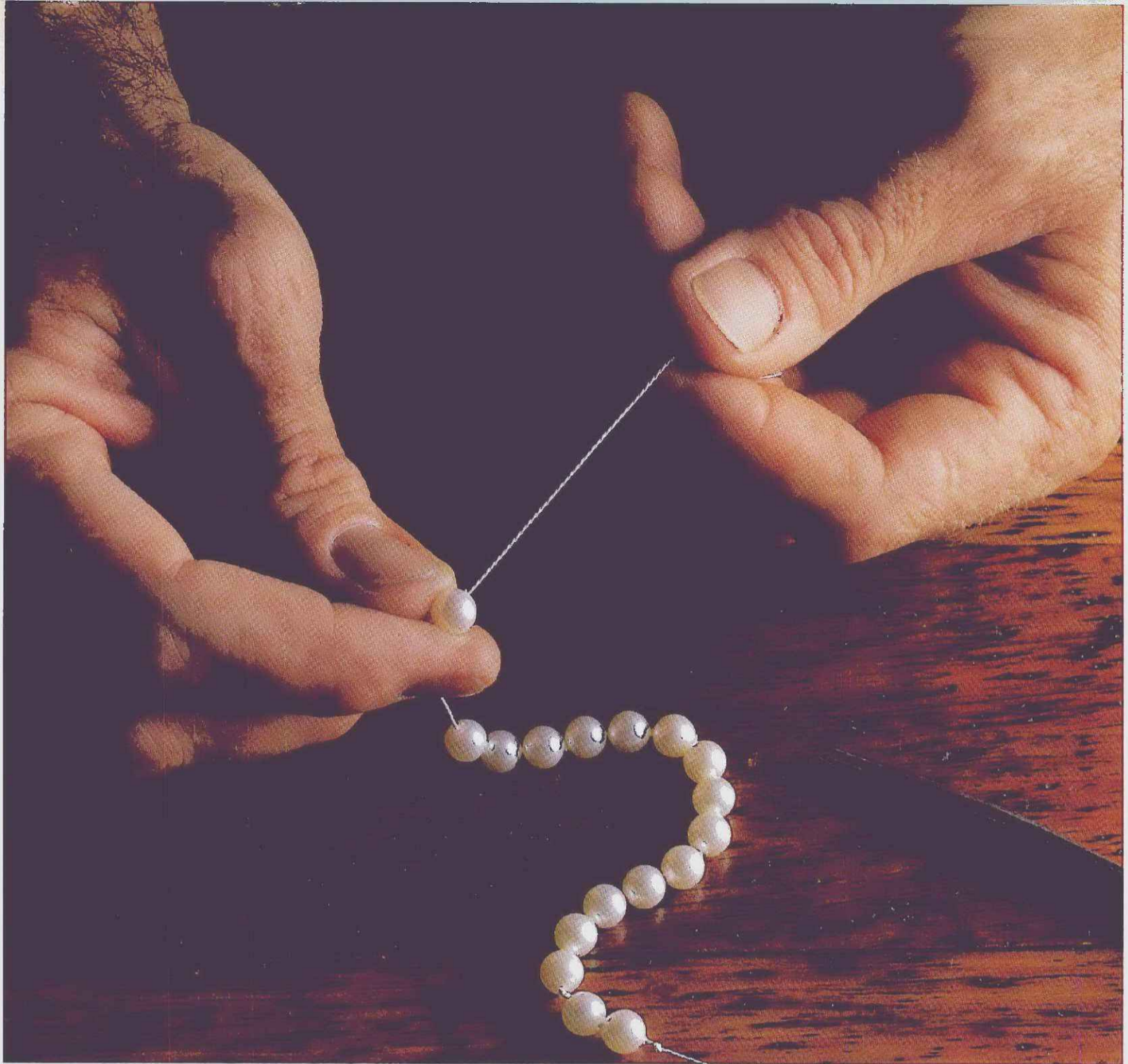
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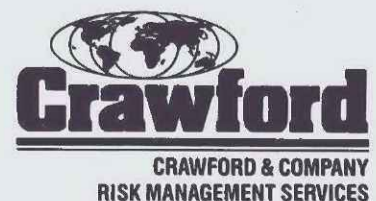
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Barry LaFleur  
Vice President  
Sales/Marketing



## Spotlight report

Continued from page 64

Korea Life, Korea; Swiss Life (Luxembourg), Luxembourg; Asia Life, Malaysia; La Comercial, Mexico; ZwitterLeven, the Netherlands; Colonial Mutual Life Assurance Society Ltd., New Zealand; Vital Forsikring, Norway; Aseguradora Mundial de Panama, Panama; Lincoln Philippine Life, Philippines; Imperio, Portugal; Asia Life, Singapore; Southern Life, South Africa; Swiss Life (España), Spain; Trygg-Hansa, Sweden; Swiss Life Head Office-Rentenanstalt, La Suisse and Swiss Mobiliar, Switzerland; Kuo Hua Life, Taiwan; Bangkok Life, Thailand; Swiss Life (UK), United Kingdom; Swiss Life North American Services, The Guardian and Massachusetts Mutual Life Insurance Co., United States; La Metropolitana, Venezuela.

**New participants:** Imperio, Portugal; Polish National Insurance, Poland.

**Minimum requirements:** 100 lives.

**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 carryforward system.

**Principal officers:** G. Winterberger, chairman; K. Rutz, president/chief executive officer; E. Schneebeli, board member; K. Muehlebach, executive vp.

**U.S. contact:** Philipp Frei, president-Swiss Life North American Services.

## W

## Winterthur Swiss Insurance Co.

2 World Financial Center, 225 Liberty St., New York, N.Y. 10281; 212-416-5700; fax: 212-416-5885

	1990	1989
Int'l premiums....	\$122,000,000	\$98,000,000
U.S. owned.....	35%	34%
Non-U.S. owned.....	65%	66%
Pension funds.....	\$450 million	\$350 million
Employees.....	42	41
U.S.....	5	5
Non-U.S.....	37	36
Lives covered.....	105,000	93,000
Master contracts.....	124	104
Foreign countries.....	22	21

**Formed:** 1969.

**Member companies:** Versicherung-Aktengesellschaft, Austria; Itau Winterthur Seguradora S.A., Brazil; Winterthur, Belgium; The Citadel Life Assurance Co., Canada;

Winterthur, Denmark; The Tapela Group, Finland; Winterthur, France; Winterthur, Germany; New Ireland Assurance Co., Ireland; Assicurazioni S.p.A., Italy; The Chiyoda Mutual Life Insurance Co., Japan; Winterthur, Luxembourg; Winterthur, Netherlands; Norwich Union, New Zealand; Companhia Europa Seguros, Portugal; Norwich Life, South Africa; Winterthur, Spain; Winterthur, Switzerland; Provident Life Association Ltd., United Kingdom; Winterthur, United States.

**Minimum requirements:** Two countries and 100 covered lives.

**Business:** 6% medical, 18% life, 6% accidental death, 6% short-term disability, 14% long-term disability 50% other.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** Dr. Thomas Erny, senior vp-international division; Will Suter, assistant general manager-international division.

**U.S. contact:** George Smith or Jim Long, 212-416-5700.

## Geographic listing of benefit networks

## American Samoa

AIU (American International Group Inc.)

## Antigua

ALICO (American International Group Inc.)

## Argentina

Assicurazioni Generali (Aetna/General International Benefits Network); Compania la Buenos Aires (The Travelers Insurance Co.-MIA); Equitativa del Plata (Insurope/MBA)

La Meridional (American International Group Inc.)  
Plus Ultra (AREA Benefits Network)  
Providencia Seguros de Retiro (Aetna/General International Benefits Network)  
Sud America Compania de Seguros de Vida y Patrimoniales S.A. (John Hancock International Group Program)  
Sud Atlantica (Swiss Life)  
Zurich Iguazu Compania de Seguros de Retiro S.A. (VITA Life Insurance Co. Ltd.)

## Aruba

ALICO (American International Group Inc.)

Continued on next page

## V

## VITA Life Insurance Co. Ltd.

P.O. Box 4188, 8022 Zurich, Switzerland; 41-1-465-6565; fax: 41-1-465-6772

	1990	1989
Int'l premiums....	\$30,150,000	\$25,063,065
Non-U.S. owned.....	100%	100%
Employees.....	3	3
Non-U.S.....	3	3
Lives covered.....	16,000	15,552
Foreign countries.....	21	20
Offices.....	1	1

**Formed:** 1976.

**Member companies:** VITA Compagnie d'Assurance sur la vie, Belgium; VITA Lebensversicherung-Gesellschaft, Agrippina Lebensversicherung Aktiengesellschaft, Germany; VITA Livsforsikring, Denmark; VITA Compagnie d'Assurances sur la vie, Astorg-Vie, France; VITA Compagnia di Assicurazioni sulla vita, Minerva Vita Assicurazione S.p.A., Italy; VITA Compagnie d'Assurances sur la vie, Luxembourg; VITA Levensverzekering-Maatschappij, Netherlands; VITA Companhia de Seguros de Vida, Portugal; VITA Compania de Seguros sobre la Vida, Compania General de Seguros y Reaseguros S.A., Spain; VITA Life Insurance Co. Ltd., Hong Kong; VITA Life Insurance Co., United Arab Emirates; Zurich Kosmos Versicherungen AG, Austria; Zurich Life Assurance Co. Ltd., United Kingdom; Universal Underwriters Life Insurance Co., United States; Zurich Life Insurance Co. of Canada, Zurich Life & Health Insurance Co. of Canada, Canada; Zurich Iguazu Compania de Seguros de Retiro S.A., Argentina; Zurich International Ltd., Bermuda, Zurich-Anglo Seguradora S.A., Brazil; Zurich Australian Life Insurance Ltd., Australia; African International Insurances, Kenya; La Garantie Generale Marocaine, Morocco.

**New participants:** VITA Companhia de Seguros de Vida, Portugal.

**Minimum requirements:** Two countries and 300 lives. For companies with 100 to 299 lives, the contract is available on a two-year accounting period.

**Business:** 20% life, 6% accidental death, 14% long-term disability, 60% pensions.

**International dividends:** Stop-loss system, loss carryforward system, loss carryforward system with contingency fund.

**Principal officers:** J.N. Plattner, vp; R.N. Balsiger, E. Hufschmid and Ch. Kappeler, assistant vps; S. Balsiger-Signer, senior consultant.

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Continued from previous page

**Australia**

Australian American Assurance (American International Group Inc.)  
 Australian Eagle (AREA Benefits Network)  
 Australian Mutual Provident Society (John Hancock International Group Program)  
 CIGNA Life Australia Ltd. (CIGNA Corp.)  
 Colonial Mutual (Swiss Life)  
 Guardian Assurance P.L.C. (The Travelers Insurance Co.-MIA)  
 Legal & General Life of Australia Ltd. (GAIN)  
 National Mutual (Insurope/MBA)  
 The Prudential Assurance Co. Ltd. (Aetna/Generali International Benefits Network)  
 Zurich Australian Life Insurance Ltd. (VITA Life Insurance Co. Ltd.)

**Austria**

Colonia Versicherung A.G. (GAIN)

Generali-Allgemeine Lebensversicherung A.G. (Aetna/Generali International Benefits Network)  
 Bundeslander (Insurope/MBA)  
 Interunfall-RAS Versicherungs A.G. (The Travelers Insurance Co.-MIA)  
 Raiffeisen-Versicherungen (AGRI Benefits Network)  
 Victoria-Volksbanken-Versicherung A.G. (John Hancock International Group Program)  
 Wiener Allianz Leben (AREA Benefits Network)  
 Wiener Stadtische (Swiss Life)  
 Winterthur (American International Group Inc.)  
 Winterthur Swiss Insurance Co.  
 Zurich Kosmos Versicherungen A.G. (VITA Life Insurance Co. Ltd.)

**Bahamas**

ALICO (American International Group Inc.)  
 Colina Insurance Co. Ltd. (CIGNA Corp.)  
 Travelers Insurance Co.

**Bahrain**

ALICO (American International Group Inc.)  
 CIGNA Corp.  
 Credit & Commerce Insurance Co. (AREA Benefits Network)

**Bangladesh**

ALICO (American International Group Inc.)

**Barbados**

ALICO (American International Group Inc.)

**Belgium**

ABB (AGRI Benefits Network)

A.G. Group (John Hancock International Group Program)  
 Area Benefits Network  
 International Services  
 Assubel-Via S.A. (GAIN)  
 Assurances Generales A.G. (Insurope/MEA)  
 Euravie (American International Group Inc.)  
 Generali Belgium S.A. (Aetna/Generali International Group Assurance)  
 International Network (Swiss Life)  
 Partriotique S.A.  
 Compagnie d'Assurances (The Travelers Insurance Co.-MIA)  
 Royale Belge (AREA Benefits Network)  
 VITA Compagnie d'Assurance sur la vie  
 Winterthur (American International Group Inc.)  
 Winterthur Swiss Insurance Co.

**Belize**

ALICO (American International Group Inc.)

**Bermuda**

ALICO (American International Group Inc.)  
 Aetna Life & Casualty (The Aetna/Generali International Benefit Network)  
 Zurich International (Bermuda) Ltd. (VITA Life Insurance Co. Ltd.)

**Brazil**

Bradeseo Seguros (Insurope/MBA)  
 Brasil Companhia de Seguros CIGNA Seguradora S.A.  
 Companhia Adriatica de Seguros (Travelers Insurance Co.-MIA)  
 Generali do Brasil (Aetna/Generali Gerais (GAIN)  
 International Benefits Network)  
 Grupo Bradeseo Seguros (AREA Benefits Network)  
 Interamerica (American International Group Inc.)  
 Iochpe Seguradora (Swiss Life)  
 Sul America Companhia Nacional de Seguros (John Hancock International Group Program)  
 Zurich-Anglo Seguradora S.A. (VITA Life Insurance Co. Ltd.)

**Burkina Faso**

L'Union des Assurances de Paris (Travelers Insurance Co.-MIA)

**Cameroon**

ALICO (American International Group Inc.)  
 Compagnie Camerounaise d'Assurances (Travelers Insurance Co.-MIA)

**Canada**

ALICO (American International Group Inc.)  
 Aetna Canada (Aetna/Generali International Benefits Network)  
 Canada Life (Swiss Life)  
 Cigna Life Insurance Co. of Canada  
 Crown Life Insurance Co. (Travelers Insurance Co.-MIA)  
 Itau Winterthur Seguradora S.A. (Winterthur)  
 London Life (American International Group Inc.)  
 Maritime Life Assurance Co. (John Hancock International Group Program)  
 Mutual Life of Canada (GAIN)  
 Standard Life (Insurope/MBA)  
 Winterthur Swiss Insurance Co.  
 Zurich Life Insurance Co. (VITA Life Insurance Co. Ltd.)  
 Zurich Life & Health Insurance Co. of Canada (VITA Life Insurance Co. Ltd.)

**Cayman Islands**

ALICO (American International Group Inc.)

**Central African Republic**

L'Union des Assurances de Paris (Travelers Insurance Co.-MIA)

**Chad**

La Star Nationale Societe Tchadienne d'Assurances (Travelers Insurance Co.-MIA)

**Channel Islands**

Assicurazioni Generali (Aetna/Generali International Benefits Network)

**Chile**

Aetna Chile Vida S.A. (Aetna/Generali International Benefits Network)  
 CIGNA Chile (Cigna Corp.)  
 Consorcio Nacional de Seguros (John Hancock International Group Program)  
 La Chilena Consolidada S.A. (Travelers Insurance Co.-MIA)  
 La Interamericana (American International Group Inc.)  
 Renta Nacional (Swiss Life)

Continued on next page

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Continued from previous page

**China**

People's Insurance Co.  
(American International  
Group Inc.)

**Colombia**

CIGNA Seguros de Colombia  
S.A. (CIGNA Corp.)  
Compania Granadina de Seguros  
(Aetna/Generali International  
Benefits Network)  
Compagnia de Seguros de Vida S.A.  
(John Hancock International  
Group Program)  
La Interamericana (American  
International Group Inc.)  
Pan American de Colombia  
(John Hancock International  
Group Program)  
Seguros Bolivar (Swiss Life)  
Skandia de Colombia (Travelers  
Insurance Co.-MIA)

**Costa Rica**

Instituto Nacional de Seguros de  
Costa Rica (American International  
Group Inc.)

**Curacao**

ALICO (American International  
Group Inc.)

**Cyprus**

ALICO (American International  
Group Inc.)  
Eagle Star (AREA Benefits Network)

**Denmark**

Danica (Insurope/MBA)  
PFA Pension (John Hancock  
International Group Program,  
Swiss Life)  
Statsanstalten (Insurope/MBA,  
Swiss Life)

Tryg Forsikring A/S (GAIN)  
Tryg Pension A/S (AREA Benefits  
Network)  
Pensionsforsikringselskab A/S  
(The Travelers Insurance Co.-MIA)  
VITA Livsforsikring  
Winterthur Swiss Insurance Co.  
Winterthur (American International  
Group Inc.)

**Dominica**

ALICO (American International  
Group Inc.)

**Dominican Republic**

ALICO (American International  
Group Inc.)  
Compania Nacional de Seguros  
C. por A. (Travelers Insurance  
Co.-MIA)  
Pan American Life Insurance Co.  
(John Hancock International  
Group Program)

**Ecuador**

AIU (American International  
Group Inc.)  
Ecuatoriano-Suiza (Insurope/MBA)  
La Nacional Cia. de Seguros  
(Aetna/Generali International  
Benefits Network)  
Pan American Life Insurance Co.  
(John Hancock International  
Group Program)

**Egypt**

AIU (American International  
Group Inc.)  
Misr Insurance Co. (Aetna/Generali  
International Benefits Networks)

**El Salvador**

ALICO (American International  
Group Inc.)

**Finland**

Ilmarinen (Swiss Life)

NOVA Life Insurance Co.  
(The Travelers Insurance Co.-MIA)  
Pension Varma (Insurope/MBA)  
The Pohjola Group (American  
International Group Inc.)  
Sampo Pensions Insurance Co. Ltd.  
(John Hancock International  
Group Program)  
Suomi-Sala-Pohjola Group  
(AREA Benefits Network)  
Tapiola (AGRI Benefits Network,  
American International Group Inc.)  
Winterthur Swiss Insurance Co.

**France**

AXA (John Hancock International  
Group Program)  
Assurance Generales  
de 1824 (Insurope/MB)  
Assurance Generales de France  
(GAIN)  
Astorg-Vie (VITA Life Insurance  
Co. Ltd.)  
Euravie (American International  
Group Inc.)  
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International Benefits Network)  
Groupama-Soravie (AGRI Benefits  
Network)  
Groupes des Assurances Nationales  
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La Concorde (Aetna/Generali  
International Benefits Network)  
La Federation Continentale  
(Aetna/Generali International  
Benefits Network)  
L'Union des Assurances de Paris  
(AREA Benefits Network, Travelers  
Corp.-MIA)  
Societe Suisse (Swiss Life)  
VITA Compagnie d'Assurances  
sur la vie  
Winterthur Swiss Insurance Co.  
Winterthur (American International  
Group Inc.)  
Zurich Vie (VITA Life Insurance  
Co. Ltd.)

**Gabon**

L'Union des Assurances de Paris  
(Travelers Insurance Co.-MIA)

**Germany**

Agrippina Lebensversicherung  
A.G. (VITA Life Insurance Co. Ltd.)  
Allianz Leben (AREA Benefits  
Network)  
Alte Leipziger (Insurope/MBA)  
Colonia Lebensversicherung  
A.G. (GAIN)  
Generali Krankenversicherung A.G.  
(Aetna/Generali International  
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(Aetna/Generali International  
Benefits Network)  
Gerling-Konzern Welt Service  
Munchener Lebensversicherung  
A.G. (Travelers Corp.-MIA)  
National Union (American  
NOVA Krankenversicherung A.G.  
(The Travelers Insurance Co.-MIA)  
R&V Lebensversicherung (AGRI  
Benefits Network)  
Schweizerische Rentenanstalt  
(Swiss Life)  
Victoria Lebensversicherungs A.G.  
(John Hancock International  
Group Program)  
VITA Lebensversicherungs-  
Gesellschaft  
Winterthur Swiss Insurance Co.  
Winterthur (American International  
Group Inc.)  
Zurich International (VITA Life  
Insurance Co. Ltd.)

**Gibraltar**

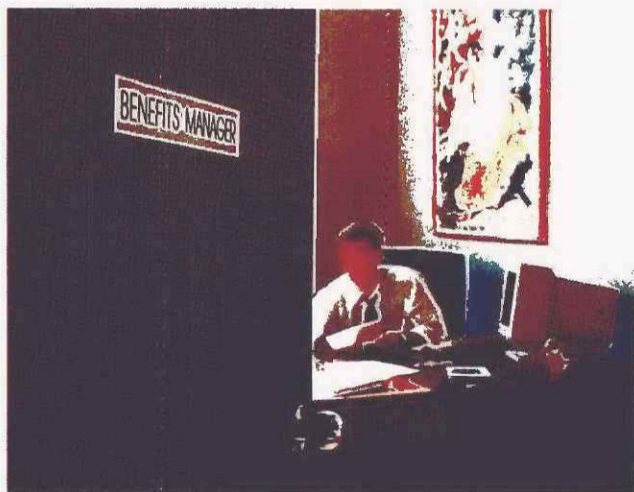
ALICO (American International  
Group Inc.)

**Greece**

AGF Kosmos Vie S.A. (GAIN)  
Agrotiki Life (AGRI Benefits  
Network)  
ALICO (American International  
Group Inc.)  
Allianz Life (Travelers Insurance  
Co.-MIA Group)  
CIGNA Hellas S.A. (CIGNA Corp.,  
Insurope/MBA)  
Ethniki Hellenic General Insurance  
Co. (John Hancock International  
Group Program)  
Generali Life A.E. (Aetna/Generali  
International Benefits Network)  
Laiki (Swiss Life)  
Ruinione Adriatica di Sicurtà  
(Travelers Insurance Co.-MIA)

Continued on page 70

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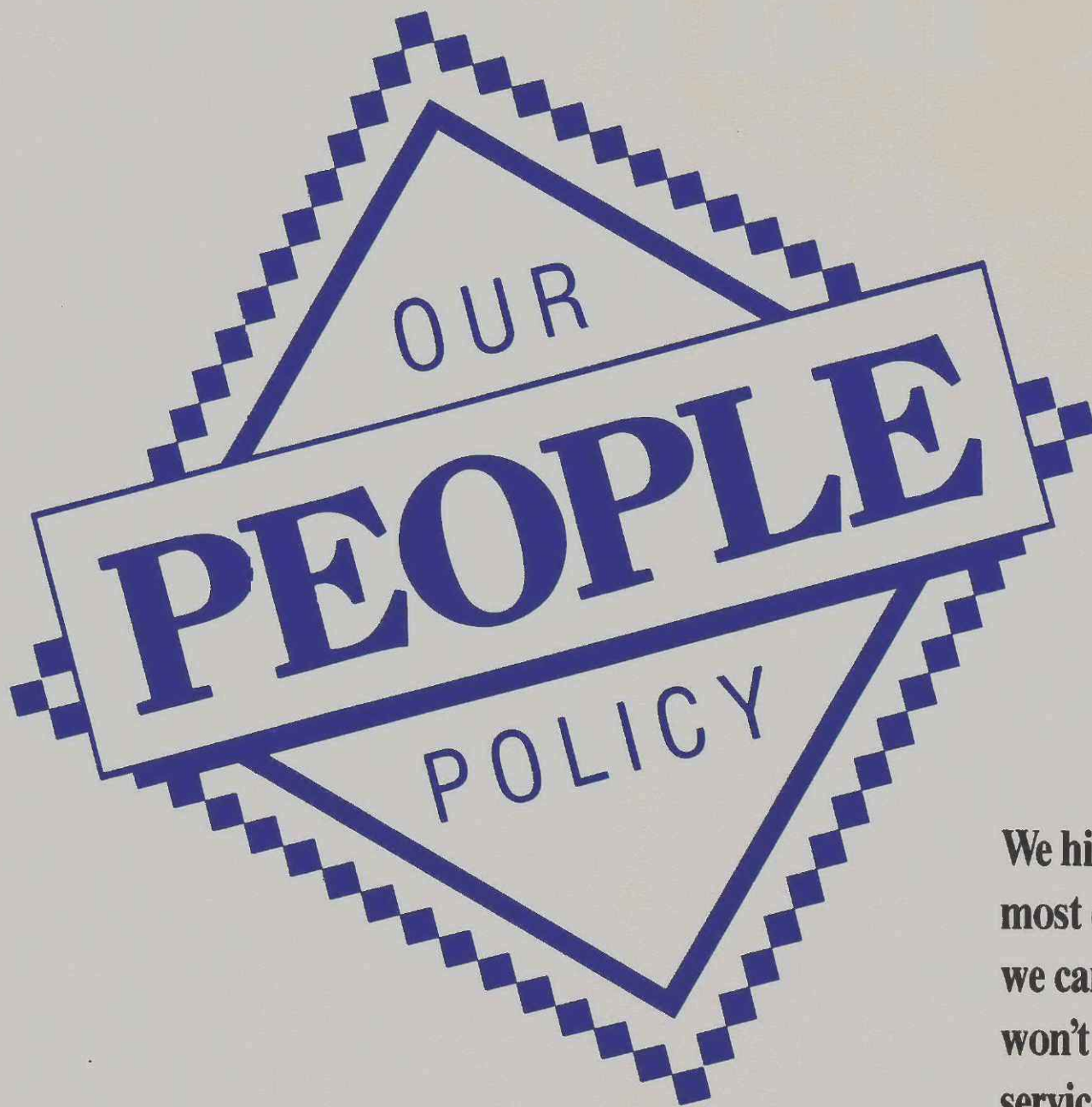
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**MARCH 5, 1994**

**Spotlight report**

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**AIDS**

Continued from page 1  
agement and greater use of health services outside an acute care hospital setting have helped control lifetime AIDS medical costs to as little as \$40,000 (see story, page 82).

**Head in the sand**

Most employers have not taken the initiative to discuss the disease openly in the workplace. And, they can cite a list of reasons not to.

"Most companies don't have a formal AIDS policy," said John F. Bunker, a consultant with The Wyatt Co. in Washington, D.C.

Mr. Bunker estimates that less than 1% of all U.S. businesses have a policy that specifies how the company will deal with AIDS cases or that clearly spells out that employees have no right to transfer locations or change jobs if a co-worker is diagnosed HIV-positive or with AIDS.

Nearly one-third of employers in New York—which has the highest concentration of AIDS cases—admit they have no AIDS policy.

New York ranks first among all states in the number of annual AIDS cases reported per 100,000 residents from August 1990 through July 1991: 44.1, according to the Centers for Disease Control in Atlanta.

Nearly another third of the 2,637 New York City employers surveyed in 1989-1990 responded that AIDS was covered by existing workplace policies. However, just what those existing policies say was not revealed.

Of the remaining employers, only 31.3% had either written or informal policies specifically addressing AIDS and only 6.7% were considering such policies.

Yet, nearly half—45.8%—of the respondents reported having at least one employee with AIDS or AIDS-related complex.

The study was conducted by the Gay Men's Health Crisis Inc., an AIDS education and service organization in New York, and the New York Business Group on Health Inc., a non-profit coalition.

Large employers in high-incidence areas are more likely to have acted on AIDS in the workplace because it is more likely that an employee will contract or already has AIDS, consultants say.

For example, San Francisco Bay area employers, including apparel manufacturer Levi Strauss & Co. and Pacific Bell Telephone Co., are well-known for their commitment to AIDS education.

And, in the Northeast, two huge computer concerns—Digital Equipment Corp. of Maynard, Mass., and International Business Machines Inc. of Armonk, N.Y.—have won praise for their efforts.

Still, the numbers are not impressive.

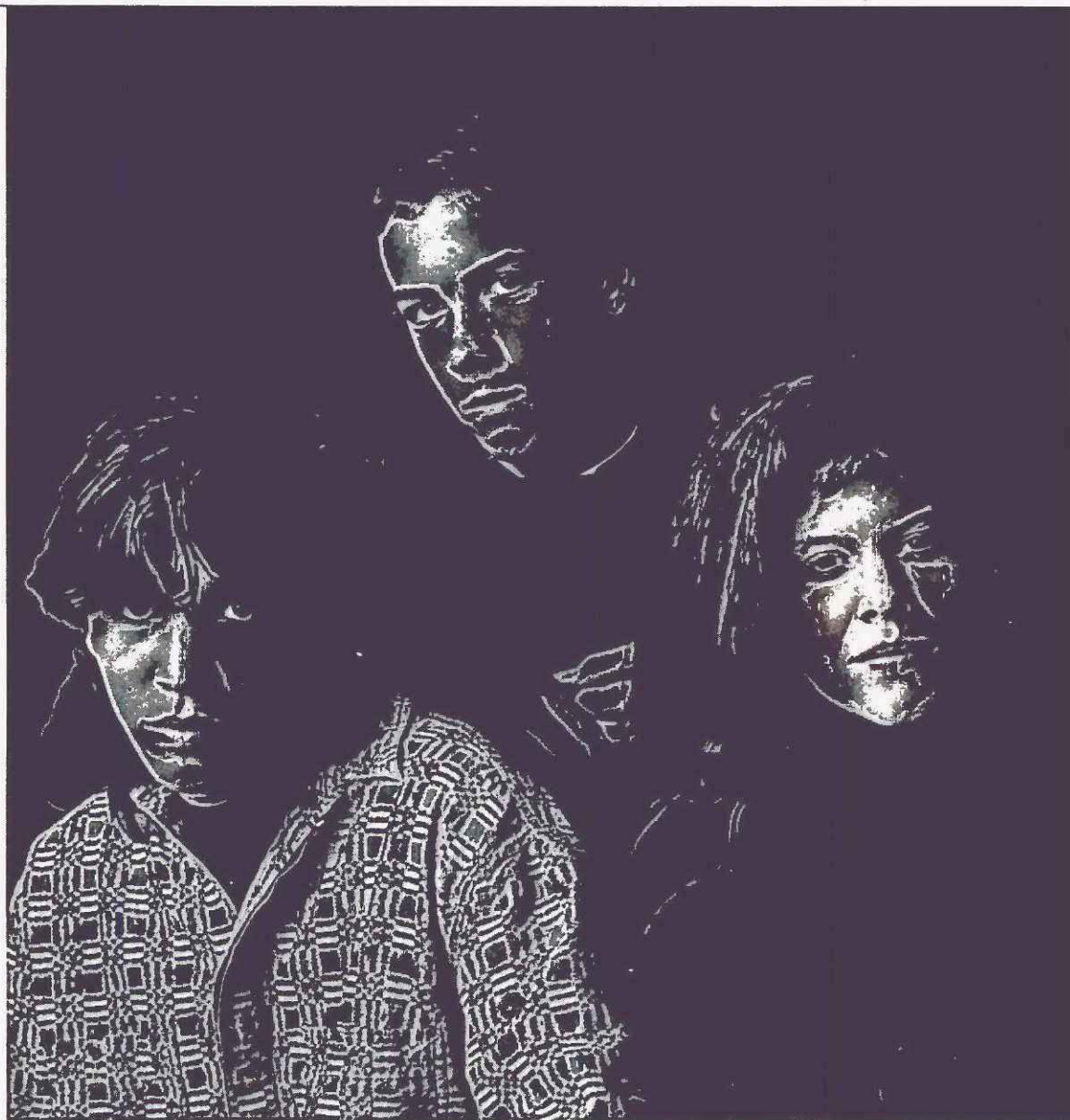
"Probably only 10% to 15% of big businesses have addressed the issue of AIDS," said Alan Emery, president of Alan Emery Consulting Group, an independent management and health consultant in San Francisco.

Far fewer smaller companies—those with fewer than 1,000 employees—which employ 47% of working Americans—have implemented any kind of AIDS policy or education program, he said.

"Some large companies have done a fair amount of education," said Steven Humes, coordinator of professional education programs for the GMHC. "But small and intermediate employers—with fewer than 1,000 employees—still think they're going to avoid the issue."

Yet, already at nearly one in 10 small employers, a worker has had AIDS or has tested HIV-positive, according to the National Leadership Coalition on AIDS, a Washington, D.C.-based business and

Continued on next page



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### San Marcos Treatment Center

A Brown Schools  
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Continued from previous page  
labor group that studies the impact of AIDS on employers.

Indeed, consultants blame much of corporate inaction on wishful thinking. "It won't happen here," goes the ominous refrain.

Many other employers, especially those in the major cities where AIDS has exacted its greatest toll, assume that the mass media have thoroughly educated their employees and dependents, Mr. Emery said. "They are asking 'Why should we invest the time and energy when our employees already know all they need to know?'" he said.

The National Leadership Coalition on AIDS reports that's not true. It says two out of three adults still erroneously believe they can contract the virus by working near or being touched by a person with AIDS.

The recession is another reason employers give for not starting workplace education programs. Senior executives may be saying, "We aren't about to start a new program, especially a controversial one, when we are laying people off," Mr. Emery said. "It's an another excuse, but it's a legitimate concern."

Some employers also may be more concerned about other health care expenditures that continue to devour corporate benefit dollars.

"Substance abuse and mental health claims have proven to be more costly in the aggregate, so that's where employers are focusing their attention," said Florence Katz, a health care consultant with William M. Mercer Cos. Inc. in Seattle.

Some employers "have bigger fish to fry in terms of cost problems," agreed Linda Havlin, a consultant with Hewitt Associates in Lincolnshire, Ill. Organ transplants, premature births and high-tech procedures like bone marrow transplants can cost hundreds of thousands of dollars more than a typical AIDS case, she pointed out (see chart, page 83).

Still others say employers may simply have become inured to AIDS.

"Since last year or so, employers are talking less about AIDS—perhaps because it's become a fact of life, and it doesn't get as much publicity," said Patricia Wiley, a managing consultant with A. Foster Higgins & Co. Inc. in New York.

However, "that's like being an ostrich," Ms. Wiley warned. "If you look at the data from the CDC, there is more concern for employers. More women, students and children are being affected."

"I don't think nearly enough companies are addressing the issue or are going public with their programs. Employers still feel AIDS is a problem of the urban poor or disenfranchised," said Paul Ross, corporate manager of the AIDS Program Office at Digital Equipment Corp. in Maynard, Mass. "It won't hit home until someone in their workforce is impacted."

### Into the mainstream

CDC statistics show there is a real possibility that many employers—regardless of their size, location or industry—will at some time confront the reality of AIDS.

No longer is AIDS considered unique to homosexuals or drug addicts. It has crept into mainstream society—striking adults and teens of all racial, ethnic and class backgrounds. Many of those yet to be diagnosed are already members of America's full-time workforce.

The CDC estimates that 1 million of 248 million Americans are infected with HIV—or one in 250 Americans. Other experts put the number of infections closer to 1.5 million—or one in 165 Americans.

Since the CDC began tracking AIDS in 1981 through the end of August, AIDS has claimed 121,196 lives in America. And, 188,348 U.S. adults and adolescents have been diagnosed with AIDS.

By the end of 1993, the number of AIDS cases in the United States will more than double to nearly 480,000, the CDC estimates. The

# AIDS NO EMPLOYER IS IMMUNE

death toll by that time is projected at between 285,000 and 340,000.

And, the number of diagnosed AIDS cases could double when federal authorities adopt a new definition for AIDS this January.

The current definition of AIDS is based on the presence of specific diseases. The new definition also will classify any person with fewer than 200 T-cells—which indicate a person's immune responsiveness—as having AIDS. A healthy person has about 1,000 T-cells.

CDC statistics also show that the disease is not being contained to those groups traditionally thought of at greatest risk to AIDS.

Women diagnosed with AIDS between September 1990 and August 1991 rose 21.7% to 5,457 from 4,484 diagnosed between September 1989 and August 1990. By con-

trast, over the same period, the number of cases among homosexual/bisexual males rose 5.1%.

As of August, 20,778 women have been diagnosed with AIDS.

Statistics also show that the epidemic is infiltrating high schools and colleges—prime pools of dependents covered under employer-sponsored health care plans.

Studies indicate that 20% of people between the ages of 20 and 30 who now have AIDS contracted it when they were 14 or 15. The CDC reported 3,253 cases in children younger than 13 years as of August. More than half of those children—1,709—have died.

And, in a recent study of 20,380 students at 36 colleges, the Rockville, Md.-based American College Health Assn. found that one student in 500 was infected with the

AIDS virus.

CDC statistics also show that the AIDS epidemic is no longer found only in large metropolitan areas. While large cities like New York—with 34,896 diagnosed cases—and Los Angeles—with 12,714 cases—have been hit hard, AIDS is taking a toll in other communities. For example, Dallas reported 3,282 cases as of August; Fort Lauderdale, Fla., had 3,170 cases; and Kansas City, Mo., had 1,136 cases.

Even smaller cities are not immune. According to the CDC, Memphis, Tenn., reported 424 cases; Milwaukee reported 432 cases; and Omaha, Neb., reported 157 cases as of August.

The cost of treating people diagnosed with AIDS will reach \$5.8 billion this year, said Fred Hellinger, an economist and director of the division of cost and financing at the Agency for Health Care Policy and Research in Rockville, Md. By 1994, total costs for treating both those with AIDS and

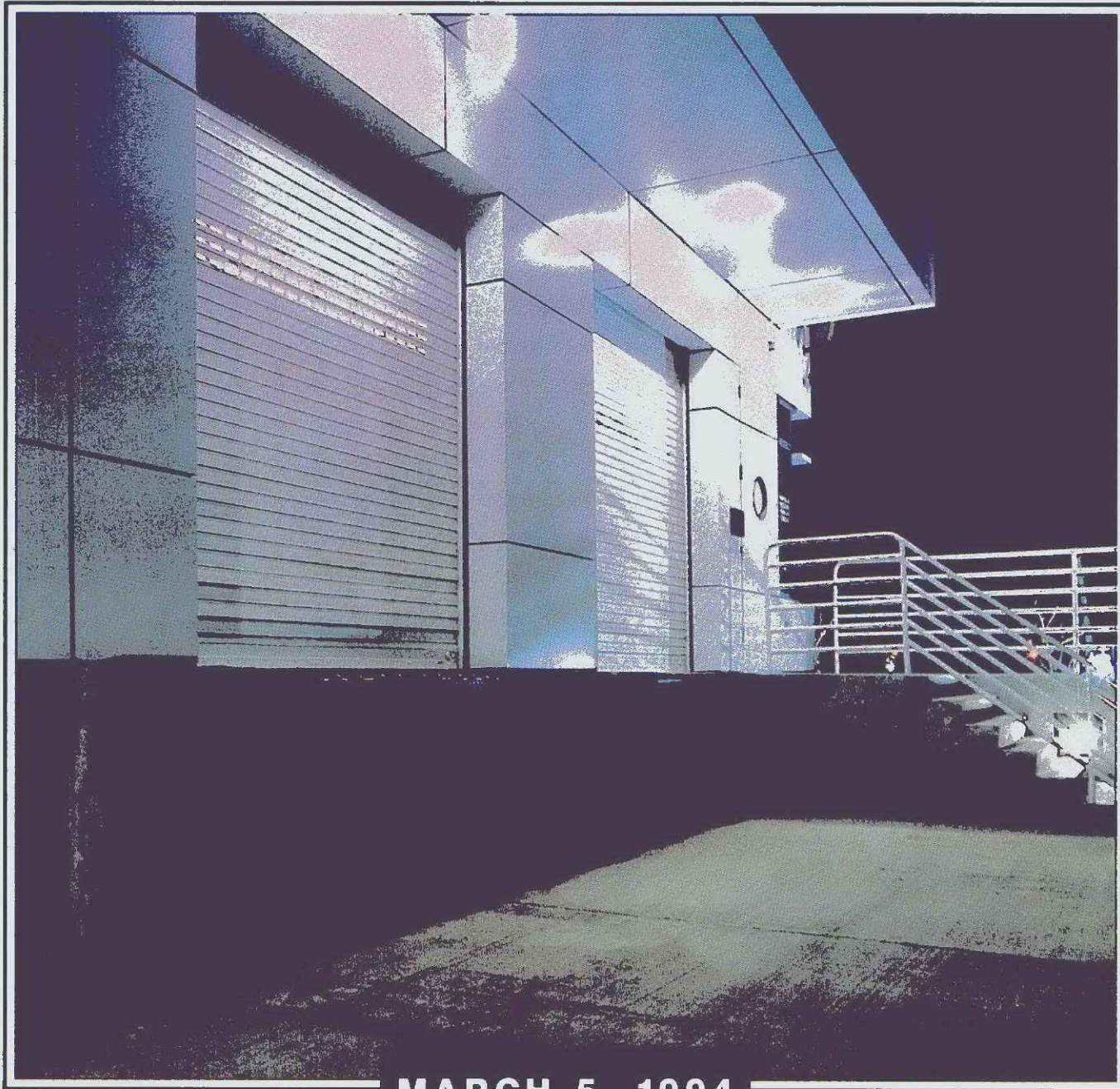
those who are infected but lack symptoms is expected to reach \$10.4 billion.

Most of that projected increase is due to additional AIDS cases, rather than rising medical costs. Mr. Hellinger projects 100,061 new cases will be diagnosed in 1993 compared with 68,698 in 1991.

According to a survey released last week by the American Council of Life Insurance and the Health Insurance Assn. of America, U.S. life and health insurers paid an estimated \$1.2 billion in AIDS-related life and health claims in 1990, compared with \$1 billion in 1989 (*BI* Oct. 29, 1990).

Group life claim payments rose a whopping 48% to \$374.8 million in 1990 from \$253 million in 1989, while group health claims declined slightly to \$439.7 million from \$455 million. Another \$367.8 million involved life and health policies purchased by individuals.

These estimates do not include  
*Continued on next page*



MARCH 5, 1994

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## AIDS

Continued from previous page  
self-insured employers or Blue Cross-Blue Shield plans, notes the ACLI/HIAA. The estimates are based on reports from 321 surveyed insurers that had paid \$845.3 million in AIDS-related claims last year.

Even that alarming rise, though, may be an understatement. AIDS-related claims could be understated due to insurance company misreporting, insufficient death certificate information and health claims data that may not describe treatment as AIDS-related.

These figures also do not reflect lost work time and declining productivity associated with AIDS.

Indirect costs attributable to decreased productivity as workers become ill and die in their prime were estimated at nearly \$56 billion for 1991, according to a 1986 study for the CDC. Most who die of AIDS are between 20 and 40 years old.

All of this data "documents the

continued need for AIDS education," said Amber Thornton, director of research and education for the American College Assn.

### Fear of discrimination

The impact of AIDS in the workplace goes beyond medical, disability and lost productivity costs.

Subtle or blatant discrimination from co-workers who may refuse to work with or near an employee with AIDS is not uncommon.

And, managers may act illegally or irresponsibly in their contact with workers with AIDS, leaving the company open to liability or charges of discrimination.

"The fear is still very real for many people, and discrimination in the workplace is still a real issue," said Wyatt's Mr. Bunker.

"With HIV-infected employees, there is skepticism about whether or not the company will live up to what it says it will do," noted B.J. Stiles, president of the National Leadership Coalition on AIDS.

## AIDS NO EMPLOYER IS IMMUNE

"They may feel that they will get fired—especially during this era of corporate downsizing," he said.

Or "if an employee steps forward to be case managed, he may question whether he will get help or whether he will be stigmatized by co-workers," Mr. Stiles added.

"This is a business issue," said Michael Lauber, president and chief executive officer of Tusco Manufacturing Co., a small company in Gnadendhutzen, Ohio.

"What happens the day someone on my staff says, 'Gee, what's the matter with Bob? He's lost 40 pounds over the last three months and he doesn't look good.' Then I get a couple of employees who say to me, 'We know what's wrong with Bob. He has AIDS, and we don't want to work here. We're all walking away from our jobs until you get rid of him.'"

Employers can avoid such interruptions by carefully teaching employees how AIDS is and is not transmitted, Mr. Lauber said.

And afflicted employees will feel confident that they will not be discriminated against—by their bosses or co-workers.

### Under the gun

Critics charge that employers generally ignore AIDS until it hits them directly.

At least 70% of the inquiries fielded by the National Leadership Coalition on AIDS come from employers that have someone with HIV or AIDS on their staff, Mr. Stiles noted. Co-worker concern is the primary driving force behind employers' requests for information, he said.

But that is too late, experts caution.

Employers should plan ahead before they are confronted by an employee with AIDS, stressed Mr. Stiles. "You are far more likely to make a mistake," like violating confidentiality laws, "if you create your solution on the spot," he said.

"Just because an employee doesn't come forward, doesn't mean he doesn't have AIDS," said Charles J. Nau Jr., senior counsel of human resources at Syntex Laboratories Inc. in Palo Alto, Calif.

"Do you want to wait until a manager does something to create a liability or until an employee files a claim?"

Syntex, a pharmaceutical firm, has what many benefit consultants consider an excellent workplace education program.

The best way to persuade top management to start education programs is by pointing to the hope that education can slow the spread of the epidemic, some consultants say.

"AIDS is preventable, and by changing behavior we can stop death and dying," said John McNulty, president of The McNulty Group, an independent consulting and AIDS education firm in Racine, Wis.

Before founding the firm in 1989, Mr. McNulty, then a personnel director at Modine Manufacturing Co. in Racine, Wis., developed an extensive AIDS education program for the company.

"The cost-benefit ratio of education is so substantial that employers can't not do it," Mr. McNulty said.

Bottom-line scenarios help sell top management on the merits of education, he added.

An AIDS education program costs only a fraction of the cost of treatment for one worker with AIDS, he points out. The education effort could prevent that case and resulting treatment and lost productivity costs.

Employers respond to that kind of financial analysis, Mr. McNulty said. "I learned a long time ago that if I go in and say 'You're a good guy, you should educate your employees about AIDS,' executives will turn a deaf ear."

### Remember: AIDS is different

Many employers contend they have addressed AIDS issues in their general employment and benefit policies, but experts stress the importance of establishing and explaining a policy that specifically applies to AIDS.

"AIDS is different than any other illness because of the mystique and fear," points out Mr. Ross of Digital. "If you think of the word 'AIDS,' what comes to mind immediately? Sex, drugs, the poor, politics. It's not what you've got—it's how did you get it, and how can I get it?"

By comparison, "when someone is diagnosed with cancer, there is more understanding," he explained.

While Digital "treats AIDS as we would treat any other catastrophic illness" for coverage purposes, Mr. Ross in the mid-1980s spearheaded an education and counseling program at Digital that is now one of the most successful and highly lauded projects in the country (see story, page 80).

Employers can add AIDS-related provisions to their current company policy defining how they will handle health and disability claims, or they can devise separate statements dealing specifically with the disease, said Bryan Lawton, vp and director of employee assistance services at Wells Fargo Bank N.A. in San Francisco, which has a specific AIDS policy.

The policy must explain how the confidentiality of medical information will be safeguarded and whether the corporate health plan will cover experimental treatments and drugs.

It also must detail what types of reduced work schedules or job modifications will be made available for workers with AIDS, Mr. Lawton said.

In addition, because AIDS is a cyclical illness—with relatively good health followed by periods when the employee is unable to work—the

Continued on next page

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Continued from previous page  
level of salary and benefits that will be available to employees on a reduced work schedule is important to establish.

**Education still critical**

Consultants and employers agree that a corporate policy on AIDS is only one step in the process of dispelling irrational fears about the disease. Education, they say, is also imperative.

"Work-based education programs can promote co-worker compassion in dealing with people who have this disease and reduce the likelihood of work disruption problems when healthy employees must work with an AIDS employee," Mr. Lawton said.

Education also can "encourage healthy lifestyle habits to minimize the risk of contracting this deadly disease and contain related health costs," he said.

Effective education programs have several things in common. They focus on the facts, employ a credible source to deliver the message and are visibly supported by top managers (see story, page 78).

Some large firms, like Digital and Levi Strauss, have spent substantial amounts of money to develop in-house education programs including video presentations, talks by doctors and people with AIDS, and literature.

But, a successful program can cost very little.

"You can buy Cadillac materials for under \$1,000" that include education packages for employees, noted Mr. Stiles of the National Leadership Coalition.

Mr. McNulty, the Racine, Wis.-based independent consultant, said his typical education program for a manufacturer employing 300 workers costs about \$600.

In that program, groups of about 30 employees watch two videos, and then a doctor discusses AIDS transmission. A question-and-answer session follows.

Separate presentations, which last about an hour, are given to managers and non-managers.

"You can have a good, comprehensive program without reinventing the wheel," noted Syntex's Mr. Nau.

Companies with established programs often will share their work with other companies at no charge.

"Don't pay \$600 or \$700 for a video and then another \$2,000 for an outside consultant," Digital's Mr. Ross advised. "You can do what you need with community and in-house resources."

Employers also can obtain free materials from social services agencies, including the American Red Cross (see box, page 88).

Any effort, employers and consultants agree, is well worth the cost.

"Corporate America is so concerned at this time about the high cost of health insurance," said Robert Mucha, Modine's director of employee relations. "But, if you look at educating employees about HIV and the causes behind it—what better approach do you have than trying to prevent one case?"

Mr. Mucha says the biggest cost of the company's AIDS education program is pulling employees off the job to attend meetings.

**Positive feedback**

AIDS education has tremendous employee relations potential. After their initial uneasiness, most employees respond well to the programs, and many take comfort in knowing their employer has a specific strategy for coping with the epidemic, experts say.

"The reality is that employees working with someone with AIDS are safe," noted Mr. Emery, the San Francisco-based independent consultant.

"But if they aren't educated, they are fearful. It's the employer's responsibility to make employees

feel safe," he said.

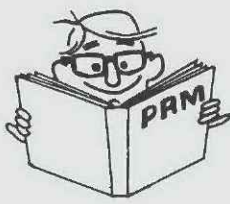
"Allaying employee fears was the biggest plus of the discussion," said Carroll Lewis, president of Southeastern Manufacturing Co. in Ocala, Fla. SEMCO conducted AIDS education for 120 employees and "the feedback was very positive," Mr. Lewis said.

Digital has received positive messages from employees, their families, customers and the community, Mr. Ross said. "Employees are not afraid to talk about AIDS and appreciate the opportunity to explore the issue."

Some employees are now involved in volunteer activities related to AIDS, he added.

"People are uniformly appreciative of AIDS education programs," said the GMHC's Mr. Humes.

"People are particularly concerned about children, and they are starting to understand that there is a long incubation period" before AIDS-related symptoms appear.



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# Employers teach 'AIDS 101'

## Education programs seek to discredit misconceptions, allay fears

By **CHRISTINE WOOLSEY**

Until there is a cure for AIDS, employer education programs will have a valuable role to play in preventing the spread of the epidemic. Consultants, employers and AIDS educators point to some key ingredients that can help ensure the success of any educational ef-

# AIDS

NO EMPLOYER IS IMMUNE

fort—regardless of its price tag. For example, all programs should teach "AIDS 101"—how the disease can and cannot be contracted, its symptoms and its

progression.

Workers need to know, for instance, that they cannot contract the disease by working next to someone who is infected, by using

the same telephone or drinking fountain or by casual contact with the co-worker, experts stress.

"The programs that work have very clear objectives, factual content and a credible source—a health care worker, for example—to relay the information," said John F. Bunker, a consultant for The Wyatt Co. in Washington, D.C.

Education programs should not be limited to employees and managers, he added. Employees' families also should be included.

Consultants and educators agree that giving employees a booklet or flier about AIDS is not enough. Instead, they advise using a combination of posters, newsletters and pamphlets, payroll stuffers, face-to-face meetings and videotapes to be shown at work or taken home.

"Literature distribution doesn't work so well," said Steven Humes, coordinator of professional education programs at Gay Men's Health Crisis Inc., an AIDS service and education organization in New York.

In fact, he said, "passive education is the least effective" way to reach people.

"The most successful programs allow employees to voice their fears and concerns about (human immunodeficiency virus) transmission," Mr. Humes said. Employers should "provide a forum for their employees" to learn about AIDS and related social and emotional topics, like bereavement, he said.

"Passive educational activity, like passing out pamphlets, is better than nothing, but it doesn't work as well as compulsory and intensive programs," said Judith Barr, associate director of programs for the New York Business Group on Health Inc., a non-profit group interested in health policy.

Experts also stress the importance of repeating AIDS programs periodically.

Research by the New York Business Group on Health indicates that "a substantial minority" of employees hold onto incorrect information about how AIDS is and is not transmitted even after employers conduct AIDS education programs, Ms. Barr said.

For instance, even after informational meetings, some employees still believed AIDS could be transmitted by coughing or sneezing. Others believed they could contract it by using the plates or utensils of an infected person.

Other research supports experts' advice to conduct ongoing educational programs.

Researchers at the Georgia Institute of Technology in Atlanta studied 530 workers who participated in an education program that ran less than two hours. Researchers found those workers more leery of working with people with AIDS than were people who received more instruction or none at all.

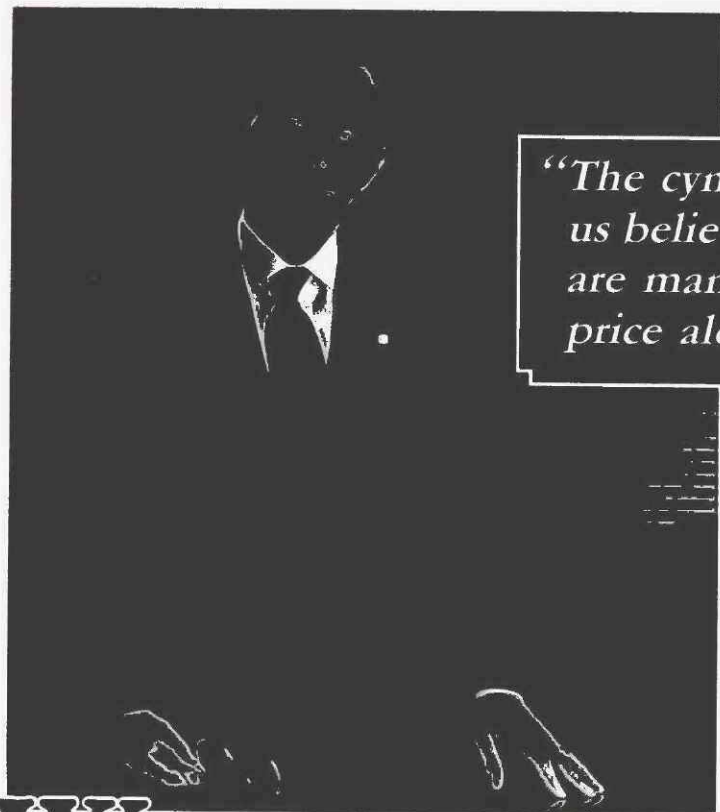
"If you do a short seminar at lunchtime that is passive in nature, it can create intolerance and anxiety," said the GMHC's Mr. Humes.

"Our education efforts have to be doubled, redoubled and redoubled to keep clear information in front of people," Ms. Barr said. And, "these programs have to be ongoing, because this is a changing arena" in which methods of transmission are being discovered.

For example, just recently the first cases of HIV-transmission from a dentist with AIDS have been documented, she pointed out. Four patients have tested HIV-positive and another is near death (BI, Nov. 5, 1990).

And, worker populations change. "One shot doesn't work," said

Continued on next page



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Continued from previous page  
Patricia Wiley, managing consultant with A. Foster Higgins & Co. Inc. in New York. "Education programs need to be repetitive, especially in companies with high staff turnover."

"There are a number of ways you can mess up AIDS education in the workplace," said Jonathan A. Segal, a management lawyer with Wolf, Block, Schorr & Solis-Cohen in Philadelphia.

"As an employer, you can't just tell them how they can't get AIDS—you have to tell them how they can."

But, he cautioned that "you must tell employees at the beginning, 'We have no desire to regulate your off-duty conduct.' Otherwise, they will think you are invading their privacy."

Much of the responsibility for workplace education falls on middle managers.

In manufacturing plants, for example, managers and supervisors should be well-versed in AIDS-related safety issues, consultants say.

Managers must be able to advise workers how to react in the event of a big blood spill on the plant floor.

While manufacturing workers must know that it is all right to help someone who is hurt, they also should know about what precautions to take in case the blood is infected.

"Your first reaction to someone who is hurt is to rush to help them," noted Michael Lauber, president and chief executive officer of Tusco Manufacturing Co., a small firm in Gnadenhutten, Ohio.

But, Tusco's program stresses the importance of putting on gloves before coming in contact with blood, he noted.

However, "the bigger reason is not AIDS—it's Hepatitis B. That stuff will crawl across the floor after you. It's more virulent and it's infecting more people," Mr. Lauber said.

Managers also must be careful not to discriminate against or violate the confidentiality of an employee with AIDS or HIV, consultants say.

To some observers, managers are not handling their responsibilities well.

"Managers tend to forget they have to remain on the offensive and continue to educate new hires," pointed out B.J. Stiles, president of the National Leadership Coalition on AIDS, a Washington, D.C.-based employer and labor organization that studies the impact of AIDS on business.

"The mistakes being made are being made by managers, not the company. Training and retraining managers is not high enough on the menu of top management," said Mr. Stiles.

Many experts recommend making AIDS education mandatory for all employees. Doing so takes away some of the stigma associated with the disease, they say.

"Voluntary, random sign-up or brown bag lunches don't work," asserted Paul Ross, head of the AIDS Program Office at Digital Equipment Corp. in Maynard, Mass.

Senior management commitment is an essential component in all workplace programs, and someone of authority should deliver at least some of the messages, according to experts.

Educational efforts are better received "when employees feel the employer has a commitment to the whole education process," noted Helen Rendell-Baker, a senior consultant for Martin E. Segal & Co. in New York.

"It doesn't have to be the CEO, but it should be someone at the top of the house—someone who is a champion and a stakeholder and who has the support of the CEO,"

said Digital's Mr. Ross. "In our case, it was the worldwide employee relations manager."

At Levi Strauss & Co., it was the chairman.

In a letter to employees, Robert D. Haas said, "This is not an issue to delegate to others. It is only when senior management takes a leadership role that employees will give HIV the attention it requires."

Mr. Haas and others stress the importance of targeting educational materials to specific audiences.

"We learned an important lesson as we developed our employee education programs," Mr. Haas said. "AIDS education must be tailored to each employee audience. What worked for our employees at our San Francisco headquarters did not work in our plant facilities."

Levi's education programs now are designed especially for employees at the apparel company's plants in small towns and cities across the country.

"Unfortunately, the missing piece in preventing the spread of the epidemic is that there are very few materials that are geared for and developed for blue collar workers," noted Mr. Stiles of the National Leadership Conference on AIDS.

Materials generally are "aimed at mid-level, educated workers. And, we don't see many materials aimed at women that talk about sexual transmission, especially from drug users."

Employers and educators concede that sex, drugs and death are not easy to talk about.

But more often than not, employees appreciate employer-sponsored education efforts.

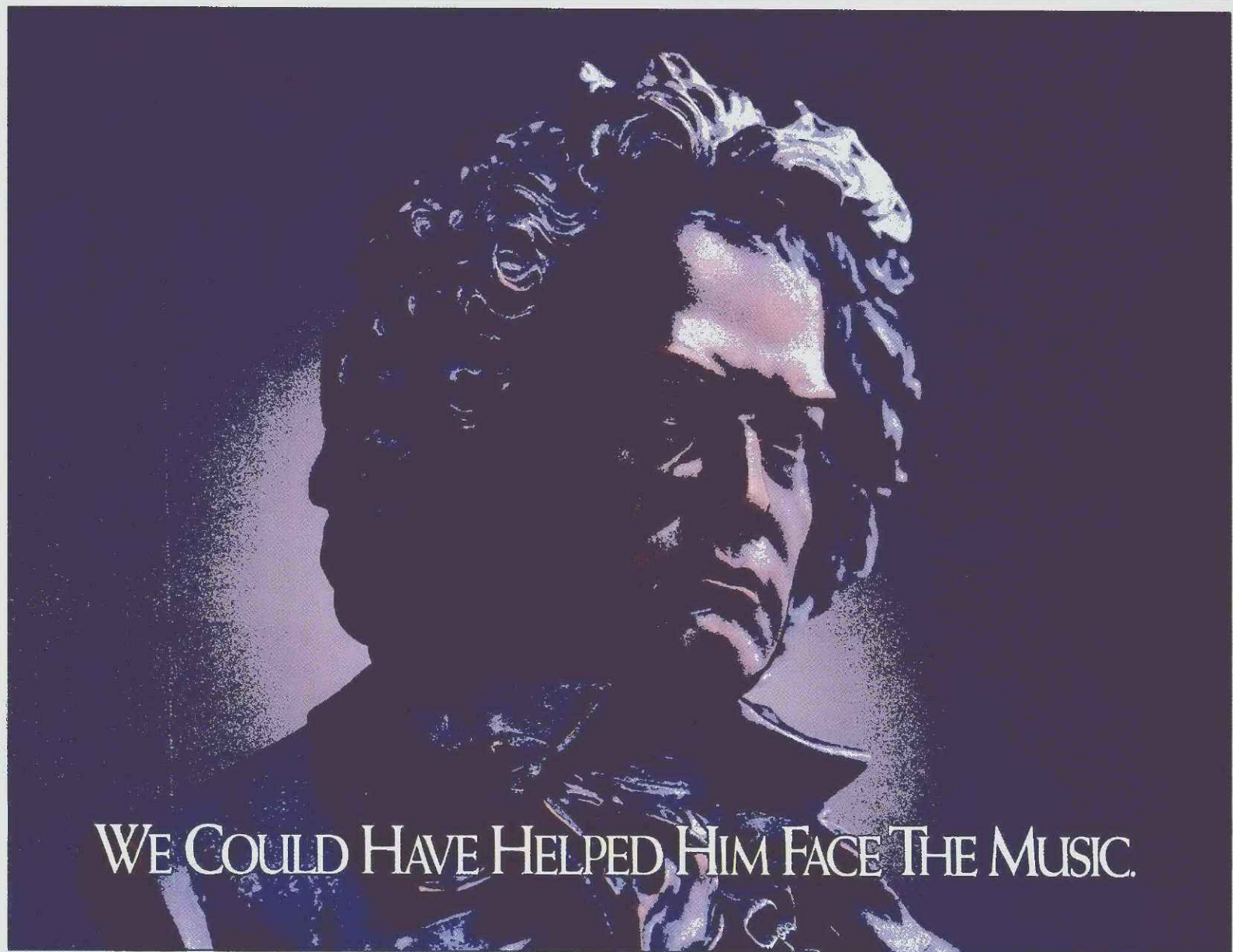
Employees initially may balk at the programs, "but halfway through the presentation, they are listening intently, and they view it as a positive thing," said John McNulty, president of the McNulty Group, a consulting firm in Racine, Wis.

## What works on the front lines

Advice culled from employers, AIDS counselors and others on how to make a workplace education program work.

- **Bring in the big guns.** Top management should inform employees that the company is committed to AIDS education.
- **Make it mandatory.** Doing so will improve turnout and remove any stigma of attending.
- **Be explicit.** Don't just tell employees how they can't get AIDS, like through casual contact. Tell them, in no uncertain terms, how they can.
- **Make the presentation credible.** A medical professional will carry more weight with employees than any brochure.
- **Target materials.** What works at headquarters may not play in the branch offices.
- **Not just the facts.** While employees need clear, accurate information, many also need to discuss their feelings.
- **Be redundant, over and over again.** One-shot programs don't cut it. Information must be repeated. Don't forget new hires.

GRAPHIC BY JOHN HALL



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# Digital pioneers program to fight AIDS, ignorance

By CHRISTINE WOOLSEY

MAYNARD, Mass.—Uncertainty and fear, the twin antagonists of workplace AIDS programs, never got a foothold at Digital Equipment Corp.

With "passion and conviction, but also good sense," the Maynard, Mass.-based computer concern has fought the epidemic and the misinformation surrounding it, says Paul Ross, head of the company's full-time AIDS Program Office.

Four years ago, when Mr. Ross was a regional personnel manager, he had the first inkling of trouble. Among some employees in the Northeast, where Digital is a major supplier of computer equipment to hospitals, Mr. Ross noticed a "great uncertainty" about working in hospitals where there were AIDS patients.

The company decided that all employees needed reliable information on how acquired immune deficiency syndrome is—and is not—transmitted.

Given the company's large size, though, grassroots education was deemed impracticable.

By January 1988, a corporate AIDS Program Office was in place to coordinate broad education efforts for Digital's 80,000 U.S. employees. Its goal was to prevent lost productivity, emotional problems and any legal consequences of discriminatory behavior.

The AIDS Program Office, staffed solely by Mr. Ross:

- Oversees the design, development and implementation of educational programs for all employees.
- Consults with management and personnel to identify the incidence and progress of the disease in the company and general population and to assess emerging issues.
- Fields any questions about company AIDS policies.
- Serves as a liaison to other companies, community organizations and governmental agencies. For example, the office was a founding member of the New England Corporate Consortium for AIDS Education.
- Works with Digital's corporate contributions and community relations departments to recommend funding for AIDS-related programs.

Most employers, of course, lack the resources for such an extensive in-house effort.

But companies both large and small can incorporate some of Digital's approaches and techniques in making their own education efforts.

One central purpose of the program, Mr. Ross said, is to ensure that all employees feel safe at work and to make afflicted employees feel comfortable enough to disclose their illness if they so choose.

Digital also encourages at-risk employees to get into early treatment.

"It's important that people know this is a chronic and manageable disease, and the key is early treatment," Mr. Ross said.

The AIDS Program Office was created as an "employee relations" program, not a health services program, Mr. Ross explained. "This is a program for all employees—those who are well and those who are not well. It's the company's investment in employees' well-being."

Early on, Digital began empha-

## AIDS NO EMPLOYER IS IMMUNE

sizing companywide involvement. A task force on HIV—or human immunodeficiency virus, which causes AIDS—included representatives from many departments—employee relations, communications, employee assistance, community relations, corporate medical and legal.

From the outset, Digital made it clear that employees with HIV or AIDS would receive the same level of medical, disability and life benefits as any other employee suffering from any other disease, Mr. Ross said.

Digital's medical plan includes case management and home health care benefits.

But AIDS, Mr. Ross concedes, "is different from any other illness because of the mystique and fear."

It is also an illness that has turned epidemic, claiming more than 121,000 American lives since

"We encourage people to acknowledge their fears and even in some cases their disdain. People need the opportunity to talk about and discuss AIDS," Mr. Ross said.

It is important for corporations to discuss more than medical information, Mr. Ross added.

Digital's program also includes live interviews with people who have AIDS. "It's sort of a kinder, gentler Ted Koppel," he said, referring to the hard-nosed "Nightline" anchor. "I've seen people absolutely transformed" by these dialogues, by realizing the participant "is a living person who could be a relative, co-worker or neighbor," Mr. Ross said.

Without saying so explicitly, Digital has made the program mandatory. Employees are strongly encouraged to attend through communications about the seminars sent by senior manage-



*'We don't want to be known as the "AIDS company," but we do want to be known as the company that does the right thing by its employees, their families and our customers.'*

—Paul Ross

1981.

Digital decided to educate its workforce "not because we have a great number of cases... but because the epidemic is growing," Mr. Ross said. He pointed out that 80% of Digital's workforce is between the ages of 19 and 39, the group AIDS typically strikes.

The education program, which was initiated by senior management, was announced through newsletters and electronic messages.

Support from the top is critical, Mr. Ross stressed. "People get hung up by starting with human resource departments alone. This is an issue of power. You need a stakeholder at the top of the house who says this is an important piece of work and empowers the human resource department."

At each company facility, training began with line managers, who then were responsible for forming a partnership with the personnel department to deliver the message to the workforce at large.

The training focused on increasing managers' knowledge about the disease and preparing them for leadership roles.

"The core is a seminar program designed to understand the business and employee relations need for AIDS education," Mr. Ross said.

The four-hour seminar covers, among other things, corporate guidelines and health care coverage, as well as resources for additional information.

The seminar also features a video presentation titled "Living and working with AIDS" and a speech by a credible medical professional on AIDS transmission and prevention, he said.

But "human factors" also are covered. The seminar attempts to foster a better understanding of epidemics, sexually transmitted diseases, drug use, fear, sexuality, homophobia, prejudice and the politics and economics of AIDS in society.

ment.

"In our corporate culture, it has worked better for us to appeal to decency and common sense," Mr. Ross explained. "We don't want to be known as the 'AIDS company,' but we do want to be known as the company that does the right thing by its employees, their families and our customers."

No single education strategy works everywhere, he pointed out.

For example, the company may stress to plant workers that they should don a pair of rubber gloves before assisting an injured co-worker who is bleeding, while the company would stress to sales personnel that they cannot contract AIDS through casual contact with buyers.

In all educational efforts, though, the company tries to present accurate information in a non-threatening way.

One recent addition to Mr. Ross's program is a data base that can dispense information to all of Digital's U.S. employees. "An employee in San Antonio can get information on community resources in his or her area, volunteer opportunities, medical information or other basic information about the illness," he explained.

Workers' families will be the focus of other upcoming AIDS education efforts. Two mailings have been sent to employees' homes within the last two years and some information is available through the employee assistance plan, but in-depth education is still lacking.

"I'll do it soon—perhaps through a teen breakfast or family night," Mr. Ross said.

He also wants to extend AIDS programs to the 40,000 Digital employees based in Latin America, the Far East, Europe and Africa.

That will be "a little trickier," he conceded. "There are different insurance laws in each country and some really strong cultural barriers. We have to be sensitive to those," he said.

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Business Insurance, October 7, 1991 / 80A

## Agent/Broker Topics

A monthly editorial section sent exclusively to agents and brokers

### Prescriptions for success

#### Growing complexities send agents searching for the help of consultants

By LAURA MAZZUCA

Agency consulting today is a lot like modern medicine: Old-time generalists carrying their black bags of boilerplate advice have given way to specialists who mount high-tech attacks on a problem. The only difference is that most consultants still make house calls. Just as patients need to carefully

choose a doctor, agents must also be educated consumers to get the most out of a consultant.

Although they've been a fixture on the independent agency scene for years, consultants have recently taken on a more important role as basic agency functions have grown more complex.

With the help of a lawyer or accountant, an agency principal used to be able to personally handle routine functions like perpetuations. No more. The effects of the long soft market, along with changes in regulation and tax laws, have made even the "basics" too difficult to go it alone.

#### M&A boom

The increasing complexity of agency operations, along with increasing consolidation, has created a booming market for consulting on mergers and acquisitions.

At Russell Miller Inc., merger and acquisition consulting work is up nearly 30% from 1990, said Russell R. Miller, chairman of the San Francisco-based consulting and investment banking concern.

"We're about five years into a difficult market cycle and many agents and brokers haven't traditionally retained their earnings," he said. Now, they're "tired of fighting the fight" and increasingly are looking to sell.

Consultant Marsh, Berry & Co. Inc. estimates that billing on mergers, acquisitions and sales advice has risen almost 500% over the last four years, according to Larry Marsh, president of the Mentor, Ohio-based firm.

New York-based financial consulting firm Manhattan Group has worked on 14 agency mergers or acquisitions so far in 1991, bringing its total to 19 for the last year-and-a-half, said Chairman Douglas C. Moat.

Among its high-profile deals was Markel Corp.'s 1989 buyout of The Rhulen Agency Inc., he said.

That deal illustrates that consolidation is by no means limited to small operations.

The national and international brokerages are also pulling back, with many closing the branch offices, especially those with less than \$2 million in commissions, said Mr. Miller.

Brokerages and insurers also are selling off operations in certain geographic areas or closing down specialized lines of coverage.

But with soft market conditions not attracting many buyers for agencies, sellers must carefully prepare their businesses for sale, emphasizing potential long-term returns and downplaying currently low face values, added Mr. Miller.

This is where an agency consultant comes in.

"Many agents, when they reach

#### WHAT'S INSIDE

**N.J. dilemma**  
To agents the big Allstate news is both a welcome opportunity and an ominous portent.  
-Page 80G

this point in their careers, think of calling their lawyer or accountant," Mr. Miller said. But this would be "akin to one of their clients dealing with direct writers; they don't get the expertise of someone who's been involved in this hundreds of times."

Mergers and acquisitions are harder to negotiate today because valuations are down in the soft market, Mr. Moat of Manhattan Group added. This is why more agency principals want to either sell and get out, or see today's climate as an opportunity to increase their acquisitions, he said.

Going it alone, though, can be risky, consultants say.

Principals often don't get the best possible deal because they lack knowledge of current tax laws and valuations in today's insurance market, contends Charles E. Coyne, senior consultant and mergers and acquisitions expert at Business Management Group in Hartford, Conn.

Just in the past year, he added, growing demand for M&A consulting has prompted his firm to add another consultant and a financial analyst to its staff.

An M&A specialist can guide principals through the process from evaluations to negotiations to the preparation of closing legal paperwork, Mr. Coyne said.

With their wide network of contacts, consultants also frequently play "matchmaker."

Business Management Group, for one, maintains a national data base of agencies interested in acquiring or being acquired, Mr. Coyne said.

Not all sales activity is related to mergers and acquisitions, however.

As a soft market makes retirement look more attractive for many principals between 50 and 65 years old, demand for internal perpetuation advice is also growing, Mr. Coyne said.

#### Financial advice

Steadily rising operating costs and falling commissions have also prompted more agencies to seek financial management advice.

Particularly within the past nine to 12 months, financially strapped agencies have been seeking help in reorganizing, said Timothy J. Cunningham, senior consultant at

Continued on next page



## Agent/Broker Topics

## Consultants

Continued from page 80D

sions, the agent should allow the consultant free access to staff and information about the agency "so he can look at the broader picture," Mr. Marsh said.

This is why many consultants require voluminous background information on the agency's basic operations even before they set foot in the office, he said.

## Get the price up front

Consultants agree that there's nothing wrong with discussing fees and deadlines up front—in fact, doing so protects both parties.

It's important to establish fees as soon as possible since billing varies among consultants, said Hales & Associates' Mr. Cunningham. He recommends asking consultants how they bill; whether reimbursements are expected for out-of-pocket expenses; whether time is billed separately; and whether travel time is billable.

Agents also should try to get an idea of how long a project will take. If left to chance, this can be a real headache, said the PIA's Ms. Borowski, especially when dealing with large national consulting firms. Because most of their clients are also large, billing can get out of hand, in part because those big clients often can afford to "eat" the overruns, she said.

Smaller agencies don't have that luxury, and it's important to agree with the consultant from the very start about what level of cost overrun is acceptable. A good rule of thumb is 10%, she said.

## Provide access to information

Just as an agency needs to check the credentials and background of a consultant, that consultant also needs to know a lot about an agency to do a satisfactory job, consultants say.

In many cases this means finding out about the agency's operations even before beginning the job.

For example, Sharon D. Cunningham, a consultant with Business Management Group in Hartford, Conn., asks clients to fill out a questionnaire before she starts the job. She also requires copies of any written agency procedures, the agency's history, its business plan

and other documents like ownership information, a list of employees and their salaries, producer compensation and financials for the past three years.

Once on the job, consultants also like to interview agency personnel, some personally, some in groups.

These interviews are not restricted to principals, Mr. Marsh said. Depending on the consulting job, they can include producers, customer service representatives, and claims personnel, he explained. For example, in a merger or acquisition, the consultant needs to talk to everyone to assess who does what, how they are compensated and what jobs need to be eliminated, he said.

Some principals balk when a consultant seeks free access to employees, Mr. Marsh noted. This is a mistake because it restricts the consultant's ability to judge the

situation, he added.

## Keep attorneys on sidelines

Especially in a sale or merger, an agency's accountant or lawyer needs to be included in the process. But nothing bugs consultants more than having lawyers looking over their shoulder from Day 1.

No matter how skilled, most of the lawyers and accountants agencies use have little insurance expertise, said Mr. Miller of Russell Miller. As a result, they usually can't contribute anything if they are brought in before a consultant has made recommendations and principals have decided which course to pursue, he said.

This lack of experience is especially acute in mergers and acquisitions, he added.

Marsh Berry, in fact, recently turned down a major project because it would have had to report

to the agency's accountants.

This is against Marsh Berry policy because attorneys or accountants sometimes steal their ideas, added Mr. Marsh. "I don't want somebody else translating our opinions and advice. I'll gladly work with them, but not through them."

Charles E. Coyne, senior consultant at Business Management Group, who specializes in mergers and acquisitions, thinks the best course is to bring in the agency attorney later in the process.

At that time, the lawyer can translate the specifics—like how much income is needed to close the deal, how assets will be allocated for what tax purposes and employment and covenant agreements—"into legalese," he said.

## Follow through

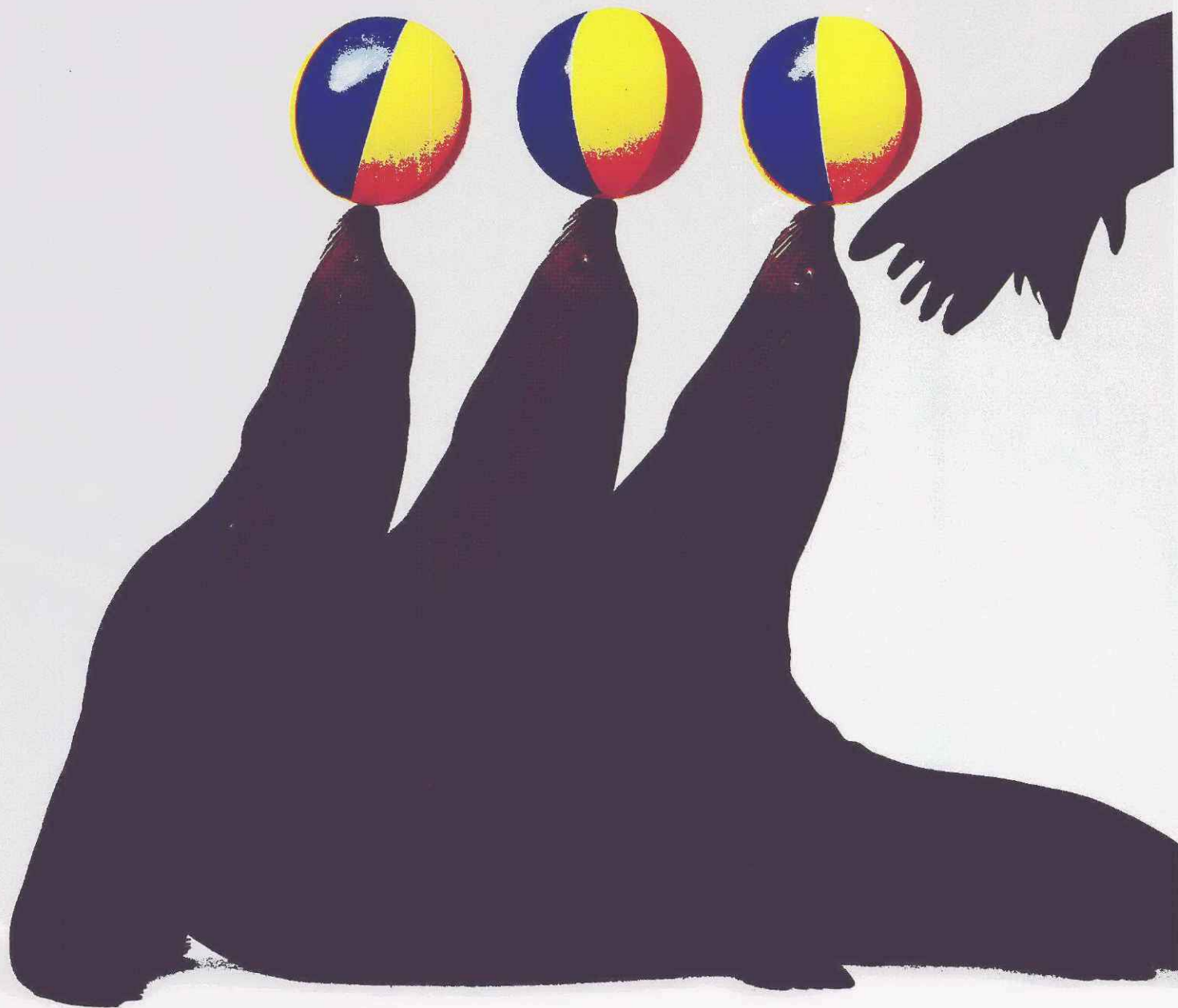
Believe it or not, many agents

hire consultants, pay them handsomely and then don't do a thing with their recommendations.

Principals must commit energy, time and funds to put these changes into effect, Ms. Borowski said. Since most consultants are available for follow-up visits and assistance in setting up the suggested program, the agent should take advantage of this and continue working with them until the project's completion.

Even if they're not specifically asked to help, most consultants will check in with the agent six months to a year later to see if the agency has adopted its recommendations, Mr. Kasyjanski said.

And, while the consultant may charge a per-visit fee to come out and help, it's usually well worth it to the agent, who might not have the time or skill to make the changes himself. ■



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This attitude is just as counterproductive as the former because the agent may be wrong and because it doesn't allow the consultant to play a role in defining the problem, warns Mr. Marsh.

Instead of jumping to conclu-

lier attitude about adhering to limits on cost overruns.

But, she added, agents can also "burn" consultants by misrepresenting the agency's problems as relatively minor, and then adding more to their list of demands after a price is quoted. ■

# Allstate plan a mixed bag for N.J. agents

By LAURA MAZZUCA

TRENTON, N.J.—Allstate Insurance Co. wants to leave and independent agents here don't know whether to cheer or groan.

On the one hand, if Allstate is granted its request to stop writing property/casualty coverage in New Jersey, it could present a great business opportunity for agents.

Allstate, a direct writer, is the largest personal auto insurer in New Jersey and the third-largest property/casualty insurer overall. That's a lot of potential new business.

On the other hand, though, the Allstate move was prompted by extensive losses in New Jersey. And, to the extent those losses are attributable to regulatory or other conditions in the

state, other insurers could be prompted to follow suit.

Agents fear this could trigger a "serious availability crisis," said Eric Salfeety, president of the Professional Insurance Agents of New Jersey. "Allstate made a business decision that sends a strong message that they can't make money here."

Allstate was by no means the first to do so. Mr. Salfeety points out that GEICO Corp., Nationwide Mutual Insurance Co. and SAFECO Corp. have all stopped writing auto insurance in New Jersey.

Despite a 15.9% share of the state personal auto market last year, according to A.M. Best Co., Allstate has posted extensive losses. From 1973 to 1990, the Northbrook, Ill.-based company lost \$448 million on

personal auto business and \$259.4 million on overall property/casualty business (BI, Sept. 23).

Prospects for increased business may look attractive now, but they're not worth the long-term loss of another major insurer, according to Thomas Ahart, former president of the Independent Insurance Agents of New Jersey.

Most frightening to insurers are potential auto losses. Allstate turned a profit in homeowners and other property/casualty lines, but Mr. Salfeety worries that its personal lines auto losses may discourage other insurers from doing business in New Jersey at all.

For auto insurers, there may be worse to come, said Mr. Ahart. He points out that a state law set to

take effect in 1992 will prohibit insurers from rejecting auto business. This could force insurers to cover their auto business losses with capital from other areas.

The result, says Mr. Ahart, could be insufficient capital to underwrite the commercial coverages that are a staple for independent agents.

"We think it's very unfair to force them to go into areas that are not profitable," Mr. Ahart said.

New Jersey law requires insurers that want to stop writing one type of property/casualty coverage to surrender their other licenses and find alternative coverage for policyholders.

Allstate agents appear to be wasting little time. Already they are contacting independent agencies seeking to transfer their books of business.

## Big shoes to fill

The departure of Allstate would leave a big hole in the New Jersey property/casualty market.

Rank/Company	1990 premiums written (in millions)
1. New Jersey Manufacturers Group	\$517
2. AIG	456
3. Allstate	451
4. Prudential	377
5. State Farm	367

Source: A.M. Best Co.

GRAPHIC BY JOHN SMITHER

"It's beginning to happen already," said Mr. Ahart. Independent agents are reporting a "noticeable increase" in calls from Allstate agents seeking to transfer their business, he said.

In fact, Allstate has informed its agents that if they could find an insurer to pick up the entire company-owned book of business, they could transfer it over to the insurer at renewal time, said Phillip Lawson, assistant vp of sales.

Allstate's agents had no advance notice of the insurer's intention to leave the state, but instead learned of its plans "like everybody else," when Allstate announced its intentions on Sept. 16, said Mr. Lawson.

But Allstate's heavy personal lines auto losses meant that the news probably did not come as a surprise, he added. "This has been an ongoing process for over 20 years."

Speculating about whether Allstate will be allowed to stop writing coverage, or about how long it would have to remain in the state, is "a little premature" because the insurer only filed its withdrawal plan with regulators recently, said Mr. Lawson.

Samuel F. Fortunato, the state insurance commissioner, has 30 days to request further information.

If Allstate is permitted to withdraw from the state, it must try for at least one year to secure alternative coverage for its clients, a company spokesman said. Neither the insurer nor its agents are legally liable if this coverage is not secured, he added.

In the meantime, however, Allstate is conducting "business as usual," Mr. Lawson said.

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## Agent/Broker Topics

# Finding new life in consulting

By LAURA MAZZUCA

If you look at the services consultants provide and think, "I can do that!," you're not alone.

The consulting ranks are filled with former independent agents who decided that they were qualified to dispense advice rather than solicit it.

To many of these erstwhile agents, the jump from serving a corporate client to figuring out what an agent needs to improve his business is not that much of a hurdle.

"I found that I really enjoyed helping people," said Stephen Anderson, president of American Insurance Consultants in Hurst, Texas, who specializes in marketing for insurers and agencies.

His experience with computers as a producer—and subsequently as a speaker for the Travelers' EBS computer system users group—fueled his interest in consulting. Today Mr. Anderson helps insurers and agents create direct response marketing programs. "I enjoy the training and teaching, and I like seeing my ideas being used effectively in an agency."

### Putting their expertise to work

As in the agency business, agents-turned-consultants are succeeding by targeting a niche.

Wayland Hancock is another automation specialist. His Wayland Hancock Computer Consulting Inc. in Houston is the outgrowth of almost 20 years as an independent agent and an automation manager.

His experience is his strongest point, said Mr. Hancock, who used to balance his agency's books "with a ballpoint pen and a Rough Notes eight-part invoice."

This experience lets him translate agency accounting procedures to automation—something many certified public accountants can't do, noted.

Another specialist, Joe Cardaci in Washington, D.C., left a 30-year career as an independent agent two years ago to specialize in agency management consulting. His background with an agency that merged with a financial institution gave him the idea to consult for banks and agencies consolidating or merging.

### Making their moves

Why do some agents turn their backs on selling insurance and become consultants?

For Steve Anderson, it was a matter of his personal philosophy running head-on into a generation gap.

"I went as far as I could," he said of his 14 years with a small Virginia agency whose older owner was not open to new marketing ideas.

Mr. Anderson started his own business out of the basement of his Texas home in October 1989. Using his own computer and a fax machine kept start-up expenses low.

One of the major problems for start-up consultants is getting their names known, and that first year was slow, Mr. Anderson said. He promoted himself by landing some speaking engagements, he said.

Speaking and consulting, though, are often not enough. To stay afloat, Mr. Anderson is also a distributor for two products: a client contact software program for life/health agents; and a computer-based behavioral profile analysis program for hiring.

"People will spend more money on products than on time," he noted.

Because of this combined effort, Mr. Anderson's consulting business is now beginning to pick up, particularly over the last several months, he noted. "I'm just beginning to make enough money to live on," he said.

Most of Mr. Anderson's clients seek information on how to use computer systems for marketing. His clients range in annual premium volume from \$1 million to \$50 million, Mr. Anderson added. His consulting

charges vary, from hourly fees to a retainer plus a percentage of increased profits.

Mr. Cardaci decided to leave the independent agency business after 30 years when the agency he headed was first merged with a financial institution and then sold.

Those changes left him financially secure enough to set up his own shop.

Like Mr. Anderson, Mr. Cardaci opened an office in his home with "minimal" equipment. But unlike Mr. Anderson, he started off strong because of strong ties to state trade groups, where he was a frequent speaker and active committee member. He is still legislative chairman for an agency association in Washington, D.C.

Mr. Cardaci believes that his experience as an independent agent, coupled with his association activities, give him a national perspective on the insurance industry, which serves him well in his consulting role.

His expertise in agency management and banking was well-known in the mid-Atlantic region, which gave him an edge, Mr. Cardaci said.

### Reassessments mean business

Business is continuing to grow as increased competition from direct writers, changes in product distribution and consumer attitudes cause agents to reassess how they do business, according to Mr. Cardaci.

Agents are especially interested in advice on staffing and employee assistance and getting the most from their existing resources because of an overall "belt-tightening" attitude, Mr. Cardaci said.

His banking expertise is also com-

ing in handy, as more agency consolidations and mergers occur, and some agencies seek out bank suitors. Mr. Cardaci also consults for banks interested in getting into insurance.

Although most of his clients are regional, Mr. Cardaci's growth plans include a recently formed network with several other specialty consultants—data processing and financial experts—to act as a referral service for new business.

Like Mr. Cardaci, Mr. Hancock spent many years as an independent agent before turning consultant. His father started the family agency in 1953 and he and his brother-in-law eventually took it over.

In 1973, the agency had one of the first automation systems. Although Mr. Hancock has a business administrator degree, there was little or no formal computer training available at the time, and he learned the new system by himself, he said.

In 1986, Mr. Hancock decided to sell his stake and pursue a career in computer consulting.

Because the number of agencies had been shrinking for years, it seemed that these new combined agencies would need advice on choosing a single new computer system, he said. Also, with many contracts coming up for renewal with systems vendors, he helps clients decide if they want to keep, upgrade or change their systems.

Although he had little experience, he had been active in a variety of automation system user groups, and chaired the computer committee for a state IAA affiliate.

Like any business starting out, Mr.

*Continued on page 80L*

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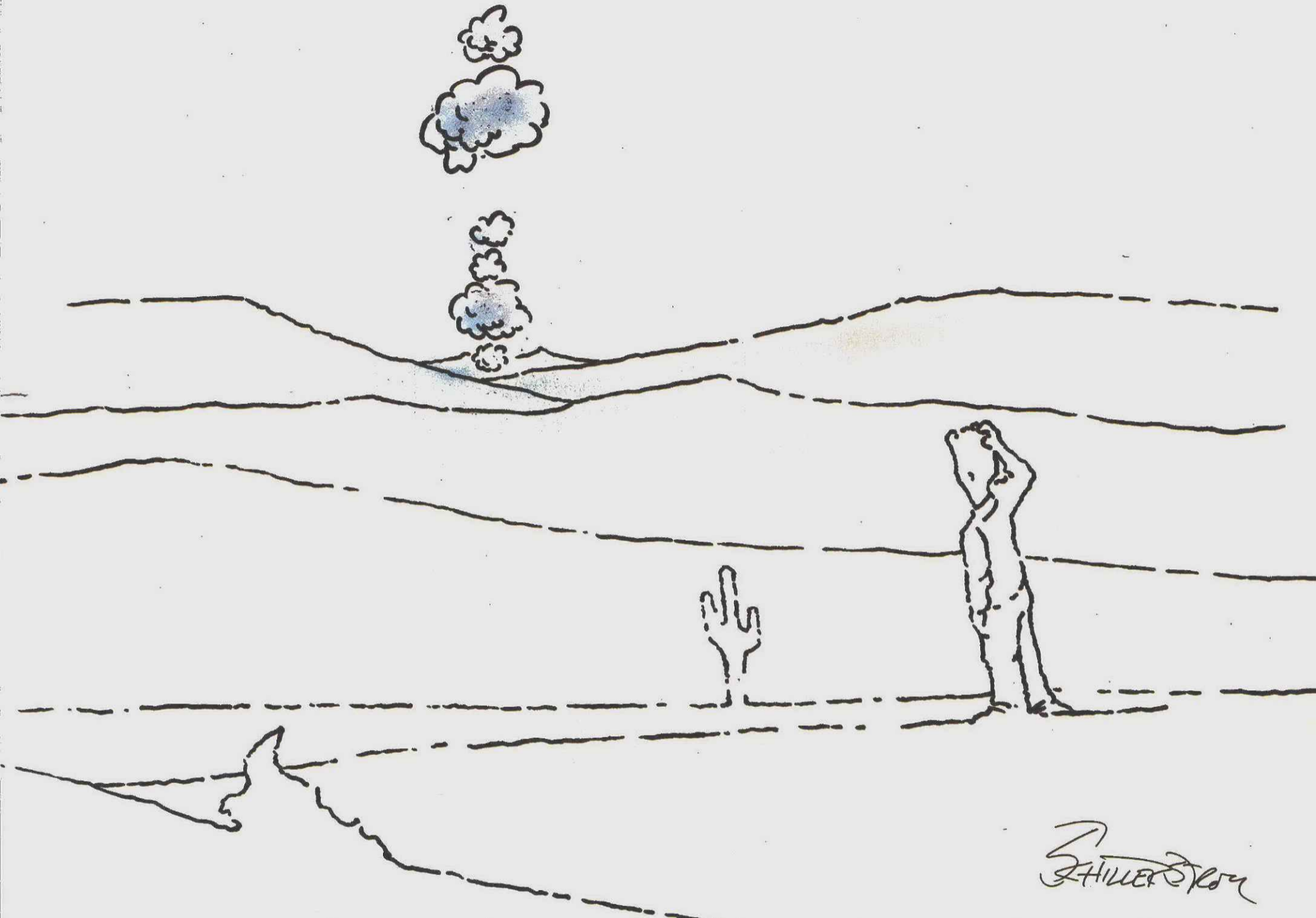
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## Agent/Broker Topics

## Former agents

Continued from page 80J

Hancock found that "it's tough the first few years," as expenses eat into profits.

Although he gives regular talks, and writes a monthly automation column for an agency trade magazine, less than 1% of his revenues come from this. Most comes from one-on-one consulting with agents.

Mr. Hancock provides three main services: setting standards for an agency; choosing the appropriate vendors and requisitioning proposals; and finally, comparing these proposals and making recommendations to the agent client.

When charging his fee, he proposes one or all three of these services and gives the potential client a set price.

## Common ground

Based on their agency background, agents-turned-consultants feel they understand their clients' needs and give them individual attention.

For example, when Mr. Cardaci first visits an agency, he talks with the principals to determine what needs to be done, basing his flat fee on how big a job they expect. Then, he gains the confidence of managers and other employees.

For Mr. Hancock, however, what an agent wants may not be in his best interest. "Agents are always looking for the lowest price for software and automation," he noted. Because of this, he must be diplomatic when evaluating proposals, keeping the agency's total needs and requirements in mind rather than simply low-balling the project, he said. ■

## How to avoid collection nightmares

By Les J. Kirschbaum

## ABT perspective

**IT'S AN AGENT'S nightmare:** Losing a commission when an account is returned to an insurance company because the customer's premiums aren't paid.

However, this costly situation can be avoided if agents and insurers initiate some basic strategies to prevent accounts from becoming delinquent.

The first step is establishing the business climate.

It is never too early to lay the groundwork to improve collections and prevent non-payment of premiums. In fact, the climate of a relationship should be established upon the agent's initial contact with the policyholder.

In the case of commercial accounts, it is important to establish a working relationship with a person who has decision-making capabilities, like a president, partner or owner. This arrangement decreases the opportunity for the policyholder to get lost in the administrative shuffle and improves timeliness of payments.

An agent may also want to investigate references for a new commercial client; in most cases, the prospective client will be accommodating and agree to provide names and references.

The agent also may want to gather and evaluate additional information from credit reporting agencies, bank references, financial statements, personal visits or trade and supplier

references.

To further protect an agent from any future misunderstandings or payment difficulties, terms and conditions should be in writing. By doing this, both parties will have a complete understanding of what is expected regarding payment and coverage.

Another basic strategy is to maintain communications with the client.

Communication is especially important in the insurance business, because the general public perceives the industry to be extremely complicated. Because the language of the industry itself confuses those unfamiliar with the business, clients are frequently reluctant to initiate any lengthy discussion about policies or problems they are experiencing. They often are totally reliant on the agent's opinion and recommendations.

In some cases, the only communication between an agent and the client is a renewal notice. At the time these are distributed, it is often too late to recognize and resolve any potential problems and the agent may lose the account.

In addition to salvaging troubled accounts, agents will benefit from a positive client relationship in other ways. When the customer's level of comfort is improved, it will enhance

trust and facilitate the easy renewal of current policies. Pleased customers also will refer an agent to their friends and acquaintances who are seeking a reliable insurance agent. Agents must regard their customers as a potential link to new business.

Mid-term audits are another strategy that can prevent collection problems.

An agent shouldn't intentionally undervalue the policy for a new commercial account, especially if the client does not know the ramifications of audit premiums. When an annual audit is conducted, a client company can owe a substantial amount due in one hefty payment.

For example, if an employer has an insurance policy based on a payroll of \$100,000 when the actual payroll is \$200,000, an audit premium will be sent at the end of the year. In this case, the audit premium will equal what the business has been paying over the past 12 months. Some companies can pay for the current term policy but cannot afford the audit premium, creating a collection problem for the insurer and an adversarial situation between agent and client.

Prior communication between agent and client about audit premiums can alleviate potential problems. The agent should further try to reduce liability by spot-checking at the end of the first quarter or mid-year and amending the policy if necessary by endorsing it to increase premiums. Added costs to monthly premiums are better than a large bill at the end of the year, and it could prevent a serious collection problem.

If payment problems do arise—and these situations are never totally avoidable—the agent must be realistic about collecting.

While collecting the full balance is always preferred, it may be necessary to establish payment arrangements while working toward expedient and full payment.

Once they are agreed upon, the terms and conditions should again be put in writing. As further insurance for the agent, the client should be asked to send a letter back to the agent acknowledging the

balance and agreeing to the terms. This documentation can be especially helpful if the policyholder stops making payments.

Generally, an agent has 30 to 45 days to collect before an account is returned to the insurer for payment. As agents are well aware, when accounts are returned to the insurance company for collection, agents not only lose their commission but the time invested in developing the policy, maintaining the relationship with the client and trying to collect the payment.

However, for those delinquent accounts not returned to the insurer, agents may opt to enlist the services of a commercial collection firm to collect the delinquent account. With the assistance of a collection firm, an agent may still be able to profit from the time and money spent with the customer. Using a collection agency also gives the agent time to sell and service current accounts.

When a decision to retain a collection agency is made, the choice should be made carefully and only after the prospective firm is thoroughly researched. It is important to know how long the collection agency has been in business and whether it is bonded and/or licensed, since many states require this certification. The agent also should request a list of references, specifically those local businesses using the firm's services.

Improving collections not only helps retain clients, it also can stimulate an agency's growth.

Using these suggestions may improve cash flow for agents, thus enabling growth in their businesses. Cash is the lifeblood of an agent's business and agents must maintain a positive cash flow to keep their firms alive.

Basic techniques can easily be implemented to improve cash flow and collection rates. By improving collection procedures, agents will enhance business and build a solid foundation for future success. ■

*Les Kirschbaum is president of Mid-Continent Agencies Inc. in Glenview, Ill., a commercial collection firm.*

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**Business Insurance**

# Small firms vulnerable to impact of AIDS

By CHRISTINE WOOLSEY

Small communities—and the small employers located there—are not immune to the AIDS epidemic.

One catastrophic claim from a lingering AIDS illness could cost a small employer so much in higher premiums that it may not be able to continue the group health plan.

With their limited universe of employees, small companies financially are more vulnerable than their larger counterparts to AIDS-related claims.

And, in a small workplace, fear of a worker ill with AIDS can shut the business down until other workers are convinced that they are safe.

"There is no question that fear about AIDS will cause an unreasonable and callous response from co-workers, which can have a direct bottom line impact on a small business," said Michael Lauber, president and chief executive officer of Tusco Manufacturing Co., a small manufacturer with 70 workers—mostly blue collar—in Gnadenhutten, Ohio.

Workplace education can prove invaluable to these companies if it helps prevent even one case of AIDS, Mr. Lauber says.

Acquired immune deficiency syndrome "is not something you can close your eyes to, frankly," said Carroll Lewis, president of Southeastern Manufacturing Co., a

wire display manufacturer with 120 employees in Ocala, Fla. "After the fact, it's too late."

And employers that have not yet addressed AIDS in the workplace are "driving around with their eyes half-closed," Mr. Lewis said. "AIDS is everywhere."

Statistics from the federal Centers for Disease Control in Atlanta bear out his observation.

The hardest-hit states continue to be New York, which has more than 40,000 cases, and California, which has more than 35,000 cases. But, the disease also is showing up in states like Georgia, which has more than 5,000 cases, Ohio, which has more than 2,700 case, and North Carolina, which has more than 2,000 cases, according to the CDC.

"I was aware of the AIDS issue but didn't think it pertained to me because of where I am and my type of company," said Mr. Lauber.

But employers that do not think AIDS is a real issue for them because they do not employ homosexuals or IV drug users "are being very shortsighted," he said.

"The banner I'm waving says 'Business, you need to prepare.' The little companies are more at risk, and people fail to recognize the drastic consequences. In a small business, one or two AIDS cases could kill you" financially, he said.

Tusco, he noted, covers 250 people under its health care plan, which is self-insured up to stop-loss triggers of about \$16,000 per individual and \$170,000 in the aggregate.

Mr. Lewis, whose group health plan is insured by CIGNA Corp., is concerned that AIDS cases could drive up his premiums.

Messrs. Lauber and Lewis have both turned to workplace education to dispel myths about how the disease can and cannot be trans-

## AIDS NO EMPLOYER IS IMMUNE

mitted. They hope the informational programs will prepare their employees to work with an HIV-infected colleague, if that occurs, and will help prevent the spread of the epidemic.

For Mr. Lauber, the reality of the epidemic's impact on small business hit home at a trade group meeting in 1989.

Two of the 21 small business owners there already had workers with AIDS and were seeking advice from their peers. Mr. Lauber decided then it was time to prepare for that possibility in his own workplace.

Before starting his program, Mr.

Lauber sought help from the National Leadership Coalition on AIDS, a non-profit business and labor coalition based in Washington, D.C. The coalition provided written materials and helped him contact another small company that already had implemented a successful education and prevention program.

After learning more about the disease and companies' obligations to employees, Mr. Lauber devised an in-house education program.

"We have a meeting the first Friday of every month. It's virtually mandatory because it's paid time. The meeting lasts about half an

hour, and AIDS is not the only topic discussed. We also talk about sales, benefits and safety issues," Mr. Lauber explained.

Because Tusco employees engage in metal stamping and cutting wood, injuries sometimes occur, he said.

Part of the discussion, in the context of health and safety, is about the transmission of the human immunodeficiency virus, which causes AIDS; proper infection control; and the correct use of gloves and barriers around open wounds and blood spills, he explained.

The monthly meetings also include the distribution of HIV/AIDS education materials, Mr. Lauber said.

Employee reaction at first was mixed. Some employees were un-

comfortable, and some felt that because there were no cases of AIDS in the community, the issue was not relevant to them.

"Sex, drugs, death—these are not easy things to talk about," Mr. Lauber said. "I try to keep it light. I'm trying to create an awareness and get away from the mystique and get people to open up and talk about AIDS. I guarantee I'm not affecting everyone, but I'm affecting some."

Employees do pay attention and participate, he said. And, because the meetings include discussions about other topics, like safety, employees have come to expect and respect them, he said.


SEMCO also includes a discussion about AIDS among other topics at safety meetings.

*Continued on next page*

**AIDS 'is not something you can close your eyes to, frankly,' says Mr. Lewis.**

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# Disability law to clarify employers' duty

By CHRISTINE WOOLSEY

Any uncertainty over employers' legal obligations to workers with AIDS finally could be eliminated by the Americans with Disabilities Act.

The 1990 law appears to prohibit nearly all employers, including self-insured companies, from capping or excluding health benefits for people with AIDS.

Employers also will be required to make "reasonable accommodations" for all employees with disabilities, including AIDS.

Both federal and state courts have prohibited the most clear-cut form of discrimination against a worker with acquired immune deficiency syndrome—firing someone upon learning he or she has the disease.

Some courts, though, have ruled that self-insured plans may have more leeway than insured plans to restrict health benefits for people with AIDS.

The legal obligations of employers to workers and their dependents with AIDS under ADA, however, could be subject to lawsuits, leaving the courts to interpret ADA.

The law will take effect for some employers as early as next July.

For now, attorneys and consultants recommend that employers use simple common sense in dealing with an employee or prospective employee with the AIDS virus: Treat that worker in the same manner as any other worker with a life-threatening illness.

AIDS is a highly emotional issue, and highly emotional issues often end up in court. Discrimination and violation of state or federal handicap laws are only the beginning of the accusations employers face, according to attorneys for employers and gay rights groups.

For example, requiring employees or job applicants to undergo tests for the human immunodeficiency virus, which causes AIDS, or asking them whether they are infected could invite suits alleging invasion of privacy.

If confidential employee medical information is leaked to co-workers, employers could be charged with breach of confidentiality.

Employers also could face employer liability lawsuits under workers comp laws for any occupational transmission of HIV or the stress of being exposed to it.

The Americans with Disabilities Act clearly is the most comprehensive and explicit law to date on how employers must treat handicapped people, including those who are HIV-infected or have AIDS.

The act, signed into law just over a year ago, supports but is far more detailed than the federal Vocational Rehabilitation Act of 1973, which prohibits discrimination on the basis of a handicap.

Employers with 25 or more workers have until July 26, 1992, to comply. Two years later, the law takes effect for employers with 15 or more employees.

"It's very clear that the ADA will offer protection to HIV-infected employees. By 1994, there should be comprehensive coverage for many more employees" with the disease, said Mike Isbell, a staff attorney with the Lambda Legal Defense and Education Fund, a gay rights group in New York.

Lawmakers left little room for interpretation of the law, others agree.

"Employers who have to date viewed the AIDS issue as one not to be dealt with until an actual case of AIDS is identified in the workplace should be aware that the ADA is, in many respects, quite AIDS-specific," said Charles J. Nau Jr., senior counsel in the human resources department of pharmaceutical concern Syntex Laboratories Inc. in Palo Alto, Calif.

For example, employers are prohibited from discriminating against a

## AIDS NO EMPLOYER IS IMMUNE

"qualified individual with a disability" regarding job applications, hiring, advancement, discharge, compensation, training or the other terms, conditions or privileges of employment.

In addition, disabled employees cannot be kept out of a workplace unless they pose a direct threat to the health and safety of others or if they are not qualified for a job.

Employers will be required to make "reasonable accommodations" for disabled employees, including those with HIV or AIDS.

Reasonable accommodations spelled out in the law include transferring an employee with a contagious disease like AIDS to a position

where he or she poses no risk to others; job restructuring; part-time or modified work schedules; and reassignment to vacant positions.

AIDS-related provisions in the ADA will present several challenges for employers, said Mr. Nau.

One of those challenges concerns employees who are HIV-positive but do not have AIDS, or those diagnosed with the milder infections associated with AIDS-related complex, or ARC. These employees may appear to be perfectly healthy, but their rights under the disabilities act "and more importantly the employers' obligations with regard to them, would be precisely the same as those owing to employees more obviously disabled,"

Mr. Nau said.

Generally, it does not appear that employers would be penalized under ADA for not taking into account the disability status of someone with HIV or ARC who did not disclose his or her health status, Mr. Nau said.

But, he warned that courts will often apply a "know-or-should-have-known standard" to disputes over disability rights.

And, he noted, "employees' recollections of what they have and have not told their employers sometimes change" once litigation commences.

Even before the federal disabilities act, people with AIDS found substantial protection against discrimination under state and federal handicap laws.

And, many federal and state courts have ruled that these laws apply to workers with AIDS, ARC or those who are HIV-positive.

"Strong protections exist for employees who have HIV," said Mr. Isbell, the Lambda Legal Defense attorney.

Underlying all federal law on discrimination is the Civil Rights Act of 1964, which requires equal employment opportunity for various "suspect" classes of workers who need special protection against discrimination.

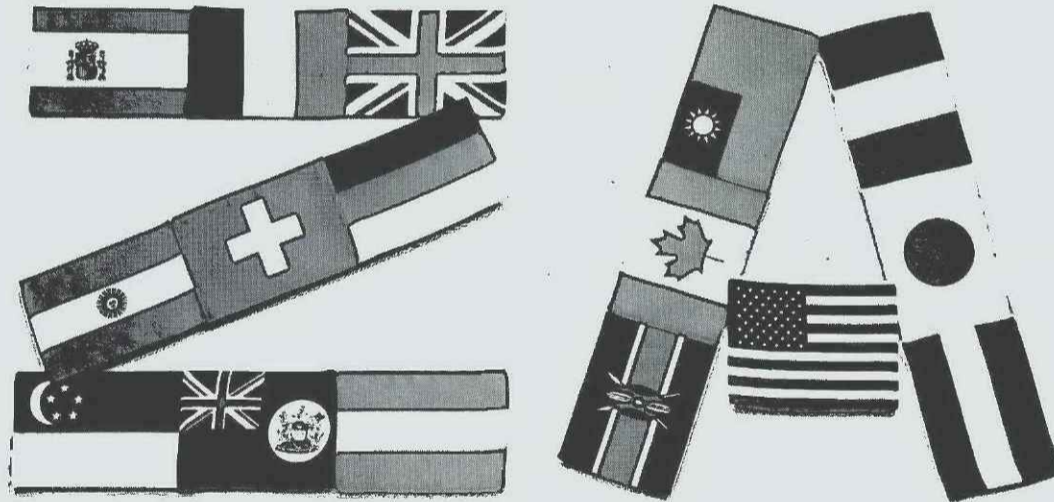
Federal employees and employees of companies with federal government contracts also are protected under Section 504 of the Vocational Rehabilitation Act of 1973, which forbids discrimination against the disabled.

Since 1988, the U.S. Department of Justice has held that workers who are HIV-positive are covered by this protection.

During the last five years, a ma-

*Continued on next page*

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## Disability law

Continued from previous page

majority of states have set up guidelines prohibiting discrimination against workers who are HIV-positive.

Most states also consider AIDS a physical handicap.

There are exceptions, however. For example, in Tennessee, "contagious diseases" are specifically excluded from the definition of handicap.

When state handicap statutes neither specifically include nor exclude AIDS, courts so determine on a case-by-case basis, Mr. Isbell said.

Ironically, one of the nation's largest law firms—Hyatt Legal Services—was the defendant in one of the more notable of these state law cases.

The case marked the first time a federal court in Pennsylvania defined AIDS as a non-job-related handicap or disability covered by the state's Human Relations Act (BI, April 16, 1990).

Decrying the firm's "corrupt assault on the dignity" of a Hyatt Legal Services lawyer with AIDS, a federal court ordered it to pay \$158,000 in damages for its 1987 firing of a regional partner in Philadelphia shortly after he said he had AIDS.

Another federal law protects employees of firms with insured plans against discrimination.

Section 510 of the Employment Retirement Income Security Act of 1974 prohibits insured plans from denying or limiting benefits because the employee has a catastrophic illness that would be costly to the plan.

Self-funded plans, however, which are exempt under ERISA from state insurance benefit mandates, have been given greater freedom to restrict health benefits for workers with AIDS. Last year, in what was believed to be the first ruling on the issue, a federal court in Texas ruled that nothing in ERISA requires self-funded employers to provide equitable benefits for employees with AIDS (BI, Aug. 6, 1990).

The 5th U.S. Circuit Court of Appeals in New Orleans heard arguments in February on the case but has not ruled.

"ERISA does not mandate that employers provide any particular benefits and does not itself proscribe discrimination in the provision of employee benefits," U.S. District Judge Norman Black wrote in the case, which involved an employee of H&H Music Co. of Houston.

Several months later a U.S. District Court in Georgia ruled that ERISA does not prevent a self-insured employer from capping benefits for an employee or dependent with AIDS, even for someone who

already had received benefits exceeding that limit.

That case involved Storehouse Inc. of Atlanta, whose medical plan initially provided lifetime benefits of \$1 million. Storehouse, a retail furniture firm with 100 workers, self-insured the plan and had a stop-loss policy.

After one employee contracted AIDS, the plan paid more than \$250,000 in benefits. Faced with a "substantial" increase in stop-loss premiums, Storehouse dropped the policy and fully self-insured. It also capped AIDS benefits at \$25,000, thus cutting off benefits above that level to the employee.

The employee sued under ERISA, seeking to force Storehouse to continue paying benefits.

But Storehouse argued that three other employees with AIDS also were driving up its medical costs.

After examining detailed financial records, the court concluded that such medical expenses could be disastrous for the company.

The ruling said an employer may modify a medical plan and deny benefits to a participant even during treatment—as long as it is done for a "legitimate business reason." Storehouse met that test, the court said.

The decision is being appealed to the 11th Circuit Court of Appeals in Atlanta.

At least one self-funded employer has been ordered to provide a worker with AIDS with the same health benefits as other ill workers.

Lincoln Foodservice Products Inc. of Fort Wayne, Ind., which limits benefits for AIDS patients covered by its self-funded health care plan, is currently appealing a ruling by an Indiana state civil rights commission hearing officer that the company must provide equal coverage for AIDS patients (BI, Dec. 24, 1990).

At issue is whether self-insured employers are subject to state discrimination laws that do not explicitly cite AIDS as a handicap, said David Maslen, a research attorney with the Alexander Consulting Group Inc. in Newburyport, Mass.

Another issue raised by the plaintiff in the case is whether ERISA's pre-emption of state benefits-related laws is itself pre-empted by the Vocational Rehabilitation Act of 1973.

Caps on health benefits and benefit exclusions for people with AIDS or who are HIV-infected continue to draw fire from AIDS activists and gay rights groups.

Protests by groups like the AIDS Coalition To Unleash Power—or ACT-UP—have played a role in some employers abandoning caps or benefits for employees with AIDS.

Galaxy Carpet Mill Inc. of Chatsworth, Ga., last year dropped a \$10,000 lifetime cap for AIDS treatment costs for workers or dependents who contracted AIDS "voluntarily" through sex or drug use.

The self-insured company, which never said publicly how it would determine which cases were contracted "voluntarily," was the target of a phone-in protest campaign by AIDS activists (BI, Feb. 19, 1990).

Two years earlier, Circle K Corp., a large convenience store chain based in Phoenix, dropped a controversial "personal lifestyle claims" exclusion from its self-insured plan that had

been roundly condemned by civil liberties groups and AIDS activists.

That policy—which was in effect less than a year—would have barred coverage for people who contracted AIDS in the two most common ways—intravenous drug use and homosexual intercourse. People who contracted the disease through a blood transfusion would have been covered (BI, Aug. 15, 1988).

"I haven't seen any employer changing its plan to cap payments for other illnesses," said Mark Scherzer, an attorney with ACT-UP in New York.

"There is something about AIDS which makes employers feel more privileged to discriminate. Their reaction is a prejudicial reaction because AIDS claims are not necessarily the most expensive. Some cancers and bone marrow transplants can cost \$150,000 a pop. It seems employers feel that people with AIDS are less deserving of benefits," he said.

"At the beginning of the epidemic, we felt it was key to have a job since insurance discrimination primarily affected people without employment-based insurance," said Mr. Isbell of Lambda Legal Defense. "Now we are seeing that employment no longer guarantees you coverage."

But, he said, "when people are deprived of insurance coverage, the public ends up paying for it."

And, health care ends up costing more because people tend to seek medical help when they are the sickest—visiting costly emergency rooms rather than doctors' offices, he said.

AIDS activists say they will continue to pressure employers to treat employees with the disease equitably.

"Businesses that discriminate and that deal with the consuming public will hear from the AIDS community—not only through legal actions but through consumer actions" like boycotts and picketing, Mr. Scherzer said. ■

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# Broader coverage sought for AIDS care

By CHRISTINE WOOLSEY

AIDS activists and some benefit consultants fault both group health insurers and employers for poorly handling AIDS-related claims.

They charge that insurers and employers continue as a matter of course to deny payment for treatments that are still classified as "experimental," despite their proven effectiveness, and require patients to jump through administrative hoops to secure home health care benefits.

And insurers "red-line" young men in certain "gay" occupations, critics charge.

Some employers have gone so far as to limit or exclude health benefits for employees diagnosed with AIDS—a strategy most benefit consultants advise against, citing discrimination laws.

Group health insurers are reluctant to discuss their handling of AIDS-related claims. Of the seven contacted for comment, two responded to questions with prepared statements; only one agreed to an interview.

Those that responded said they handle AIDS-related claims like any other catastrophic illness.

Prudential Insurance Co. of America in Newark, N.J., has "comprehensive case-management systems for AIDS and other patients with catastrophic illnesses," the company said in a prepared statement. "Where available, quality alternative care sites are encouraged, including home and hospice care."

But those who work closely with people with AIDS say that insurers should make exceptions for people with AIDS—and anyone with a life threatening illness—covering experimental drugs that they contend have proved effective as well as nutritional supplements not prescribed by a doctor and home health care.

"I see very few exceptions" to claims handling rules among insurers concerning AIDS-related claims, said Steven Humes, coordinator of professional education programs at Gay Men's Health Crisis Inc., a counseling and advocacy group in New York.

"I see the opposite actually. They are trying to limit AIDS benefits and the majority of insurers are not bending over backwards to make exceptions," said Mr. Humes.

"The enormity of the epidemic presents an opportunity to rethink some of the deficient policies or practices by (insurers), not just for AIDS but for all life threatening illnesses," said Mike Isbell, a lawyer for Lambda Legal Defense & Education Fund Inc., a gay rights group in New York.

## Conflicts over drug benefits

One source of conflict between patients and insurers are limits on drug benefits.

"Benefit plans usually don't pay for anything that's experimental," said Patricia Wiley, managing consultant for A. Foster Higgins & Co. Inc. of New York. And, many insurers won't pay for treatments for people who have only been diagnosed as HIV-positive without any other medical symptoms.

Employers generally have not requested this coverage, deferring to their health plan administrator to decide what is paid for and what is not.

Most group health insurers won't cover drugs before they are approved by the federal Food & Drug Administration. But awaiting federal approval can cost valuable time.

Those preventive drugs should have been fighting the opportunistic diseases that so often strike those with AIDS, said Wayne Kawadler, a member of the insurance and health care access committee of the AIDS Coalition to Unleash Power. Better known as ACT-UP, this New York-based group is among the most aggressive and confrontational of the activist organizations.

## AIDS NO EMPLOYER IS IMMUNE

Also, private insurers were "extremely slow" to begin reimbursing for medicines even after research had proven them effective, he said. As examples, Mr. Kawadler cited aerosolized pentamidine and azidothymidine, or AZT, both of which are now considered effective in extending the lives of those with AIDS.

When AZT was considered experimental, and cost up to \$6,000 monthly, granting reimbursement could have saved many patients from economic disaster, Mr. Kawadler said. Monthly costs have now fallen to about \$1,500.

Some insurers still don't cover AZT under all circumstances.

Since last year, the FDA has re-

commended the drug for patients with T-cell counts—which measure immune responsiveness—of 500 or below. A healthy person has a level of 1,000.

Some insurers will not reimburse for the drug at all, while others will do so only when patients qualify under the old federal standard of a T-cell count of 200 or lower.

Advocates for people with AIDS, though, contend that AZT could help people with T-cell counts above 200.

Nutritional supplements also have proven effective in keeping HIV-positive patients healthy, but obtaining coverage can be difficult. Insurers rarely pay for those supplements when they have not been prescribed

by physicians, said Mr. Kawadler.

Standard benefit plans underwritten by Aetna Life & Casualty Co., for instance, cover nutritional supplements only when they are prescribed by a physician to treat a disease, the Hartford, Conn.-based insurer said in a prepared statement.

For an additional premium, employers could secure coverage for nutritional supplements that don't meet these conditions, though none has yet requested it, Aetna added. "It's likely that most employers would feel that lack of coverage for nutritional supplements would not create a hardship for employees."

Prudential said that experimental treatments are not generally covered, while "medically appropriate nutritional supplements are considered eligible, as are other similar therapies under our employee benefit contracts."

## Humane, but hard to get

Other skirmishes between insurers and people with AIDS involve home health care benefits.

All insurers traditionally have significantly restricted home health care benefits for all illnesses, concedes Robert Padgug, AIDS coordinator and director of health policy in the marketing department of Empire Blue Cross & Blue Shield in New York. Those restrictions make it hard for AIDS patients to secure benefits.

Now more employers are requesting that group health plans cover at least some home care, Mr. Padgug said. Many, though, cover only a limited number of hours of care each day, and most plans also restrict the benefits to people who have already been hospitalized for long periods.

And "there is a lot of red tape to  
*Continued on next page*

## SPEAKING OF CONSISTENCY



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## Broader coverage

Continued from previous page  
even get those benefits," charges Mr. Kawadler of ACT-UP.

Yet both insurers and advocates for people with AIDS praise home health care for AIDS patients.

"Home health is cheaper and more humane. It obviously can be more effective because the person can recover in more comfortable and familiar surroundings," said Mr. Kawadler.

"AIDS cases are like other long-term care cases in which the patients don't necessarily need medical care—they need care-taking services" like help with meals, said Mr. Padgug.

Empire BC/BS in January introduced an enhanced home care program under its hospital and major medical plan for people with AIDS or related illnesses at no additional premium. Run jointly by the insurer and the Visiting Nurse Service of New York, the program is designed to

provide benefits not normally covered by insurance, including home health aide services for personal care and meal preparation.

"If the new home care program works well and doesn't cost us a lot of money, we'll extend it to cover other illnesses," said Mr. Padgug.

### Capping claims payments

Some self-insured employers have reacted to the epidemic by capping claims payments or excluding benefits for people with AIDS.

"We have seen on a sporadic basis small and mid-size self-insured organizations reacting to their first AIDS case by asking us to delete coverage for AIDS or cap payments," said Dr. Michael R. McGarvey, managing director of health plans at Alexander Consulting Group Inc. in New York.

"We advise them about discrimination issues and tell them to consult their attorneys," he said. "From all the bad press, it's not a good idea."

And, he cautions, the "wild card"

in this area is the Americans with Disabilities Act, which specifically prohibits discrimination against people with HIV or AIDS. Courts have yet to apply the new law, but it aims to bar such discrimination by all employers (see story, page 83).

Helen Rendell-Baker, a senior consultant with Martin E. Segal & Co. in New York, said some employers are interested in limiting their AIDS-related liability. Some are considering buying stop-loss coverage on AIDS claims and others have capped lifetime benefits, but most have not introduced AIDS-specific benefit limitations.

Ms. Rendell-Baker cautions employers against making hasty decisions. Companies that cut benefits on AIDS claims or try annual or lifetime caps do not automatically control costs, she warns. "If you reduce lifetime benefits from \$250,000 to \$100,000 you won't save that much money because many AIDS cases don't reach that limit."

Capping AIDS benefits specifically

could create an administrative nightmare, Ms. Rendell-Baker said. Handling AIDS claims separately from other health claims would make it difficult to identify the opportunistic diseases often associated with AIDS.

For example, a claim submitted by an employee with pneumonia—which commonly strikes people with AIDS—would not automatically be handled as an AIDS claim if the worker had never tested positive for AIDS.

Specific limits on benefits could also be easily eluded. Ms. Rendell-Baker pointed out that medical professionals may conceal the true nature of a particular condition if they know the patient would be denied coverage for AIDS-related care.

Some employers have limited benefits for catastrophic illnesses like AIDS because they feel "they are being sought as an employer of choice because of their rich health benefits," pointed out Linda Havlin, a consultant with Lincolnshire, Ill.-based Hewitt Associates. Benefits "used to be a recruitment issue and

now it's a cost avoidance issue," Ms. Havlin said.

Some employers do not want their richer benefit plans to end up paying for treatments not covered under other employers' plans. Their concern may be heightened in states like California where pressure is rising to require employers to allow domestic partners to be insured under employee benefit plans (BI, March 11).

"It's hard to generalize, but there is a significant population of employers that want to make sure no one who is HIV positive is in their employee population," said Ms. Wiley of Foster Higgins.

"The majority of employers," she said, don't want to be "unfair in any way," but they are trying to protect their group plan costs from expensive claims.

To avoid having to pay AIDS claims, some employers are toughening their pre-existing condition requirements, said Ms. Wiley.

Such clauses, though, may be rendered ineffective by the disease's long incubation period.

Jonathan A. Segal, a management attorney with Wolf, Block, Schorr & Solis-Cohen of Philadelphia, said that most pre-existing condition clauses apply only if a patient received treatment in the last 12 to 18 months. But because the incubation period for HIV could run as long as 10 to 15 years, employers cannot be sure they are not hiring people who are already infected, he said.

Mr. Isbell of Lambda Legal says he has seen another tactic to limit coverage for people with AIDS.

Companies not only cap AIDS-related benefits, but also apply charges for non-AIDS related services, like dental work, against that limit for HIV-infected employees, he said.

### Fighting discrimination

AIDS activists continue to fight against the discrimination they say still exists in group health insurance underwriting.

Mr. Kawadler of ACT-UP pointed to a disability policy offered to the 11,000 members of the National Air Traffic Controllers Assn. that denied disability benefits to people with AIDS unless they contracted it through a blood transfusion or at birth.

That union policy, underwritten by Lloyd's of London, denied coverage if people contracted the disease through sexual transmission or drug use, confirmed Carey Barney, an attorney with Lord Bissell & Brook in Chicago, which represents Lloyd's.

Both ACT-UP and the American Civil Liberties Union protested the clause. But what eventually prompted underwriters and the union to modify the policy was opposition from state insurance regulators, said Mr. Barney.

Earlier this year, regulators enjoined the sale of the policy in Missouri and Kansas because of questions about its legality, Mr. Kawadler said.

And, according to Mr. Barney, the exclusion was deleted nationwide and in new certificates issued once Lloyd's realized that Illinois regulators would not accept its filing. The master policy is issued in Illinois and falls under Illinois' jurisdiction.

AIDS activists also complain that insurers refuse health insurance to groups like small clinics and social service agencies that represent homosexuals.

Clinics and similar organizations would be helped by proposals by the Health Insurance Assn. of America, a trade group in Washington, D.C.

The HIAA plan would ensure that all small businesses could secure health insurance for their employees, regardless of health status, said a spokesman. The group also proposes limiting initial premiums and premium increases for small groups.

Overall, the prognosis for the 1990s looks "pretty bleak," Mr. Kawadler said. Insurance rates are "going through the roof" for people who have—or are suspected of having—AIDS.

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# How to live with the costs as workers live with AIDS

By CHRISTINE WOOLSEY

As employers shift their focus from employees "dying with AIDS" to those "living with AIDS," they are concentrating on a pair of cost containment tools:

Case management and home health care.

While case management is widely used and credited with keeping average treatment costs well below earlier projections, home health care for many with AIDS is not yet always available as a cost-effective and humane alternative to hospitalization.

Home health care benefits often can be too restrictive, requiring extensive hospitalization before they are available.

Or, even when home health care is covered by insurance, persons to deliver the care may not be available.

In helping employees live with AIDS, employers and the health care coverage provided must be flexible because the needs of those with AIDS change during the course of their illness.

"The work of the future is really helping employees live and work with HIV," said Paul Ross, corporate manager of the AIDS program office at Digital Equipment Corp. in Maynard, Mass. The human immunodeficiency virus causes AIDS.

Early diagnosis and drug therapies mean that an AIDS-infected individual "may have a 10-year window of life. The quality of life is sporadic—sometimes it's good, sometimes it's God-awful," he said.

Employers are finding that coping with AIDS—at least financially—is not as draining as they had feared.

Early in the epidemic, experts predicted that lifetime treatment costs for an average case would hit \$200,000. Now the consensus is that those treatment costs average only about one-quarter of that, though treatment costs in some cases can top \$100,000, some experts say.

In San Francisco, AIDS treatment costs "aren't anywhere near what everyone suspected," said Judy Vukovich, principal in San Francisco with the TPF&C division of Towers, Perrin, Forster & Crosby Inc.

At the beginning of the epidemic, "we were all sitting there waiting for \$150,000 claims. But, we're seeing more like \$35,000 or \$50,000 claims," she said.

"At worst, an AIDS case may hit six figures. Most can be held to \$30,000 to \$60,000" with good case management, said Linda Havlin, a consultant with Hewitt Associates of Lincolnshire, Ill.

Fred Hellinger, a health economist with the Agency for Health Care Policy and Research in Rockville, Md., estimates average annual treatment costs at \$32,000 and lifetime costs at \$85,333.

Treating someone infected with HIV costs an estimated \$5,150 per year, he said.

Treating employees with AIDS can be much less expensive than transplants of vital organs (see chart).

Case management is credited as "invaluable" in controlling the cost of treating workers with AIDS.

Knowledgeable case managers may recommend several treatment options. Sometimes they can steer patients to free clinical programs run by universities or drug companies, said Jacqueline Mazoway,

## AIDS NO EMPLOYER IS IMMUNE

product manager of medical case management at Intracorp of Berwyn, Pa., a cost containment unit of CIGNA Corp.

"We try to identify those programs and work with the patient's physician asking him what he thinks before we bring such programs to the patient's attention," she said.

Case managers, however, are not needed immediately for every person with AIDS.

Knowing when to intervene is critical. "It's important not to start managing an AIDS case before it needs to be managed," noted Ms. Mazoway.

For instance, she said, someone undergoing AZT treatments who only misses an occasional afternoon of work for blood transfusions probably does not need case management.

But, employers should not put off case management until the last

### AIDS treatment vs. other catastrophic care costs

Annual hospital costs for treating an AIDS patient average \$25,000. And, lifetime medical care for an AIDS patient typically ranges from \$40,000 to \$70,000, though costs can top \$100,000, various research shows. These costs are lower than the hospital charges for some catastrophic cases and comparable to others.

Lung transplant	\$240,000
Liver transplant	\$235,000
Heart transplant	\$148,000
Pancreas transplant	\$70,000
Kidney transplant	\$51,000

Source: The United Network for Organ Sharing of Richmond, Va.

GRAPHIC BY JOHN SMITHER

minute, Ms. Mazoway warned. "Don't wait until the patient is in the intensive care unit, because what can you do with case man-

agement when the person has only six weeks to live?"

Case management is most effective. *Continued on next page*

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## AIDS costs

Continued from previous page  
tive in chronic AIDS cases. It can both save money and improve patients' quality of life by moving them out of hospitals and into more cost-effective or comfortable settings like home or community care centers, Ms. Mazoway said.

More than people with other acute illnesses, AIDS patients may not always benefit from hospitalization. With their suppressed immune systems, the bacteria in hospitals can prove especially dangerous.

Patients are often more comfortable at home. Surrounded by family and friends, they do not have to

adhere to strict hospital protocols. And they can now receive medical treatments, like intravenous drug therapy, at home just as easily as they could in a hospital or clinic.

Most employers now offer employees some type of home health and hospice benefits, and some have loosened restrictions on home health benefits.

For example, some employers no longer require employees to be hospitalized for long periods before becoming eligible for home health care.

Employers can provide home health care services through local service groups, pointed out Patricia Wiley, a managing consultant with A. Foster Higgins & Co. Inc.

**'There are situations where you can increase the coverage in the benefit plan and there are no services available,' says Helen Rendell-Baker. Some home health groups are 'so scary you wouldn't want to send a person to them.'**

of New York.

In fact, in San Francisco, one of the cities AIDS has hit the hardest, community groups are playing a critical role in helping Bay-area employers find quality outpatient and home health care services for workers.

"The gay community in San

Francisco is a very tight one and they all know the best outpatient programs and the best physicians," Ms. Vukovich explained. Employers are "somewhat relieved that they can turn to the gay community to pinpoint the highest quality services," she said.

Outside these communities, how-

ever, many people with AIDS have no such ally.

"The HIV-infected individual who doesn't need institutionalization is falling through the cracks," asserted B.J. Stiles, president of the National Leadership Coalition on AIDS, a business- and labor-supported group in Washington, D.C.

"Most outpatient services are used by gay white men," who have learned how to use these services. Others with AIDS, including drug users and women, have not been directed to these facilities, Mr. Stiles said.

In addition, many skilled nursing facilities will not accept AIDS patients, said Intracorp's Ms. Mazoway. "They are used to dealing with geriatrics with less severe illnesses. They don't feel prepared, so they often say they don't have the room or the services" for people with AIDS, she said.

"Home care in Tyler, Texas, or Hot Springs, Ark., is mostly provided to elderly people. These smaller towns don't have the resources for AIDS patients," Mr. Stiles said.

Problems arise even in cities where home health agencies and other outpatient settings are available.

"Home health organizations in large cities are inadequately staffed, given the size of the epidemic. Their services are stretched thin," Mr. Stiles said.

Because home care is sometimes difficult to arrange, "people languish in hospitals when they don't need to," said Steven Humes, coordinator of professional education programs for Gay Men's Health Crisis, an education and social service group in New York.

Home health care is difficult to find because of a shortage of qualified home health care personnel, others agree.

"I've seen a lot of employers expanding home health care benefits, but there are situations where you can increase the coverage in the benefit plan and there are no services available," said Helen Rendell-Baker, senior consultant with Martin E. Segal Co. in New York.

Some home health groups in the New York area are "so scary you wouldn't want to send a person to them," she charged.

Ms. Rendell-Baker calls on employers to back local home health care and hospice groups.

Employers also should encourage workers to sponsor and participate in community service and prevention programs, she said.

A few major employers, like Digital Equipment Corp. and Levi Strauss & Co., have taken that initiative.

For example, San Francisco-based Levi has helped raise funds to pay for food and clothing for people with AIDS. The apparel manufacturer also has helped organize AIDS agencies in towns where it has facilities, both in the United States and abroad.

Other employers are making more workplace accommodations for employees with AIDS.

In some cases, flexible work schedules help accommodate cyclical periods of good and bad health. Other times an ill employee's job is essentially kept open, with temporary help hired when he is too ill to work.

Working at home is an option for some workers with AIDS. A few companies—like International Business Machines Corp. of Armonk, N.Y.—even provide personal computers for those workers.

Unfortunately, not all employers are responding to the epidemic with innovative benefit programs, contends Alan Emery, president of Alan Emery Consulting Group, a management and health consultant in San Francisco. "Case management, home health and prevention are very important, but they are not universal at this point." ■

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## INTERNATIONAL

## U.S. members to sue Lloyd's this week

By GAVIN SOUTER

LONDON—A group of U.S. members of Lloyd's of London plans to file suit this week in federal court in New York to try and recover losses on their investment in the market.

The suit, which will allege violations of U.S. securities law, among other things, is expected to represent more than 50 U.S. members who face hundreds of millions of dollars in losses from troubled syndicates.

Lloyd's, however, argues that any legal action against it should be heard in British courts and has sought injunctions barring other members from suing it in U.S.

## LONDON

courts.

The Corporation of Lloyd's last Wednesday sought an injunction in the British Commercial Court to bar a U.S. member from suing it in a U.S. court. Ironically, that member, John Roby, is currently seeking election to the Council of Lloyd's.

Lloyd's also served writs in August seeking injunctions against two other U.S. Lloyd's members who were contemplating litigation (*BI*, Sept. 2).

The U.S. members expected to file suit this week are represented

by New York law firm Proskauer, Rose, Goetz & Mendelsohn, which agreed to represent them on a partial contingency basis, but demanded an up-front payment of \$500,000 before filing the action.

Dale Schreiber, a partner in the law firm, confirmed that the suit is likely to be filed this week, but would not comment on whether the \$500,000 has been raised.

"We will be filing because we are ready to go," he said.

Mr. Schreiber said that the suit may include allegations other than violation of securities laws, but he refused to give any further details.

However, a member supporting the action detailed the group's grievances against Lloyd's in a

memorandum distributed to about 800 U.S. members.

"Lloyd's consistently said that any litigation must be 'under English law and in English courts'... The facts are different," wrote member Andrew Grossman in the memorandum.

Under subsection 14 of the Securities Act 1933, any condition that binds anyone acquiring a security to waive compliance with the Securities Act is void, according to Mr. Grossman, a U.S. citizen who resides in Switzerland.

And, while Lloyd's claims exemption from the Securities Act, that exemption is also void, Mr. Grossman contends.

"Lloyd's claims that it has met

the requirements of Regulation D for exemption from registration under the U.S. securities laws... Regulation D was conceived to facilitate the raising of capital by small businesses among sophisticated investors," Mr. Grossman said.

"Lloyd's is clearly not a small business," he added.

Many of the members bringing the suit in New York are individually facing several hundred thousands of dollars of losses, according to a member involved in the suit, Dale Jenkins. Mr. Jenkins is one of the three members who have been served with writs by Lloyd's.

*Continued on next page*

## Underwriting income down, net up at EXEL

By ROGER SCOTTON

HAMILTON, Bermuda—Underwriting income fell 21% for the nine months ended Aug. 31 for EXEL Ltd., the Cayman Islands-domiciled parent of Bermuda excess liability insurer X.L. Insurance Co. Ltd.

However, net income for the nine months increased 47.5% to \$190.3 million on the strength of investment income and realized gains.

EXEL posted underwriting income of \$19.7 million as of Aug. 31, compared with \$24.8 million for the same period last year.

Net premiums earned were \$291 million, up 9% from \$267 million in the first nine months of 1990. However, losses and loss expenses rose 9.6% to \$224 million from \$204.3 million.

Of the \$224 million, \$80 million was for case loss reserves, said X.L.'s Chief Operating Officer Brian O'Hara. The remainder was for reserves for incurred-but-not-reported losses.

The combined ratio for the nine months was 93.3%, slightly higher than the 90.7% posted a year earlier.

Third-quarter loss and loss expenses increased 5.7% to \$74.8 million this year, compared with \$70.8 million in the third quarter of fiscal 1990.

Net premiums earned in the quarter were \$97.5 million, up 6% from \$92.1 million in the third quarter of fiscal 1990.

After realized gains of \$47 million and net investment income of \$124.4 million for the first nine months, EXEL's net income rose to \$190.3 million from \$128.9 million in the comparable period last year.

EXEL President and Chief Exec-

## BERMUDA

utive Officer Michael Kevany said the results reflect the company's continued commitment to price stability and "our pursuit of business adequately and fairly priced."

Operating earnings increased 10.2% to \$143.3 million for the first nine months, compared with \$130 million in the first nine months of 1990. In the third quarter, operating earnings were \$48.1 million, up 3.4% from \$46.5 million in the year-earlier quarter.

That increase occurred despite costs incurred in the company's public share offering in July. Third-quarter operating earnings included \$1.2 million of costs related to EXEL's initial public offering on the New York Stock Exchange, where about 50% of the company's common stock is listed.

Mr. Kevany said that the company will meet with its financial advisers before the end of the year to decide on offering arrangements for the rest of EXEL's stock.

The company also will decide on plans for a possible international offering of EXEL stock in other world markets.

"Overall, I am very pleased with the company's performance and am confident that the company will continue to maintain a profitable underwriting position compared with the established market, where the trend continues toward a cyclical underwriting loss," he said.

EXEL's investment portfolio stood at \$2.26 billion as of Aug. 31, up 47.7% from \$1.53 billion at Aug. 31, 1990. Shareholders equity was \$1.31 billion, up 25% from \$1.04 billion. ■

## Maltese market

Insurance industry debates impact of E.C. membership

By MARIA KIELMAS

VALLETTA, Malta—The insurance industry in Malta would fundamentally change if the country joins the European Community as planned.

Under current law, the island's state-controlled insurer, Middle Sea Insurance Co. Ltd., must be ceded 30% of all premiums written in the country. This mandate would end if Malta were to come under the European Community's insurance directives.

A Middle Sea executive defends the mandatory cession as necessary to the island's economy, but the managing director of an insurance agency, who also is chairman of the local chamber of commerce, calls the compulsory cession inefficient and "an embarrassment."

Earlier this year, the government of the Mediterranean island filed an application to join the European Community. Government spokesmen believe Malta's eventual membership is very likely.

The present government, elected in 1987, is working toward a more free-market economic system for to Malta while consolidating ties with Europe.

During the previous 16 years, successive Maltese governments had adopted strict socialist policies, which increased state control over major industrial sectors and developed political and economic ties with third-world and former Communist governments of Eastern Europe.

Insurers and other businesses in Malta argue that the government has been too slow in restructuring the country's economy.

While professing adherence to a free-market economy, the government is sticking to a "socialist" policy regarding insurance and financial services, critics charge.

The insurance business in Malta, serving a population of 350,000 and generating annual premiums of 15 million Maltese lire (\$46.1 million), is conducted through state-controlled Middle Sea, 18 insurance brokers and 24 agents of foreign insurance companies.

Middle Sea's shareholders include the power and oil utility Enemalta Corp. and airline Air Malta Co. Ltd., both government owned, as well as insurance agents, who hold very small amounts of stock.

Middle Sea wrote gross premiums of 6.2 million Maltese lire (\$19 million) in 1990, says Robert Chilvers, manager of life, marketing, research and development.

Middle Sea was established under the Insurance Business Act of 1981, passed by the previous administration. Earlier, the only insurers operating in Malta were agencies of foreign companies, Mr. Chilvers said.

The compulsory cession of 30% of all premiums written in Malta is an "embarrassment for the government," said Walter Camilleri, managing director of insurance agency Formosa & Camilleri, which represents Guardian Royal Exchange Assurance P.L.C.

Mr. Camilleri also is this year's chairman of the Insurance Trades Council for the Malta Chamber of Commerce.

Middle Sea is capitalized at 5 million Maltese lire (\$15.4 million), which though not great by world standards is large by Maltese standards, said Mr. Camilleri. "It represents a sizeable investment by the general public and by the government," he said.

"We are the only country other than Oman which has such a thing. No European country has compulsory cessions," said Mr. Camilleri.

With the mandate to write reinsurance, "Middle Sea has been unable to compete actively for direct business," Mr. Camilleri says. "Therefore, it has not made significant efforts to stand on its own two feet as a valid direct underwriter."

Mr. Camilleri said the compulsory cession is inefficient because it forces reinsurance where none is required. And, it does not dramatically improve the country's foreign exchange position, which is the government's main justification for the cession, he maintains.

But a sudden removal of the cession could destabilize the Maltese insurance market, he admits.

"It is an urgent requirement for means to be found to generate the substantial premium growth necessary if Middle Sea's absorption into a free market economy is not to stimulate a market war and subsequent casualties," Mr. Camilleri said.

International business confidence in Malta is crucial if the island is to become an offshore financial center, he adds.

"One important offshore insurer alone could duplicate the existing gross national premium income, and an effective offshore insurance industry established in Malta could at very least absorb any employment lost as a result of compliance with E.C. regulations," Mr. Camilleri said.

But Middle Sea's Mr. Chilvers defends the cession

*Continued on page 91*

## Regulators seek international cooperation

By MEG FLETCHER

KANSAS CITY, Mo.—U.S. insurance regulators are exploring two possible ways to improve international insurance regulation.

First, the National Assn. of Insurance Commissioners is providing assistance to a movement begun by foreign regulators to set up a separate international organization for regulators from various countries. This movement started at a series of annual conferences on

international regulation that the NAIC began six years ago.

Second, the NAIC is planning to participate in efforts by Henry G. Parker III, senior vp and managing director of Chubb & Son Inc. in Warren N.J., to explore using the United Nations Center on Transnational Corporations as a central insurance research and advisory body.

"I just want to explore all op-

tions," explained Robin Campaniano, the Hawaii insurance commissioner and chairman of an NAIC task force on international relations.

It will take "the strong support and input" of the NAIC and other "super-regional" organizations—like those in Europe and Asia—to coordinate and standardize regulation across nations, said Mr. Parker, who is also a former chairman of the International Insurance Council of the United States. He

has taken the lead in contacting U.N. officials.

The idea of a separate organization for regulators from around the world is an outgrowth of the International Conference of Insurance Regulatory Officials, which has been held for the past six years in conjunction with the NAIC summer meeting (*BI*, June 24).

At the 1991 meeting, a working group chaired by Richard Beetham of Australia said the time had come "to seriously explore" establishing

a formal international association. It recommended forming an Assn. of International Insurance Supervisors.

In a four-page proposal, the working group outlined the objectives for such an association:

- To promote cooperation among regulators throughout the world.
- To ensure better regulation "on the domestic as well as on the international level."
- And, to maintain "fair, effi-

*Continued on page 91*



## INTERNATIONAL

Continued from previous page savagely on both lending institutions and the insurance industry," Mr. Butt said.

But it was not just mortgage indemnity losses that hit the insurer. The total underwriting loss for the company's non-life business for the half-year was 331.1 million pounds (\$533.1 million). This was offset by a 141.8 million pounds (\$228.3 million) profit on life business and investment income.

"In the U.K., underwriting losses show a deterioration from 1990 across most lines of business and remain unsatisfactory. High levels of claims first seen in 1990 continued, with recession-related theft and other claims contributing to the deterioration. Action is being taken to improve premium rating levels but this will take some time to flow through to underwriting results," Mr. Butt had said.

Mr. Butt joined Eagle Star in 1987 from Sedgwick Group P.L.C. where he had served as deputy chairman.

His resignation comes one week after Eagle Star announced that it would cut costs by cutting 1,000 jobs over the next three years and closing 48 branch offices.

### New broker for oil firms

Willis Corroon P.L.C. has won two major energy accounts from rival brokers.

From the next renewal, Willis Corroon will place the property and liability programs for Texaco Inc. of White Plains, N.Y., and Phillips Petroleum Co. of Bartlesville, Okla.

The accounts will be handled by Willis Corroon Marine & Energy/Americas, which was set up in New York in April.

Texaco's program was placed by Alexander & Alexander Services Inc. and the Phillips program was placed by Marsh & McLennan Cos. Inc.

Willis Corroon was already the reinsurance broker for the Texaco captive, but it had no involvement in the placing of the company's direct business, a Willis spokesman said.

### Bromley in run-off

R.J. Bromley (Underwriting Agencies) P.L.C. is going into run-off four months after its majority shareholder left the company over business disagreements with the board.

The two syndicates and the members' agency managed by R.J. Bromley will be transferred to other agencies in the Lloyd's market, subject to approval from the Corporation of Lloyd's.

The consideration paid to the R.J. Bromley shareholders was not disclosed.

Spratt & White Ltd. has agreed to take over the management of marine syndicate 475 and Denis Wills will remain its underwriter.

Syndicate 475 was established in 1984 and specializes in hull all risks, energy and excess-of-loss business. It has a 1991 capacity of 40 million pounds (\$77.2 million at appropriate exchange rates).

The R.J. Bromley members agency, which manages to affairs of 40 members with a total 1991 capacity of 14 million pounds (\$27 million), has also been transferred to Spratt & White.

Janson Green Ltd. has agreed to take over the management of non-marine syndicate 1148, and Christopher Lister will continue as underwriter. Established in 1989, the syndicate specializes in short-tail property coverage with an emphasis on Far Eastern and European business. Its 1991 capacity is 10 million pounds (\$19.3 million).

The moves have been made "as a means of strengthening the organization of the syndicates," according to Director Jane Clouting.

The transfers have been agreed by all of the shareholders, including Roy

Bromley, the former chairman and underwriter of syndicate 475, the majority shareholder in R.J. Bromley.

Mr. Bromley resigned as active underwriter for syndicate 475 over disagreements with the main board over the management of the syndicate, Ms. Clouting said.

Meanwhile, the directors of Polwring Underwriting Agency Ltd. have completed the management buy-out of the 52% stake held by rival managing agency John Poland & Co. Ltd.

Polwring manages non-marine syndicate 1098, which specializes in non-U.S. professional liability and political risk insurance.

"We are certainly swimming against the prevailing tide in Lloyd's by going independent. I still believe small agencies can survive," said Managing Director and Underwriter Miles Wright.

### International regulation

Continued from page 89  
cient and orderly markets."

Such an organization also could help regulators exchange information about insurers—possibly on a confidential basis—to better protect policyholders and to promote the development of domestic markets, according to the working group.

As a model for the international association, the working group suggested international associations for banking and securities supervisors.

That proposal is being circulated among foreign regulators and further refined, said John Darwood, manager of the NAIC Non-Admitted Insurers Information Office and coordinator of the international conferences.

An international regulators' group would probably be funded

### Malta

Continued from page 89  
practice.

Current insurance regulations and Middle Sea's position in the Maltese market are essential for market stability, he asserted.

"Agents operate in the Maltese market so long as they make a profit. If the market turns unprofitable, they all pull out." He added that global insurers do not consider the Maltese market significant in size.

Mr. Chilvers added that as far as he is aware, there have been no talks between industry and government about changes in insurance regulation. "We haven't been informed and we don't know what the position is."

Mr. Camilleri disagrees that the Maltese market would turn unprofitable and force agents out if regula-

tions were changed.

"Insurance in Malta did not start with Middle Sea in 1981. We have had an insurance industry here since 1830. My company has been operating since 1924," he said.

Mr. Camilleri added that small companies with gross premiums of about 3 million to 4 million pounds sterling (\$5.2 million to \$7 million) are feasible in the Maltese market.

Peter Grima of United Insurance Brokers thinks the Maltese market could sustain between six and 12 small insurance companies if the government introduced capitalization requirements to reflect the level of premiums written on the island.

Currently, Middle Sea ties up 5 million Maltese lire in capital while agencies are restricted in the amount of premiums they can write, Mr. Grima said.

The development of Malta as a potential offshore financial center has been slow in coming, says Mr. Grima, "because of our tendency to write the rules first and then do the business." But he thinks it will be a long time before Malta will be able to attract captive insurance companies.

Deregulation of the insurance market is expected to have an effect throughout all sectors of Maltese industry. Manufacturers, for example, have been arguing for a free market in insurance because their insurance costs presumably would fall.

But, at the same time, manufacturers want to maintain a level of protection around their own businesses.

United Insurance Brokers is organizing a one-day forum late this month in Valletta to discuss the protected market.

by dues, although the NAIC would likely provide some staff services, at least initially, he added.

The second regulatory proposal—working through a U.N. group to coordinate international insurance regulation—is being backed by Mr. Parker.

He recently recommended using the United Nations' semi-autonomous Center for Transnational Corporations to make insurance regulation worldwide more uniform (BI, July 15). That research and advisory body has "the staff expertise and the support and respect of both developing and developed countries," he said.

The unit, which has assisted in the standardization of worldwide accounting rules, has agreed in principle to study international insurance regulation, Mr. Parker said last week.

He also emphasized that he is "not totally committed" to a U.N. approach. But, he added, regulators have few alternatives if they want to avoid having "the cement harden" on regulations that other nations are developing and which may be difficult to change later.

"It is hard to think of a subject in the international insurance arena (that is) more timely or significant," Mr. Parker said.

Mr. Campaniano said he hopes a proposal will be ready to present at the NAIC summer meeting next year.

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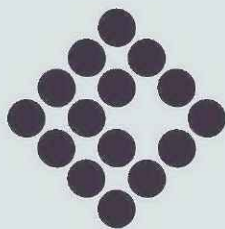
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## Safety programs

Continued from page 1

raised many concerns about all state OSHA programs, particularly regarding adequate budgeting and staffing.

The state agency said it never inspected the plant during its 11 years of operation. The plant lacked a sprinkler system, fire exits were not marked and two doors leading out of the building were locked when the fire occurred (BI, Sept. 9).

State officials said they lacked the funds and manpower to inspect all of the worksites under the state program's jurisdiction.

In fact, the state had only 37 in-

spectors to police approximately 180,000 workplaces statewide, though federal OSHA recommends that North Carolina have at least 64 inspectors.

Mr. Scannell announced last week that federal OSHA is requesting comment on a petition from the AFL-CIO to withdraw approval of the North Carolina program.

Federal OSHA, which monitors state programs and has the power to revoke a state's right to conduct its own program, has never ordered a state to shut down its own program.

Despite the Imperial Food fire deaths, state regulation of workplace safety has supporters.

States are allowed by the Occupational Safety and Health Act of 1970 to develop and operate their own job safety and health plans, provided that their standards are "at least as effective" as comparable federal standards. In return, OSHA will provide states with as much as 50% of the approved plan's operating costs.

Besides North Carolina, the states with approved plans are: Alaska, Arizona, California, Connecticut, Hawaii, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Nevada, New Mexico, New York, Oregon, South Carolina, Tennessee, Utah, Vermont, Virginia, Washington and Wyoming.

However, both the Connecticut and New York plans cover only state and local government worksites. Private sector inspections remain federal OSHA responsibility.

Puerto Rico and the U.S. Virgin Islands also operate their own plans.

When reviewing the state programs, federal authorities examine the number and type of inspections carried out by the states each year, whether the programs are targeting high-hazard industries for inspection and whether they have a backlog of complaints.

The state plans had 785.5 safety enforcement positions funded and 420.9 hygienist positions in fiscal 1990, according to the Occupa-

tional Safety and Health State Plan Assn., an organization of state plan administrators that has no permanent staff or headquarters. The fractions reflect the fact that not all jobs were full-time positions. For example, an inspector also might function as a safety instructor.

States with their own plans last year carried out 91,800 inspections and assessed about \$24.8 million in fines. But during fiscal year 1989, the state plans conducted 113,582 inspections.

"From year to year, we've had to do fewer and fewer inspections," said Steve Forbes, occupational safety and health federal/state coordinator for the Kentucky program.

Under federal OSHA guidelines, inspections have become more complex as inspectors have to look for more potential hazards, Mr. Forbes explained. Therefore, while inspections take longer, Kentucky OSHA does not the budget to increase its number of inspectors to conduct the same number of inspections year-to-year, he said.

"I guess you can't talk about state plans generally because there's so much variation from one plan to another," said Frank Mirer, director-safety and health for the United Auto Workers in Detroit. But "in general, it's more difficult for a state to embark on an action with multimillion-dollar penalties as federal OSHA has done recently," he said.

For example, Citgo Petroleum Corp. has agreed to pay a record \$6 million to settle federal OSHA charges from a March 3 fire and explosion that killed six workers and injured six others at its refinery in Lake Charles, La. (BI, Sept. 2; March 11).

And, Phillips 66 Co. has agreed to pay a \$4 million fine to settle federal OSHA charges that willful and serious violation of federal safety rules led to a 1989 explosion at its Pasadena, Texas, petrochemical plant (BI, Aug. 26). The catastrophe killed 23 workers and injured 130 others (BI, Oct. 30, 1989).

"The most important aspect is that legal protections (for workers) generally are inadequate, whether state or federal OSHA," the UAW's Mr. Mirer said. "Fundamentally, the problem is there are not enough inspectors to get to hazardous plants on a regular basis or to respond quickly to complaints, while the employees at a facility don't have sufficient rights to get hazards corrected," he said.

However, a system of regulation by inspection has its limitations, according to Keith Lessner, vp and director of loss control for the Schaumburg, Ill.-based Alliance of American Insurers.

If a manager knows a facility will be inspected, that manager might undertake unusual precautions that later will be allowed to lapse, he said. The inspector responding to a complaint "comes in with a stick" to wield to bring a plant into compliance, he said.

But that compliance, too, can be allowed to lapse if there is no commitment to safety on the part of the plant's managers.

Regulation "doesn't work in every place on every day in every way," Mr. Lessner said.

He pointed out that with so many parties involved in workplace safety—including state and federal OSHA agencies, unions, employers, safety consultants and insurers and others—there is a tendency for duplicative efforts in some areas while certain other workplace safety factors may not receive the attention they merit.

"Overall, our big message is that each of the players needs to define its role explicitly," he said.

"We're interested in raising questions," said Joseph A. Kinney, executive director of the National

Continued on next page

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## SAILCLOTH SUBSIDIARY WEAVES EXPENSIVE COVERAGE TANGLE.

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**AAU** Raising Your Expectations

Continued from previous page  
Safe Workplace Institute in Chicago.

Mr. Kinney thinks the Imperial Foods fire has raised four particularly critical questions about state-run OSHA plans:

- Is the Imperial Foods tragedy an aberration, or does it represent part of a larger trend of employers taking shortcuts toward safety?

- Are there an adequate number of safety inspectors in the United States? And, how should it be determined how many inspectors are necessary?

- Will the Imperial Foods tragedy strain the federal-state OSHA partnership? If so, under what conditions will the federal government pull the plug on state programs?

- What can and should state governments do to ensure worker safety, other than to operate a state OSHA program?

The AFL-CIO also has several concerns regarding state plans, said Lynn Rhinehart, occupational safety and health specialist with the AFL-CIO in Washington.

For example, the plans are often underfunded, she said.

State plans received a total of \$68.8 million in federal funds in fiscal year 1990, which ended Sept. 30, 1990, the last year for which data is available, according to the Occupational Safety and Health State Plan Assn.

States provided \$30.5 million more for the plans, and other sources provided nearly \$18 million more.

Ms. Rhinehart also complained that the penalties some state plans are allowed to impose are less stringent than those called for under federal safety law.

In addition, "federal oversight hasn't been as good as it should be," Ms. Rhinehart asserted. "If the feds aren't doing very well, the states don't do very well," she said.

The National Assn. of Manufacturers in Washington, does not "have an official position" on state workplace safety plans overall, said Donna Costlow, associate director-risk management. "Many of our members support the state programs, others do not," she said.

Ms. Costlow said that recent congressional hearings concerning the future of OSHA have demonstrated that "there's a lot of confusion about how these state programs work."

"None of the state programs is perfect," a federal OSHA spokesman said. "Each has its own relative strengths and weaknesses. We're working with all of the state plans to

make them as effective as possible."

He also pointed out that "you can't compare states directly" because of the different approaches they take in regulating workplace health and safety and the different standards federal OSHA sets for each state-run plan.

Indeed, many who question the competency of state-run OSHA programs are not suggesting that the concept be scrapped.

Although the AFL-CIO can certainly be numbered among the critics of the North Carolina plan, the nation's largest labor federation does not condemn the concept of state-run workplace safety programs.

"Some of the states have gone ahead and taken initiatives beyond what was federally required," Ms. Rhinehart said.

This flexibility allowed the Kentucky program, for example, to promulgate a standard for work in enclosed spaces, an issue not addressed by the federal program according to Kentucky's Mr. Forbes.

Other initiatives by states have included requiring employers to implement workplace safety committees and provide written injury prevention programs, Ms. Rhinehart pointed out.

Federal OSHA, unlike state plans, is not always able to experiment with measures designed to improve workplace safety, said Dr. John Howard, chief of the division of occupational safety and health in the California Department of Industrial Relations in South San Francisco.

"It's a federalist approach," said Dr. Howard, who heads the nation's largest state plan, which has a combined federal and state budget of roughly \$37 million. "If you had just an overall federal plan and no state plans, you'd lose that," he said.

The Alliance's Mr. Lessner agrees that state rather than federal oversight of workplace safety is basically sound. "The framework is one that allows states to establish regulatory programs to adjust to their needs," he said.

Some states, like California, have adopted far-reaching and effective workplace safety programs, while others "elect not to do anything beyond the minimum requirements," Mr. Lessner said.

The question that remains is whether federal enforcement in states that do little with their plans would be more effective than the existing system, he said.

But, the catch is that federal

OSHA's charter is "extraordinarily all-encompassing," Mr. Lessner said. OSHA has too many responsibilities to do a strong job in all of them, he said. "There are limits. There's no way any regulatory agency can legitimately create a safe workplace for any working man and woman," he said.

However, in a state operating its own OSHA program, strong leadership from the governor can make a considerable difference in regulating for safe workplaces, according to Jim Borman, director of the Hoosier Alliance for Consumer Rights, an Indianapolis-based consumer organization supported by the state trial bar.

"I think workplace safety in Ir-

**The problem with OSHA enforcement in North Carolina 'is as simple as money,' Mr. Spivey says.**

diana is dependent on the attitudes of those at the top of the ladder," Mr. Borman said.

"In general, there's been a considerable difference since Gov. (Evan) Bayh has taken over," he said. "Once companies are on the alert that you have a governor and an OSHA director who give a damn, they're going to be more careful about workplace safety."

Workers need a combination of tough workplace safety enforcement and rights under tort law to assure adequate protection, he maintains.

Mr. Kinney said that while the National Safe Workplace Institute has been calling for an end to the North Carolina program for years, not all state programs are necessarily inadequate.

For example, "my sense is that Cal/OSHA is a strong program," he said.

But even California's highly regarded program has had its share of budget difficulties, which led to unsuccessful efforts to return responsibility for private sector workplace inspections in the state to federal OSHA (see story, page 96).

Cal/OSHA is administered by the California Department of Industrial Relations' Division of Occupational Safety and Health.

Cal/OSHA has a current budget of \$37 million, drawn from both state

and federal sources.

The program employs 240 field enforcement personnel, including safety engineers, industrial hygienists and district and regional managers who carry out inspections in addition to their administrative duties.

Cal/OSHA is responsible for inspecting 602,000 workplaces, and conducts about 15,000 inspections each year, a spokesman said.

Mr. Kinney cited a new Cal/OSHA regulation requiring employers to establish injury prevention programs as an example of the state's effectiveness in promoting workplace safety.

Under the regulations, which took effect July 1, every employer under Cal/OSHA jurisdiction must maintain a written injury and illness prevention program at its workplace that is accessible to employees and Cal/OSHA inspectors.

Despite the criticism of the North Carolina program, Jim Spivey, a principal with C.J. Spivey Associates Inc., a Charlotte, N.C.-based risk management consultant, said that his initial inclination would be to support state, rather than federal, safety inspections.

State inspectors probably would be more likely to know and understand local workplace safety standards, said Mr. Spivey, a former president of the Risk & Insurance Management Society Inc.

However, "my opinion is that in North Carolina, the enforcement of OSHA has been weak, as compared to other states that have federal inspectors. Federal enforcement tends to have a little more bite to it," he said.

The problem is budgetary, Mr. Spivey said. "It's as simple as money."

But, John Brooks, the North Carolina commissioner of Labor, adamantly defends the state program, though he shares critics' concern about adequate funding for his department.

"Together, not a single state plan, whether federally or state administered, has one-tenth of the resources necessary to comply with the mandated programs," Mr. Brooks said.

"If I were running a county program, I would still be embarrassed," Mr. Brooks said.

The state General Assembly has granted the Department of Labor "budget increases exceeding the average given other state departments," Mr. Brooks said, but that has not been enough to bring the program's budget up to where he would like it.

Part of the problem is that the

state and federal fiscal years do not coincide, according to Mr. Brooks. North Carolina's fiscal year ends on June 30, rather than Sept. 30, he said.

State lawmakers, he explained, are hesitant to commit state resources to programs dependent on federal matching funds when the lawmakers have no idea what federal funds will be available.

However, North Carolina Gov. James Martin—no relation to the U.S. labor secretary—announced on Sept. 11 that he was freeing up funds to create 27 new safety inspector positions within the state's Department of Labor, thus bringing its complement of inspectors up to OSHA's minimum recommendations (BI, Sept. 16).

Mr. Brooks also blasted Mr. Scannell for remarks he made while testifying before the U.S. House of Representatives Committee on Education and Labor on Sept. 12, when he announced his review of all state programs.

Mr. Scannell told the committee that North Carolina had withdrawn its request for federal assistance in investigating the Imperial Food fire.

Mr. Brooks called the OSHA chief's remarks "a cheap shot," saying that he had initially requested technical assistance from the federal government as well as from other sources, like Duke University in Durham.

But, he said, federal authorities indicated that the request for help suggested that the North Carolina program was inadequate.

Mr. Brooks also noted that during a previous investigation of poultry plants in North Carolina, a federal agency went public with results before the investigation had concluded, thus jeopardizing it and leaving the department leery of federal involvement.

"This is one of the best state programs in America," Mr. Brooks asserted. "It's not fully effective, but it is more effective than the federal program in comparable states such as Georgia," he said.

Mr. Scannell said that the comment process on whether federal OSHA should take over responsibility for workplace safety in North Carolina "is an initial step to gather views and information from the public, and it does not in any way render judgment on whether OSHA will accept or deny the petition" from the AFL-CIO.

The comment period runs through Dec. 29.



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# Diverse state plans share common goal

By MARK A. HOFMANN

WASHINGTON—Just as no two states are alike, no two federally approved state occupational safety and health programs are exactly alike.

And that diversity is their strength, say the executives of the state plans.

Each plan, though it must be judged to be at least as effective as the federal Occupational Safety and Health Administration's program, can be molded to meet specific state conditions and respond to specific state problems.

But the plan administrators are

quick to note that despite the differences among plans, they do share common problems, like having private concerns and even federal OSHA "raid" some of their most experienced personnel.

Twenty-one states and two U.S. territories have their own OSHA programs that cover private and public-sector worksites. Two states have programs that cover only public-sector worksites.

California's agency, the nation's largest of state-run OSHA plans, "has a history" of setting standards that are more effective than the federal mandates, said Dr. John Howard, chief of the division

of occupational safety and health in the California Department of Industrial Relations in South San Francisco.

For example, the state has been conducting an ergonomic survey of newspaper offices, he said. Currently there is no state or federal ergonomic standard for newspapers.

After the survey is completed, Cal/OSHA would be able to set a standard for every newspaper workplace in the state or, alternatively, Cal/OSHA has the power to issue a special order that would apply only to a single workplace, he said.

And, under regulations that took effect July 1, every employer under Cal/OSHA jurisdiction must maintain a written injury and illness prevention program at its workplace that is accessible to employees and Cal/OSHA inspectors.

However, "we're primarily complaint-driven," a Cal/OSHA spokesman said.

Although the division has the authority to conduct discretionary inspections, and sometimes carries out discretionary inspections of entire industries, the bulk of the investigations follow complaints, he said.

Cal/OSHA, which is responsible

for about 602,000 worksites, performs about 15,000 inspections each year. It has 240 enforcement personnel, including office managers who occasionally conduct particularly difficult inspections, like those stemming from complaints.

The nature of complaints often tracks news developments, the spokesman said. For example, a reported death from Legionnaire's Disease in the San Francisco area led to a surge in complaints about air quality in the Bay Area, he said.

The fire at the Imperial Food Products Co. poultry processing

Continued on next page

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#### Business Insurance

### Circulation Breakdown\*

#### Commercial Consumers

**Administrative:**  
CEO's Presidents, and Owners ... 2,500  
Vice-Presidents, General Managers and Other Administrative Personnel ... 4,263

**Financial:**  
Chief Financial Officers and Vice-presidents of Finance ... 2,972  
Secretaries, Treasurers, controllers and other Financial Personnel ... 4,406

**Risk/Employee Benefits:**  
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations ... 10,976  
**Sub-total** ... 25,117

Associations ... 458  
Government, Unions and Educational Institutions ... 1,234

**Commercial Consumers**  
**Sub-total** ... 26,809  
Insurance Agents and Brokers ... 9,430  
Insurance Companies ... 8,045  
Accountants, Actuaries, Attorneys & Consultants ... 3,405  
Adjusters, Appraisers, TPA's, Captive Managers & Health Care Providers 1,392  
Others Allied to the Field ... 1,518  
**TOTAL** ... 50,599

\* Source Business/Occupational breakdown of qualified circulation, May 27, 1991 issue, as submitted to BPA for June 1991 BPA Publisher's Statement.

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Continued from previous page  
 plant in Hamlet, N.C., had an impact as well (BI, Sept. 9). "Oddly enough, our complaints about locked exit doors has increased during the past few weeks," he said.

Vermont OSHA experienced a similar increase of complaints following the Imperial Food fire.

"We experienced a slight increase in complaints about locked exits" following that fire, said Bob McLeod, manager of Vermont OSHA in Montpelier, Vt.

But the calls represented "no flood," he said.

Mr. McLeod heads one of the nation's smallest state programs. It employs six safety inspectors and four health inspectors.

Although the federal benchmarks call for 13 safety inspectors and nine health inspectors, "everyone recognizes that (the benchmarks) are unrealistically high" for Vermont, Mr. McLeod said.

The benchmarks currently are being recalculated, and the new ones should be six or possibly seven safety inspectors and probably six health inspectors, he said.

VOSHA has a combined federal and state budget of slightly more than \$1.2 million, he said.

The agency conducts about 620 inspections annually, about 570 of which are safety rather than health inspections, Mr. McLeod said.

Five years ago, when Vermont enjoyed a construction boom, VOSHA carried out 1,100 inspections annually with the same size staff, he said.

Unlike California, "we're really not complaint driven at all," Mr. McLeod pointed out. "We do have a lot of general schedule inspections," he said.

No chemical manufacturers or refineries are located in Vermont. And, the division is confined to inspecting farms with 11 or more employees, which means that VOSHA essentially is out of the agricultural inspection business, he said.

Instead, VOSHA concentrates its efforts on construction, furniture making and other small to medium-sized businesses.

However, VOSHA does have jurisdiction over a few nationally known companies, like Ben & Jerry's, the Burlington, Vt.-based ice cream maker.

Despite its small size, VOSHA has teeth, Mr. McLeod asserted.

For example, the state agency can order a workplace where an imminent danger exists to close without first obtaining a temporary restraining order. A company that refuses to comply faces a \$5,000 daily fine.

In addition, companies that retaliate against employees who have filed workplace safety complaints can be subject to employee lawsuits seeking triple wages, damages and legal costs, he said.

But, Mr. McLeod stressed that VOSHA is not all stick and no carrot. The agency also provides employers with safety and health consulting, and the demand for that service that has grown in recent years, he said.

The two health consultants and two safety consultants that conduct the program are former inspectors, he said.

Consultation also is a major facet of Kentucky's program, according to Steve Forbes, state/federal coordinator for the state's OSHA plan in Frankfurt, Ky.

"We've had large numbers of requests" for consultation, said Mr. Forbes, who has about a dozen consultants on his staff, some of whom also perform other tasks.

During the fiscal year that ended Sept. 30, the consultants performed 207 safety and 114 health consultations, he said.

"These are not a wall-to-wall look at a facility," Mr. Forbes said. Employers often need only very limited advice, like how to operate a particular machine safely or how

to handle a certain chemical compound without exposing workers to toxins, he said.

Although none of the information gathered by the consultants is passed on to the agency's enforcement staff, the consultants will tell employers if they see an unsafe situation and require that they correct it, Mr. Forbes said.

The Kentucky program, which does not regulate workplace safety in mines, employs 38 inspectors—23 safety inspectors and 15 industrial hygienists—exceeding the federal recommendations by one inspector, Mr. Forbes said.

The inspectors conducted about 2,300 inspections during the fiscal year just ended, he said. The bulk of inspections—1,958—were safety rather than health inspections.

The program has a combined state and federal budget of about \$5 million and is responsible for 77,675 worksites, he said.

Like Mr. McLeod, Mr. Forbes said that his agency is not particularly complaint-driven, at least on the safety side. "We do a fair amount of general schedule inspections," he said, noting that 1,694 of the 1,958 safety inspections did not stem from complaints.

However, the health inspections are much more likely to stem from complaints, he said.

Kentucky law calls for penalties of up to \$10,000 against employers who violate an employee's right to report unsafe or unhealthy working conditions, Mr. Forbes pointed out. This is a more stringent standard than federal law, he said.

Mr. Forbes praised federal OSHA for its cooperative efforts with Kentucky OSHA, particularly in the area of technical assistance.

"I know it's kind of trite, but we do refer to it as a partnership," he said. "Rather than being here to

criticize, they're here to help."

Being able to call on federal expertise gives Kentucky a better program than it could operate solely on its own, he said.

However, Vermont's Mr. McLeod pointed out that sometimes the federal program taps the state programs for some expertise—in the form of luring away experienced personnel. He said he has lost one particularly effective safety inspector to federal OSHA.

He added, though, that the chief competition for industrial hygienists is the private sector. "I have been raided," he said.

Private companies find VOSHA a good source for experienced health inspectors who understand the demands of state law, he said.

"Retaining qualified personnel tends to be a problem," Kentucky's Mr. Forbes agreed. "Once they've gone through training, private industry tends to get interested in

them," he said.

The state plan administrators have a forum for their complaints and observations in the Occupational Safety and Health State Plan Assn. Though it has neither staff nor permanent headquarters, the group meets three times a year, said Mr. McLeod, its immediate past chairman.

In addition to swapping complaints, the state plan officials share possible solutions, he said. "Different states have different, unique ways of responding to certain issues," Mr. McLeod said.

Federal OSHA officials also attend the meetings and conduct a technical presentation at each gathering.

"You have to remember that you have 25 sovereign states and territories, and we all have different legislation. But we all have the same problems," Mr. McLeod pointed out.

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## Some states return oversight to OSHA

Though the Occupational Safety and Health Administration has never ordered a state to shut down its own program, several states have returned workplace safety regulation to the federal agency.

Three states—Illinois, New York and Wisconsin—had run their own programs but relinquished those responsibilities to federal OSHA in 1973.

The Occupational Safety and Health Administration Act of 1970 permitted states to immediately assume workplace safety responsibilities but required state legislatures to approve the agencies within three years.

When their legislatures failed to act, the three states were forced to cede their responsibilities to federal authorities.

In addition, Colorado, which had initially chosen to operate its own OSHA program, returned the responsibilities to the federal government in 1980.

And, in California in 1987, then-Gov. George Deukmejian slashed about \$8 million in appropriations for Cal/OSHA and insisted that the federal government resume responsibility for private sector workplace inspections (*BI*, Nov. 2, 1987; Feb. 23, 1987).

Federal authorities made clear that they

preferred that California retain its workplace safety responsibilities.

In October 1987, a federal court of appeals ruled that the governor had overstepped his authority.

But the future of the California program remained in doubt for more than a year, even though the program enjoyed the support of some business groups as well as organized labor.

On Nov. 8, 1988, California voters approved a proposition re-establishing Cal/OSHA (*BI*, Nov. 14, 1988).

—By Mark A. Hofmann

## Datebook

### OCTOBER

**OCT. 15. Storage Tanks and Warehousemen's Legal Liability** seminar in Newton, Mass., sponsored by the Inland Marine Underwriters Assn.; \$50. Karen Sherbine, IMUA, 14 Wall St., New York, N.Y. 10005; 212-233-7959.

**OCT. 15. Communications Program for Loss Control Professionals** in San Francisco, sponsored by the California Workers Compensation Institute; \$110. **Also Oct. 16** in Long Beach, Calif. CWCI, 120 Montgomery St., Suite 1300, San Francisco, Calif. 94104; 415-981-2107.

**OCT. 15. Back to Basics on Surety Bonds** seminar in Fresno, Calif., sponsored by the Inco/Dico Group; \$19.95. Tim Mitchell, Inco/Dico Group, 800-782-1546.

**OCT. 15-16. Labor Management Health Care Cost Containment** workshop in Boston, sponsored by the Health Research Institute; \$595. **Also Nov. 12-13** in New York; **Dec. 10-11** in Chicago. Workshop Coordinator, Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 15-16. Disaster Recovery & Restoration for Telecommunications Facilities & Networks** seminar in Morristown, N.J., sponsored by Data-Tech Institute; \$695. **Also Oct. 21-22** in St. Louis; **Oct. 24-25** in Minneapolis. Data-Tech Institute, P.O. Box 2429, Clifton, N.J. 07015; 201-478-5400.

**OCT. 15-16. Health Care Cost Containment** workshop in Boston, sponsored by the Health Research Institute; \$595. **Also Nov. 12-13** in New York. Workshop Coordinator, Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

**OCT. 15-16. Illinois Environmental Regulation** seminar in Chicago, sponsored by the Institute of Business Law at California State University; \$795; some discounts available. **Also Nov. 19-20** in San Francisco; **March 17-18** in Cleveland; **April 7-8** in Parsippany, N.J.; **May 13-14** in New York; **June 23-24** in Dallas. Department L-CH, Institute of Business Law, California State University, Los Angeles, P.O. Box 3488, Santa Monica, Calif. 90408; 213-450-0500.

**OCT. 16. Human Resource Management Systems Technology** seminar in Toronto, sponsored by GENESYS Software Systems Inc.; no charge. **Also Oct. 17** in Calgary, Alberta; **Oct. 23** in Detroit; **Oct. 24** in Cleveland. Jayna Smith, GENESYS, 5 Branch St., Methuen, Mass. 01844; 508-685-5400, Ext. 3080.

**OCT. 16-17. Advanced Risk Management Analysis** course in Chicago, sponsored by the Risk & Insurance Management Society Inc.; \$595 for RIMS members; \$695 for non-members. Education Department, RIMS, 205 E. 42nd St., New York, N.Y. 10017; 212-286-9292.

**OCT. 16-18. Pension and Welfare Plans: The Big Picture** seminar in Philadelphia, sponsored by TPF&C Professional Development Institute; \$950. TPF&C, 800-253-8732.

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

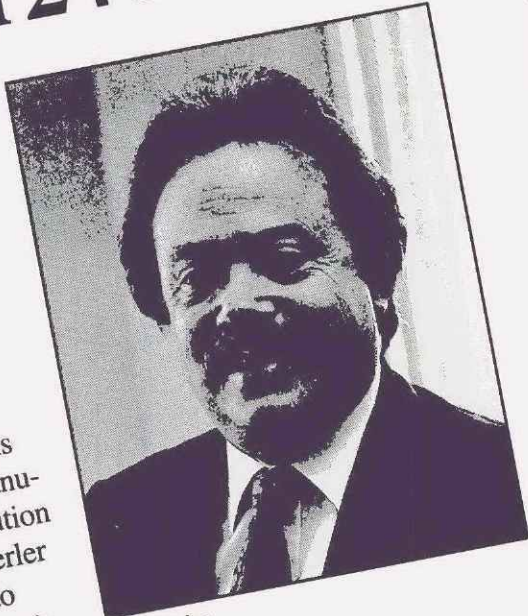
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erties and services them with local people in local offices. Thus, new and established businesses insured by IRI are free to innovate and think boldly.

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## Defamation suit

Continued from page 2

in Maryland in November 1988.

Cleveland-based PIE Mutual, along with the Princeton Insurance Co. and Physicians National Risk Retention Group, had filed for certificates to write malpractice insurance in Maryland in 1988.

In December 1988, PIE filed rates significantly lower than those of Medical Mutual, according to court papers.

"For highly specialized practitioners, PIE was offering better coverage at lower rates," explained Robert J. Mathias, an attorney with Piper & Marbury in Baltimore, which represents Mr. Evander.

"Medical Mutual had been raising its rates for 10 straight years. Mr. Evander thought it would be good for his clients to have a choice. He felt that a broker represents the insured and is supposed to sell the best insurance at the best price."

But according to Mr. Evander's lawsuit, Medical Mutual took exception with his representation of PIE. On May 22, 1989, B. Eric Hempelman, vp-operations with Medical Mutual, wrote a letter to Mr. Evander informing him that Medical Mutual would no longer accept new business from him, nor would it accept any renewal business from his brokerage after 90 days, the suit said.

In addition, Dr. Yow on the same day wrote letters to all policyholders represented by Mr. Evander stating that "it has become apparent that a few brokers are no longer representing Medical Mutual in a way that many of you feel to be adequate. . . . We will no longer accept any new physician business from your broker."

Dr. Yow's letter clearly expressed that Medical Mutual would renew policies if doctors represented by Mr. Evander applied

directly with the company or selected another broker, according to the suit.

The lawsuit also asserted that Richard A. Walker, Medical Mutual's assistant vp-operations, "falsely stated and implied (to the medical community) that Mr. Evander generally represents insurance companies that go into rehabilitation," such as Mutual Fire Marine & Inland Insurance Co. of Philadelphia, which went into rehabilitation in 1986 (BI, June 30, 1986).

Medical Mutual also sent a letter to the Maryland Insurance Commission requesting that it revoke Evander & Associates' license on

**The insurer set out to destroy Mr. Evander for selling a competitor's product, says Mr. Mathias.**

the grounds that a brochure Mr. Evander mailed to Maryland doctors containing comparisons of the rates and coverages offered by both Medical Mutual and PIE was inaccurate and unethical, according to the suit.

The commission conducted two hearings on whether Mr. Evander acted ethically in sending out the comparative brochure, and in both cases the commission found that Mr. Evander violated no sections of the Maryland Insurance Code, the lawsuit said.

"Under Maryland law, Medical Mutual was within its rights to not accept business from Mr. Evander," said Mr. Mathias. "But they set out to destroy him and run him out of business for selling a competitor's product."

"They tried to get his license pulled and they sent out 600 letters

asserting that he wasn't adequate. He was the largest medical malpractice broker in the state and they tried to make an example of him," said Mr. Mathias.

By the spring of 1990, Mr. Evander had lost virtually all his clients, prompting him to sue Medical Mutual. Today he has a handful of medical malpractice clients.

After having its motion for a new trial denied by Circuit Court Judge David Ross, Medical Mutual last week appealed the verdict to the Maryland Special Court of Appeals.

Mr. Mathias said he did not know if the insurer or Dr. Yow has insurance that would respond to the award.

"I don't know if they have insurance. During Dr. Yow's deposition, he said the company as a matter of policy would cover any judgment against him," Mr. Mathias said. "Frankly, it doesn't concern me. The company has a net worth of \$43 million. It can pay."

An executive at another insurer that writes medical malpractice insurance said that there is a good possibility that Medical Mutual does not have liability insurance that would cover the loss.

Peter Henning, senior vp with PHICO Insurance Co. in Mechanicsburg, Pa., said E&O and D&O coverage for medical malpractice insurers is "very expensive—only two companies write it and when they do, it carries deductibles that are very often so high that many losses aren't even covered."

He said E&O and D&O deductibles for medical malpractice insurers can begin at \$5 million.

And, Gerard Albanese, a vp with Evanston Insurance Co. in Evanston, Ill., one of only a few U.S.-based insurers that write professional liability insurance for malpractice underwriters, said most basic E&O policies respond only to claims handling errors, and not to tort claims. ■

## Insider trading

**Chubb Corp.:** Philip J. Sempier, vp, sold 4,800 shares of common stock at \$72.88 per share on Aug. 2, and now directly and indirectly holds 1,893 common shares. Chubb stock was trading at \$61.75 on Sept. 20.

**The Continental Corp.:** Henry E. Kates, director, sold 3,000 shares of common stock at \$27 per share on Aug. 19, and now directly holds 2,000 common shares.

Continental stock was trading at \$25 on Sept. 27.

**Arthur J. Gallagher & Co. Inc.:** John G. Campbell, officer and director, exercised an option for 2,600 shares of common stock at \$4.97 per share on July 12, and now directly holds 23,585 common shares.

Walter F. McClure, officer and director, exercised an option for 5,700 shares and sold 2,500 shares of common stock at \$4.97 and \$20.16 per share from Aug. 1 to Aug. 2, and now directly holds 21,806 common shares.

Gallagher stock was trading at \$19.50 per share on Sept. 27.

**Hartford Steam Boiler Inspection & Insurance Co.:** John J. Kelley, officer, sold 5,000 shares of common stock at \$53.08 per share on Aug. 6, and now directly holds 8,139 common shares.

Robert W. Trainer, vp, exercised an option for 7,548 shares and sold 2,300 shares of common stock at between \$32.56 and \$55 per share from Aug. 2 to Aug. 7, and now directly holds 14,795 common shares.

Hartford Steam Boiler stock was trading at \$55 per share on Sept. 27.

**Hilb, Rogal & Hamilton Co.:** Andrew L. Rogal, officer and director, sold 5,000 shares of common stock at \$14.75 per share on Sept. 13, and now directly and indirectly holds 56,076 common shares.

Hilb, Rogal stock was trading at \$14.25 per share on Sept. 27.

**Old Republic International Corp.:** William F. Schumann, vp, exercised an option for 2,896 shares and sold 2,896 shares of common stock at between \$11.75 and \$30.50 per share on Sept. 3, and now directly and indirectly holds 32,861 common shares.

Old Republic stock was trading at \$30.63 per share on Sept. 27.

**St. Paul Cos. Inc.:** William H. Kling, director, purchased 100 shares of common stock at \$63.75 per share on Aug. 7, and now directly holds 500 common shares of stock.

St. Paul stock was trading at \$61 per share on Sept. 27.

**USF&G Corp.:** Norman P. Blake, chairman, purchased 7,000 shares of common stock at between \$7.13 and \$6.63 per share from Aug. 5 to Aug. 13, and now directly holds 22,000 common shares.

Steven A. Cook, vp, purchased 10,000 shares of common stock at between \$6.63 and \$6.88 per share from Aug. 16 to Aug. 23, and now directly holds 10,000 common shares.

J. Michael Gaffney, vp, purchased 1,000 shares of common stock at \$6.50 per share on Aug. 16, and now directly holds 1,500 common shares.

Dan. L. Hale, officer, purchased 2,000 shares of common stock at \$6.88 per share on Aug. 12, and now directly holds 2,000 common shares of stock.

Edwin G. Pickett, vp, purchased 3,800 shares of common stock at between \$7.38 and \$6.88 per share from Aug. 7 to Aug. 26, and now directly holds 5,659 common shares.

USF&G stock was trading at \$7 on Sept. 27.

*Insider Trading, compiled by Invest/Net Trading Group Inc. of Fort Lauderdale, Fla., from reports filed with the Securities and Exchange Commission, tracks stock sales and purchases by insurance industry directors and officers. The column is distributed by Tribune Media Services Inc.*

## Investors prepare bid for Executive Life

LOS ANGELES—A group of investors including Fund American Cos. Inc., the former owner of Fireman's Fund Insurance Co., is preparing a bid for the assets of Executive Life Insurance Co.

The bid, which is being led by San Francisco investment banker Hellman & Friedman, also includes the participation of Zell-Chilmark of Chicago, which manages a large investment pool for institutional investors nationwide.

Hellman & Friedman also said it intends to ask Fund American Chairman John J. Byrne to serve as chairman of the new acquiring company.

Mr. Byrne could not be reached for comment.

While details of the offer were not disclosed, a spokesman said it will be larger than the \$3 billion offered by the French investor group led by Altus Finance, a division of Paris-based bank Credit

Lyonnais (BI, Aug. 12).

Like the Altus plan, the Hellman & Friedman proposal also calls for contributions from the National Organization of Life & Health Guaranty Assns. to augment funds paid to policyholders, the spokesman said.

Spokesmen for NOLHGA, which plans to submit a bid of its own, could not be reached for comment.

Unlike the Altus proposal, the Hellman & Friedman offer provides for maintaining the junk bond portfolio, according to the spokesman.

"We believe the junk bond portfolio is worth substantially more and that the policyholders should be the beneficiaries," he said, referring to the Altus proposal, which provides for \$2.7 billion to be paid by Altus for Executive Life junk bonds.

But an Altus spokesman said the bonds may be worth more today

because the market is up overall and "the market could drop just as easily" and "that leaves the policyholders open to risk."

Meanwhile, a motion filed by the Texas Insurance Department in Los Angeles Superior Court late last week seeking to extend the Oct. 11 deadline for filing bids for Executive life until Nov. 1 was denied.

The department had wanted to permit any other serious bidders to come forward after completion of the trial underway on whether municipalities that invested the proceeds of bond issues in Executive Life guaranteed investment contracts are policyholders entitled to the same claim priority as annuitants and other GIC holders.

If the muni-GICs are found to be policyholders, rehabilitation plans for Executive Life would have to account for \$1.85 billion in additional liabilities (BI, Sept. 30). ■

## Overcharges to be refunded

NEW YORK—Five auto insurers have agreed to reimburse more than \$110 million to policyholders who did not receive required discounts for auto safety features like airbags, automatic seatbelts and antilock brakes.

The New York Insurance Department and New York attorney general announced the agreement following an investigation into whether the state's 20 largest auto insurance companies failed to give mandated 5% to 30% safety discounts.

State Farm Mutual Automobile Insurance Co., Allstate Insurance Co., Travelers Indemnity Co., General Accident Corp. of America and

Metropolitan Property & Casualty Insurance Co. will reimburse a total of more than \$110 million nationwide, including \$10 million to New York policyholders, the New York department said.

The five insurers will also pay \$708,872 in state investigation costs.

New York regulators are still seeking settlements from 12 other auto insurers, but have concluded that three of the original 20—GEICO Corp., United Services Automobile Assn. and Amica Mutual Insurance Co.—are without fault, an Insurance Department spokesman said.

—By Douglas McLeod

## S&P downgrades five claims payment ratings

By STACY ADLER

NEW YORK—Standard & Poor's Insurance Rating Services has lowered the claims-paying ability ratings of an additional five insurance companies, citing increasing risk to asset quality.

The New York-based unit of Standard & Poor's Corp. noted that the downgrades were based on possible "losses on commercial mortgages, real estate and fixed-income losses over the next two or three years."

But, it said that the risks the insurers face are "far from solvency-threatening."

S&P downgraded the claims-paying ratings of: Aetna Life In-

surance Co. and Aetna Casualty & Surety Co. Intercompany Pool; Home Life Insurance Co.; Lincoln National Life Insurance Co.; Pacific Mutual Life Insurance Co.; and Phoenix Mutual Life Insurance Co.

In addition, it placed the AA- claims-paying rating of London-based Royal Insurance Ltd. and six of its U.K. units on CreditWatch with negative implications, citing mid-year losses from private mortgage indemnity business.

Aetna Life Insurance Co.'s claims-paying rating was downgraded to AA- from AA+; Aetna Casualty & Surety Intercompany Pool to AA from AA+; Home Life

Insurance Co. to A- from A+; Lincoln National to AA- from AA+; Pacific Mutual Life Insurance Co. to AA+ from AAA; and Phoenix Mutual Life Insurance to AA from AA+.

Hartford, Conn.-based Aetna Life & Casualty Co. issued a statement saying it was "keenly disappointed" with the S&P downgrades of its units. "There have been no changes in Aetna's financial condition to warrant a downgrade in our ratings."

And, Fort Wayne, Ind.-based Lincoln National Corp. issued a statement saying the downgrade of its life insurance unit was "confusing since Lincoln National Life is significantly stronger today than it

was at the time S&P awarded it the AA+ rating in 1988, and the company significantly improved its financial position since the AA+ rating was affirmed earlier this year."

Neither Pacific Mutual of Newport Beach, Calif., nor Hartford-based Phoenix Mutual complained about the downgrades. Each noted that they still hold "excellent" ratings.

New York-based Home Life said it considers the downgrade, which puts the company in the "good" financial strength category, a "modest" change.

The downgrades are part of an accelerated rating review process that S&P expects to complete this

week.

The rating agency is now assigning much greater weight to asset liquidity and how well an insurer could withstand a run on the bank (BI, Aug. 5).

Last month, S&P also lowered the ratings of New England Mutual Life Insurance Co. to AA from AA+; Northwestern National Life Insurance Co. to A from AA; Minnesota Mutual Life Insurance Co. to AA+ from AAA; and Principal Mutual Life Insurance Co. to AA+ from AAA (BI, Sept. 30).

Associate Editor Michael Schachner in New York contributed to this report.

## Symphony strike

Continued from page 1

Chicago musicians set aside their instruments, going on strike partly because they did not want to become one of the first major American symphonies whose musicians have to contribute toward their medical premiums.

While they were victorious on this score, the strike delayed the start of the symphony's 101st season and the premiere of the symphony's new music director, Daniel Barenboim.

In all, 11 concerts were canceled before the musicians returned to perform under Mr. Barenboim's baton in a formal setting Oct. 1. Mr. Barenboim replaces Sir Georg Solti, the CSO's music director for 22 years, although Sir Georg will continue to work with the CSO as its music director laureate.

While the musicians have now resumed performing for audiences in Chicago's Orchestra Hall, they did so without having to pay any of their health insurance premiums.

This arrangement represents a compromise between the musicians and the symphony's management, The Orchestral Assn., and is part of the musicians' new three-year contract. The contract, which went into effect retroactively, expires in September 1994.

Entering the negotiations, The Orchestral Assn. wanted to shift some of the symphony's rising health insurance premiums to the musicians. The association reported that it cost about \$700,000 to provide health insurance for the musicians last year. Although it could not provide figures for 1989, the association estimated costs were rising about 25% annually.

In addition, the association wanted to replace its insured indemnity plan with a managed care plan that would help contain costs.

"We agreed to enter into a PPO early on in the negotiations," said Charles A. Guse, president of the local union.

But, the union members were concerned that if they agreed to begin paying a portion of their health insurance premiums, they would be subjected to future premium hikes. "Once it got in the contract, it would never get out," Mr. Guse said of the premium copayments.

In this respect, the local union was following a composition being orchestrated by unions nationwide.

The U.S. labor movement isn't trying to increase health care benefits in today's inflationary climate, said a spokesman for the New York-based American Federation of Musicians. Rather, unions are trying to fend off management attempts to erode existing benefits.

The CSO's new managed care plan, which is underwritten by Hartford, Conn.-based Aetna Life & Casualty Co., covers the 109 members of the orchestra and their families, as well as approximately 80 staff members and their families, although the staff is not part of the collective bargaining agreement. Aetna underwrote the indemnity plan in 1990.

Under the new plan, individuals and family members who choose to receive care outside the PPO network will be charged higher deductibles and incur greater out-of-pocket expenses.

For example, under the old indem-

nity plan, deductibles were \$200 for individuals and \$400 for families. After the deductibles were met, covered individuals and families paid 20% of all medical expenses until an additional \$200 or \$400, respectively, in out-of-pocket expenses were met.

Under the new PPO plan, the annual deductibles and out-of-pocket expense remain the same for care within the network.

The key change is that for care received outside the network, the deductibles rise to \$250 for individuals and \$500 for families, and the maximum out-of-pocket limits jump to \$700 and \$1,400, respectively.

"There is some incentive there to be using the PPO," said Mr. Guse of the musicians' union.

Other differences the musicians will find between the two options include paying a maximum of \$10 for a doctor's visit within the network, as opposed to paying 20% of non-network costs up to the annual limits; and paying just 10% of the costs associated with a visit to a network specialist, or paying 20% of

**'They feel as though they can perform well with this agreement,' says Mr. Guse of the CSO musicians.**

costs for a non-network specialist.

A few other American symphonies have adopted PPO arrangements, like the San Francisco Symphony, but "none of them have anywhere near these financial disincentives" to using non-network providers, said Henry Fogel, The Orchestral Assn.'s executive vp and the CSO's executive director.

While agreeing to the PPO, the CSO musicians also will receive some increased health care benefits. For example, the union's Mr. Guse said payment levels for psychiatric outpatient care increased to \$4,000 from \$2,500; orthodontia to \$2,500 from \$1,750; dental care to \$2,000 from \$1,500; and monthly disability benefits to \$4,000 from \$3,500.

The plan also includes coverage for in vitro fertilization, which is slated to become a required benefit in insured plans in Illinois. A law mandating this benefit was passed just days before the agreement was ratified.

In addition to the changes in the musicians' health care plans, the two sides agreed to new pension and salary schedules.

The maximum annual pension for a retired musician who is at least 60 years old and has 25 years of service with the symphony will rise to \$30,000 in the second year of the contract and to \$40,000 in the third year. Currently, such retirees receive a maximum of \$28,000.

"We felt the pension was low in this field," said Mr. Fogel.

The contract also calls for salary adjustments. Base salaries will increase 4.4% in the first year of the contract, 5% in the second year and 4% in the third year.

"We're happy with the settlement we got. We felt we got a major improvement in health care," Mr. Fogel said.

"We believe that instead of (health

care costs) escalating in the 25% range, it will be closer to 12% or 15%" with this new arrangement, he said. "That's still not great, but that's a big improvement."

Diana Reace, a consultant in the research group of Hewitt Associates in Lincolnshire, Ill., agreed that the PPO should help reduce the size of health care cost inflation for the plan.

The problem the symphony's management is running into, she said, is that the organization "is too big to take advantage of" lower cost no-frills insurance packages that small businesses in Illinois and some other states are allowed to offer, "but they're not big enough to be self-insured. They are kind of caught in the middle."

This is one reason why unions are "getting behind national health care," Ms. Reace said. "They don't want to bear the brunt of any more cost shifting."

Neither the union's Mr. Guse nor the AFM spokesman could say how many managed care plans have been put in place by symphony organizations nationwide.

But Mr. Guse said he doesn't expect this issue will leave the orchestral world. Premium co-payments "are on the 'bargaining table'" for all the major symphonies, he said.

Though it may seem unusual that the orchestral musicians walked off their jobs, it actually has occurred "dozens of times in the last 20 years," according to the AFM spokesman. Cutbacks in private funding for art institutions is "making life very difficult" for the nation's cultural institutions, he said.

The last time Chicago musicians went out on strike was nine years ago, according to Mr. Guse.

In all, the symphony has engaged in a strike in each of the last four decades, he said.

The Chicago symphony dispute over health care reflects the trend in labor negotiations nationwide. A survey conducted by the Washington, D.C.-based AFL-CIO found that health care was a major issue in 27 out of 48 studied strikes in 1990 (BI, Sept. 30).

"In the labor movement today, (in the majority) of all the conflicts that arise from attempting to negotiate new contracts, the big issue is health care. This has become the primary issue in the labor movement," the AFM spokesman said.

"I guess it's not surprising this hit the orchestra business," said Mr. Fogel, adding that he was just glad the strike was settled quickly and the musicians returned to the stage.

However, the musicians aren't getting something for nothing. In exchange for the sweetened pension, the musicians agreed to provide more musical services.

According to Mr. Fogel, the CSO will hold five additional concerts starting in the 1992-93 season. These concerts, which will be Saturday night subscription performances, will bring the total number of concerts in the season up to 112.

"This will give us the revenues we need" to pay the increased pension benefits, Mr. Fogel explained.

Mr. Guse said the musicians "are very comfortable" with the agreement.

"They feel as though they can perform well with this agreement. Happy people make good music." ■

## Update

### Bhopal settlement upheld

DANBURY, Conn.—The Indian Supreme Court has upheld the \$470 million settlement between Union Carbide Corp. and victims of the 1984 poison gas leak disaster in Bhopal, India.

Victims' advocacy groups had brought the most recent challenge to the settlement (BI, Feb. 20, 1989).

The high court previously rejected an attempt by the Indian government—which represents the victims—to scrap the accord.

A Union Carbide spokesman said the money already had been turned over to Indian authorities. He added that the 200-page decision indicated that the Indian government now will consider the chemical giant's earlier suggestion that it build a hospital.

The Indian court, though, also ruled that criminal cases related to the disaster could now be reopened.

However, an attorney who asked not to be identified said the issue would have to be put before a U.S. court because Union Carbide no longer has assets in India. In that case, Union Carbide could argue that it was relieved from liability by the Indian government under the terms of its settlement and that it relied in good faith on that release. Under those circumstances, persuading a U.S. court to issue an order enforceable against Union Carbide's assets would be very difficult, the attorney said.

And, international courts hear only compensation issues, he said.

More than 2,500 people were killed and 200,000 injured when deadly gas leaked from the pesticide plant in the worst industrial accident in history. The Indian government originally sought \$3 billion of damages from Carbide to compensate victims.

### Insurers balk at auto cover rule

AUSTIN, Texas—The National Assn. of Independent Insurers on Friday obtained a temporary restraining order against a new Texas State Board of Insurance emergency ruling requiring insurers to write coverage for previously uninsured motorists at normal rates.

The action is part of an NAII suit that seeks to overturn the Sept. 26 ruling, claiming the State Board exceeded its authority in passing the regulation. If the emergency ruling is not overturned, 75% of motorists in Texas would be hit with higher rates to subsidize insurers' costs for writing coverage for currently uninsured motorists at the rates prescribed under the ruling, the NAII says.

The emergency ruling prohibits insurers from denying coverage to uninsured motorists because a new law makes the coverage mandatory. As of Sept. 1, motorists in Texas are required to show proof of insurance when applying for a drivers license, vehicle inspection or license plates.

The NAII claims in its suit that insurers would incur \$1.60 in losses for every dollar in premium paid by previously uninsured motorists at normal rates, because those motorists typically are involved in more serious accidents than other drivers.

Texas Public Insurance Counsel Amy Johnson said the board has the authority it needs to adopt the rule, and that the NAII's contentions that uninsured motorists are bigger risks are "based on a hunch."

An Oct. 17 hearing has been scheduled on the NAII suit.

### Life insurer rescue proposal

WASHINGTON—Insurers facing liquidity problems would be able to borrow money from the Federal Reserve system under a bill introduced by House Banking Committee Chairman Henry Gonzalez, D-Texas.

The bill, H.R. 3119, would amend the Federal Reserve Act to allow loans when, for example, a life insurer is hit with an unexpected rash of policy surrenders of the kind that landed Mutual Benefit Life Insurance Co. in rehabilitation (BI, July 22).

The bill would require insurers to be certified as eligible for liquidity loans and would require the Fed and state insurance regulators to set minimum financial requirements for insurer certification.

Insurers also would have to put up collateral to secure the loans and meet other rules that generally apply to Fed borrowers.

The bill will be referred to two House banking and insurance subcommittees, a Banking Committee staffer said.

The Gonzalez bill joins another proposal by life insurance executives that would create an industry-backed emergency fund to bail out cash-strapped insurers (BI, Sept. 23).

### Briefly noted

The U.S. Senate last week approved a **mandatory family leave bill**, S. 5, that would require companies with more than 50 employees to grant up to 12 weeks unpaid leave annually and uninterrupted health benefits to workers for the birth or adoption of a child or for the serious illness of the worker or a family member (BI, Sept. 23). Meanwhile, in California, Gov. Pete Wilson signed legislation requiring employers with 50 or more employees working at the same location to grant workers up to four months of unpaid leave during a 24-month period to care for a dependent child or a seriously ill relative (BI, May 20). . . . The Senate Commerce Committee approved the **Product Liability Fairness Act**, S. 640, by a vote of 13-7 on Thursday. The bill calls for the establishment of **uniform federal product liability standards** (BI, Sept. 23). . . . The Senate Permanent Investigations Subcommittee has scheduled an Oct. 17 hearing on the use of questionable **Government National Mortgage Assn. securities** to capitalize insurance companies. . . . **Connie Lee Insurance Co.**, which has been reinsuring bonds issued by higher education institutions, will now start to write primary insurance in that niche as well. This follows the \$65 million in equity financing raised by Connie Lee's holding company, congressionally-established College Construction Loan Insurance Assn., from a consortium that includes Metropolitan Life Insurance Co. and Kemper Financial Services, among others. . . . California Insurance Commissioner John Garamendi announced Friday that he will appeal to the governor for reinstatement of regulations to **limit the sale of auto insurance by surplus lines insurers**. The Office of Administrative Laws recently rejected the new regulations (BI, Sept. 16; Feb. 11). . . . The liquidators of Forum Reinsurance Co. Ltd. have begun legal proceedings against former Chief Executive **Mark Hardy**, seeking nearly \$1.5 million, plus interest, that they say is owed the reinsurer under a promissory note Mr. Hardy guaranteed. Forum Re was forced into liquidation in March (BI, March 18).

## N.Y. rejects small group rating plan

NEW YORK—The New York Insurance Department has rejected Empire Blue Cross & Blue Shield's request to change the way it sets rates for small group medical insurance plans, under which half of the plans would be hit with rate hikes of up to 50% but others would see significant reductions.

Empire had proposed splitting its community-rated small group business into two categories: one for groups with unfavorable loss experience and one for all others (BI,

July 29).

Rates for poor risks would have been hiked as much as 50%. Empire estimated that half of its 30,000 small group policyholders fell into this category, and that 70% of those plans would have been hit with the full rate hike.

However, rates for good risks would have been lowered 1% to 50%. Empire estimated that rates for those plans would drop 17% on average.

Although it rejected Empire's request, the New York department said

it would keep Empire's application open until at least April 1, 1992, and would begin monitoring the insurer's financial condition monthly.

The Insurance Department may approve the request at a later date if the insurer's condition significantly worsens or if New York lawmakers fail to enact legislation proposed by Gov. Mario Cuomo that would mandate open-enrollment for small groups in community-rated pools.

Similar legislation was never voted on in the last session. ■

# Exxon

Continued from page 2

of native Alaskans, fishermen and property owners dropped the state as a defendant in its suit over the spill after officials agreed to turn over government scientific studies considered crucial in continuing the litigants' case against Exxon.

The native Alaskans also agreed to file claims only for damages to their lifestyle, not for damage to natural resources.

Like the previous pact (BI, March 18), Exxon also agrees to pay \$1 billion to restore Prince William Sound.

Exxon would pay the state \$900 million over the next 10 years under the following terms: \$90 million within 10 days of court acceptance of the settlement; \$150 million, less Exxon's cleanup costs for 1991 and 1992, on Dec. 1, 1991; \$100 million in September 1993; and \$70 million in each of the succeeding eight Septembers.

Use of the funds will be restricted to cleanup, assessment, restitution and enhancement of those areas affected by the oil spill.

The funds would be controlled by three state and three federal trustees, who will appoint multimember advisory panels to assist them.

In addition, Exxon and Exxon Shipping would pay \$100 million in restitution to be divided equally between Alaska and the federal government for their costs to restore the sound.

However, Alaska and the federal government retain the right under the agreement to recover for other damages.

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Rep. Miller asked why Judge Holland would now agree to a \$25 million criminal penalty "considering Exxon's vast financial resources and the magnitude of the tragedy."

"The criminal penalty is larger in appearance than in fact. It is not a sufficient punishment for one of the worst environmental tragedies in this nation's history," Rep. Miller said.

Rep. Miller also criticized the settlement for releasing Alyeska from natural resource damage claims by the state and federal governments.

"It was irresponsible for the Justice Department to fail to punish Alyeska for its role in the Exxon Valdez oil spill," according to Rep. Miller.

Environmental groups also criticized the settlement.

"For a company that made more than \$5 billion in profits last year, this is no more than a mosquito bite," said Wilderness Society President George T. Frampton Jr.

But, Alaskan officials are pleased with the settlement.

"This is a great settlement for the people of Alaska, for the environment and for the federal government," said Alaska Gov. Hickel after signing the pact.

"I believe most Alaskans felt relieved when we brought home the first proposal last March and were rightfully disappointed when the Legislature turned it down.

"We said then that we would continue to work with Exxon and the federal government, if we could get them back to the table. They did come back, and I have to say I have never been involved in negotiations that showed as high a level of cooperation between state and federal governments and private parties as this has," Gov. Hickel said.

Alaska Attorney General Charlie Cole said the new pact is a "better deal" than the earlier agreement.

"It is a fair settlement, in the best interest of the state and of the people who reside in the areas affected by the spill and those who make their living from those resources."

Gov. Hickel said that although he will not submit the settlement to legislators, as he did with the earlier settlement, he will consult with the legislators on any outstanding issues that remain.

"The Legislature gave us its directive in the resolution it passed last May," according to Gov. Hickel.

"I am glad we had their unanimous support going into this round. We addressed many of the concerns they had, most notably the need to share information with third-party litigants," he said.

The oil spill occurred just after midnight on March 24, 1989, when the Exxon Valdez

ran aground shortly after leaving the port of Valdez with newly loaded cargo.

About one-fifth of the tanker's cargo—242,000 barrels, or 10.2 million gallons, of crude oil—spilled into Prince William Sound, creating the worst environmental disaster in U.S. history (BI, April 3, 1989).

In its report on the spill, the National Transportation Safety Board said the crew was fatigued and that the ship's captain was impaired by alcohol when the spill occurred, though a third mate was at the ship's helm when it ran aground (BI, Aug. 6, 1990).

The NTSB report also said that responsibility for the spill should be shared by Exxon Shipping, the ship's captain and third mate, the U.S. Coast Guard and local and state shipping authorities.

The Coast Guard was "unduly narrow in its perspective" when evaluating the manning request for the Exxon Valdez, and state and local officials that handled traffic in the sound were not monitoring tankers closely enough, according to the NTSB.

A federal grand jury in Anchorage returned an eight-page indictment charging Exxon and Exxon Shipping with two felony and three misdemeanor violations of the Dangerous Cargo Act and the Ports and Waterways Safety Act in early 1990 (BI, March 5, 1990).

The indictment sought fines totaling more than \$600 million.

Exxon's criminal trial was scheduled to begin today in Anchorage.

At the time of the spill, Exxon had \$400 million in pollution liability insurance from the International Tanker Indemnity Assn., a Bermuda protection and indemnity club.

Exxon also had \$100 million of general liability coverage in the Scandinavian market. This coverage is subject to a \$200 million deductible.

London market insurers wrote \$200 million of general liability coverage excess of \$700 million (BI, July 26, 1989; April 3, 1989).

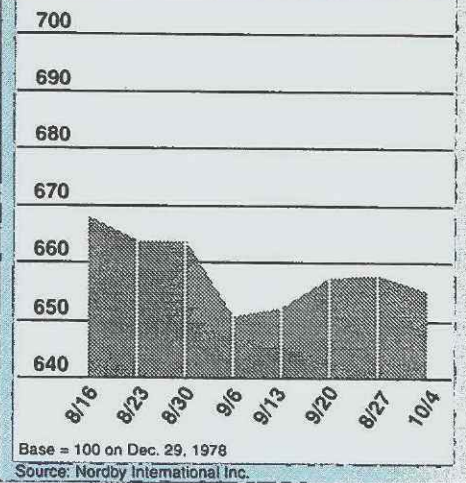
Exxon took a \$1.35 billion after-tax charge in 1989 for costs related to the oil spill cleanup.

The Valdez, valued at \$137.5 million, probably was not insured because its value did not exceed Exxon's massive aggregate deductible program in the London market, sources say (BI, Oct. 1, 1990).

Exxon took a \$30 million loss in the first quarter of 1989 to account for the cost of salvaging and repairing the Exxon Valdez and the value of the oil lost in the spill (BI, Jan. 29, 1990).

Syndicates at Lloyd's of London and others in the London market paid \$388 million in reinsurance payments to the P&I club in July 1990. The London market reinsured the P&I club excess of \$12 million (BI, July 2, 1990).

## BI Insurance Index



Insurance industry stocks dipped slightly last week as the Business Insurance Index fell 2.0 points to 655.7 on Oct. 4, from 657.7 on Sept. 27. Advancing insurance issues for the week were led by Kemper Corp., up 9.0%; USF&G Corp., up 8.9%; and AVEMCO Corp., up 6.0%. Declining insurance issues for the week followed Mutual Risk Management Ltd., down 11.2%; American Indemnity/Financial, down 10.3%; and U.S. Healthcare, down 7.8%. The most active insurance issue for the period was U.S. Healthcare, with 3.8 million shares traded. The BI Index was down 0.3%; the Standard & Poor's 500 dropped 1.2%; the Dow Jones 30 Industrials were down 1.5%; and the New York Stock Exchange Composite fell 0.9%.

## British Issues

Oct 3 Companies	Price pence	P/E	Div. pence	Yield %	1 Week	
					High	Low
Comm Union	500	N/M	30.7	6.1	506	500
Genl Accident	551	N/M	35.7	6.5	551	541
Gdn Royal Exch	181	N/M	15.9	8.8	182	180
Royal	364	N/M	34.7	9.5	365	363
Sun Alliance	352	N/M	18.7	5.4	352	340
<b>Brokers</b>						
Bradstock	173	19.7	6.0	3.5	173	166
CE Heath	508	17.7	34.5	6.8	515	508
Hogg Group	229	13.6	10.7	4.7	230	225
Lloyd Thompson	431	21.7	12.0	2.8	431	427
Lowndes Lmbt	343	17.5	15.3	4.5	345	340
PWS Holdings	86	10.6	4.7	5.5	86	83
Sedgwick Grp	268	25.4	16.0	6.0	268	253
Steel Brl Jones	334	17.5	16.3	4.9	334	333
Willis Corroon	307	16.2	17.6	5.7	310	304

Source: Philip Olsen, Insurance Industry Analyst, London

# BI Industry Stock Report

SEPTEMBER 30, 1991 THROUGH OCTOBER 4, 1991

BROKERS	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value	Price	Weekly % change	Year to Date % change	Annual		Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
				High	Low										High	Low						
Alexander & Alexander	NYS	20.00	-1.84	-13.51	27.63	16.13	312	1.00	5.00	16	9.77	2.05	22.88	-11.17	-	26.75	17.00	77	0.00	0.00	23	-
Gallagher Arthur J. & Co.	NYS	19.50	0.00	-16.13	28.38	19.00	18	0.64	3.28	16	5.88	3.32	22.13	-6.84	-32.95	28.34	17.66	356	0.16	0.72	12	18.90
Frank B. Hall	NYS	3.75	-6.25	3.45	4.38	2.00	74	0.00	0.00	-8	-5.24	-0.72	32.50	-1.52	48.85	35.00	16.50	90	0.00	0.00	19	13.52
Hib, Rogal & Hamilton	OTC	13.75	-3.51	-6.78	17.50	11.25	53	0.36	2.62	21	3.56	3.86	3.50	-3.45	16.67	4.38	2.50	1	0.00	0.00	5	7.76
Marsh & McLennan	NYS	77.25	1.48	-0.96	87.25	61.25	399	2.60	3.37	19	14.77	5.23	28.25	0.00	67.41	32.88	11.75	516	1.40	4.96	7	42.73
Poe & Associates	OTC	12.00	2.13	87.50	12.50	6.25	15	0.32	2.67	14	2.29	5.24	45.00	1.41	9.76	50.25	26.75	208	2.48	5.51	9	36.38
<b>BROKERS AVERAGE</b>																						
-1.1																						
7.7																						
<b>CONGLOMERATES &amp; HOLDING COMPANIES</b>																						
Berkley W.R. Corp.	OTC	24.38	0.52	-35.00	32.25	20.75	727	0.32	1.31	14	23.89	1.02	22.88	-11.17	-	26.75	17.00	77	0.00	0.00	23	-
Berkshire Hathaway Inc.	NYS	8560.00	-3.28	28.24	8560.00	171.88	0	0.00	0.00	-31	4612.00	1.86	22.13	-6.84	-32.95	28.34	17.66	356	0.16	0.72	12	18.90
ITT (Hartford Group)	NYS	55.50	0.45	15.83	63.00	40.25	1426	1.72	3.10	8	64.01	0.87	32.50	-1.52	48.85	35.00	16.50	90	0.00	0.00	19	13.52
Sears (Allstate)	NYS	37.00	-3.58	45.81	43.50	22.00	1496	2.00	5.41	13	37.38	0.99	3.50	-3.45	16.67	4.38	2.50	1	0.00	0.00	5	7.76
<b>CONGLOMERATES AVERAGE</b>																						
-1.5																						
13.7																						
<b>INSURERS/REINSURERS</b>																						
Aetna Life & Casualty	NYS	34.50	3.37	-11.54	49.13	29.00	2016	2.76	8.00	7	64.23	0.54	22.88	-11.17	-	26.75	17.00	77	0.00	0.00	23	-
American General	NYS	40.63	1.88	32.11	41.13	23.50	853	2.00	4.92	10	37.14	1.09	22.13	-6.84	-32.95	28.34	17.66	356	0.16	0.72	12	18.90
American Heritage	NYS	29.63	0.85	41.07	32.25	19.63	2	1.08	3.65	13	19.25	1.54	32.50	-1.52	48.85	35.00	16.50	90	0.00	0.00	19	13.52
American Indemnity/Fin'l	OTC	6.50	-10.34	100.00	7.75	2.75	7	0.08	1.23	3	12.93	0.50	3.50	-3.45	16.67	4.38	2.50	1	0.00	0.00	5	7.76
American International	NYS	80.88	-2.41	5.20	102.00	58.50	1200	0.48	0.59	11	45.34	1.78	28.25	0.00	67.41	32.88	11.75	516	1.40	4.96	7	42.73
Aon Corp.	NYS	36.88	0.34	6.12	41.75	26.75	284	1.60	4.34	10	18.50	1.99	45.00	1.41	9.76	50.25	26.75	208	2.48	5.51	9	36.38
Argonaut Group	OTC	23.00	1.10	7.81	33.38	17.75	147	0.68	2.96	7	48.26	0.48	30.75	0.41	34.43	31.88	17.38	335	0.72	2.34	7	33.09
AVEMCO Corp.	NYS	26.50	6.00	57.43	26.50	14.13	28	0.40	1.51	20	9.55	2.77	31.88	2.00	82.14	31.88	13.00	168	0.92	2.89	10	20.42
Baldwin & Lyons Inc.	OTC	24.00	4.35	28.00	25.25	17.00	57	0.28	1.17	8	24.29	0.99	9.50	0.00	22.58	10.25	5.00	44	0.20	2.11	11	13.30
Belvedere Corp.	ASE	3.13	0.00	25.00	3.28	1.75	5	0.04	1.28	21	7.65	0.41	22.00	0.00	47.90	22.50	11.50	100	0.84	3.82	9	16.29
Chandler Insurance	OTC	2.63	-6.68	-61.82	7.25	2.13	65	0.00	0.00	-2	5.95	0.44	20.50	3.80	17.14	24.50	12.00	175	1.00	4.88	6	25.88
Chubb Corp.	NYS	62.13	0.61	14.52	75.25	34.63	1414	1.48	2.38	10	35.19	1.77	14.63	1.74	13.59	18.63	11.75	42	0.20	1.37	10	15.05
CIGNA Corp.	NYS	44.50	-0.56	8.87	56.75	33.25	380	3.04	6.83	11	73.15	1.61	4.88	-2.50	5.41	7.50	4.25	35	0.32	6.56	-8	1.32
CNA Financial Corp.	NYS	84.75	-0.44	23.50	92.50	49.50	70	0.00	0.00	12	70.23	1.21	14.75	-0.84	1.72	16.38	9.75	13	0.48	3.25	7	14.41
Continental Corp.	NYS	24.25	-3.00	-2.51	30.63	15.75	901	2.60	10.72	8	37.83	0.64	14.75	-0.84	1.72	16.38	9.75	13	0.48	3.25	7	14.41
Durham Corp.	OTC	31.13	2.89	11.16	34.25	23.00	18	1.00	3.21	17	28.04	1.11	14.75	-0.84	1.72	16.38	9.75	13	0.48	3.25	7	14.41
Fund American Corp.	NYS	65.25	-0.19	25.78	65.88	42.63	93	0.68	1.04	19	36.11	1.81	14.75	-0.84	1.72	16.38	9.75	13	0.48	3.25	7	14.41
Fremont General Corp.	OTC	23.25	-5.10	60.34	25.25	10.13	164	0.88	3.78	7	19.13	1.22	14.75	-0.84								

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