

# Business Insurance

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## Hartford offering stock to offset attack losses

HARTFORD, Conn.—The Hartford Financial Services Group Inc. will seek to raise \$450 million in the capital markets to replace the estimated \$450 million reduction in shareholder equity it experienced as a result of the World Trade Center catastrophe.

The move comes in response to Standard & Poor's Corp.'s decision to place the com-

See **Updates** on next page

## Court may revisit *Pegram*

# Interpretations muddy waters on HMO ruling

By JUDY GREENWALD

A 2000 U.S. Supreme Court decision that was first hailed as a victory for managed care firms is now being viewed in a much more ambiguous

compensatory awards, including punitive damages, while ERISA bars such awards.

The *Pegram* case involved Cynthia Herdrich, who sought treatment for abdomi-



light.

More than a year after the high court's unanimous decision in *Pegram vs. Herdrich*, the case is being cited to support conflicting rulings by federal and state courts on whether health maintenance organizations can be sued under state malpractice laws.

Some observers believe the Supreme Court will ultimately have to issue a clarifying decision, particularly because any imminent congressional action is now considered unlikely. The issue is of concern to employers, which ultimately pay higher rates as a result of suits brought against HMOs.

The crux of the controversy is the pre-emption of state lawsuits by the Employee Retirement Income Security Act. HMOs prefer that disputes be heard in federal courts because state laws permit plaintiffs to see non-

nal pains and was told by the physician at her HMO she would have to wait eight days before she could be tested at a facility owned by the HMO. Ms. Herdrich's appendix burst before the tests could be run.

Among other charges, Ms. Herdrich claimed in her subsequent suit that the HMO had breached its fiduciary duty because the doctors owned the HMO and had acted in their own interests rather than those of the plan participants.

In the court's June 2000 decision, Associate Justice David Souter wrote for the unanimous court that Congress did not intend HMOs to be treated as fiduciaries under such circumstances. No HMO "could survive without some incentive connecting physician reward with treatment rationing."

See **Pegram** on page 51

# Business interruption claim picture cloudy

By JOANNE WOJCIK

As risk managers and their property insurers sort through the array of claims arising from the Sept. 11 terrorist attacks, business interruption coverage remains an unpredictable element.

Although policyholders with physical property damage will likely be reimbursed for income lost from the attacks, current economic conditions could make negotiations about the size of those reimbursements contentious, some coverage experts say.

And businesses in New York and Washington that suffered income losses because authorities prohibited access to their facilities may be able to collect if they purchased the civil authority coverage endorsement that can be added to most business income policies.

It remains to be seen, though, whether businesses outside of the affected areas that suffered income losses because of government-ordered airport and border closures can collect from



PHOTO: AP/BOUDICON ONE

Damage from the Sept. 11 terrorist attacks has resulted in massive business interruption losses, but the issue of insurance coverage remains unsettled.

insurers.

"There is very little legal precedent regarding the application of some of the more exotic coverages that could apply here, such as interruption by civil authority, ingress/egress, service interruption and contingent business interruption,"

said John Dempsey, managing partner of Myers & Co. L.L.P., an accounting firm in Wilton, Conn., that specializes in the preparation of business interruption claims.

The civil authority endorsement pays for income lost when

See **Interrupted** on page 49

# Insurers outline pool ideas

## Proposals all stress need but differ on details

By MARK A. HOFMANN

NEW YORK—Government officials can pick from an array of insurance industry proposals for a federally backed terrorism reinsurance pool if and when they decide to tackle the issue.

By the end of last week, property/casualty trade groups had drafted four proposals for such a facility. Despite differences in the details—and the industry's record of division on such issues as Superfund liability reform—industry leaders predict that this time, insurers eventually will speak with one voice.

Industry executives broached

the idea before the House Financial Services Committee late last month after having met with Bush administration officials (*BI*, Oct. 1). No legislation that would make the federal government the reinsurer of last resort for terrorist claims has been introduced in either chamber yet.

All four proposals emphasize the role of the private market and voluntary participation in any pool, and most of the proposals contain a sunset provision under which the pool would end once private reinsurance for terrorism became available or the threat of terrorism

had greatly diminished. All four plans have the federal government stepping in as the reinsurer of last resort. But they differ elsewhere.

The American Insurance Assn.'s plan, for example, calls for a federal program to underwrite war risks, while the National Assn. of Independent Insurers wants federal reinsurance backing for certain natural catastrophes. Both the AIA and the Reinsurance Assn. of America call for the pools to operate as federally regulated mutual insurers, while the Alliance of American Insurers wants a sim-

See **Pool** on page 50

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● **Recent regulatory changes in regard to the Medicare+Choice program are welcome, but Congress should step in to overhaul a federal benefit with wide potential appeal, this week's editorial says.** PAGE 8



● **High-profile event cancellations after Sept. 11—such as the postponement of the Ryder Cup golf tournament—are giving rise to insurance claims, and event organizers are finding it increasingly difficult to insure events in the London market.** PAGE 45

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### Delivery problems, address changes

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# UPDATES

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pany's rating on CreditWatch with negative implications following the Sept. 11 disaster. S&P said its concerns were based on the level of Hartford's capital. In 2000, Hartford had \$7.46 billion in shareholder equity. "These funds are being raised solely to maintain our strong capital protection levels, as reflected in our AA financial strength ratings," Hartford Chief Financial Officer David Johnson said in a statement. A Hartford spokeswoman said the additional capital would also be used to grow the company's business amid the current hardening insurance market.

► **ASBESTOS CLAIMS FORCE BANKRUPTCY** Mounting asbestos liabilities have forced auto parts maker Federal-Mogul Corp. to file for voluntary bankruptcy protection. Last week's Chapter 11 filing was part of a restructuring plan that will allow Federal-Mogul to continue payments to asbestos claimants while maintaining its business operations, the company said in a written statement. "Today's action provides a means for effectively separating our company's acquired asbestos liabilities from our true operating potential, thus paving the way for Federal-Mogul to emerge from the reorganization process as a stronger, more competitive enterprise," Frank Macher, chief executive officer of the Southfield, Mich.-based company, said in the statement.



PHOTO: AFP

**Rescue workers unload debris recovered from the crashed Sibir Airlines jet.**

► **RUSSIAN AIR CRASH** The crash of a Sibir Airlines jet into the Black Sea last week, killing all 78 passengers and crew, is not expected to be a significant loss for the commercial aviation insurance market, according to market sources. A Russian insurer led the airline's coverage, and American International Group Inc. led the program's reinsurance placement. Willis Group Holdings Ltd. in London placed the coverage. Coverage details were sketchy, but market sources say the airline purchases much lower liability limits than Western airlines do. Western airlines typically purchase between \$1.5 billion and \$2 billion of limits. The value of the Tupolev TU-154's hull was \$233,000, a source said. The plane was en route from Israel to Siberia when it plunged into the Black Sea. Authorities are investigating possible causes of the crash, including terrorism and an errant Ukrainian military missile. The airline likely would not be covered under either scenario, sources said.

► **COBRA PAYMENTS** States would pay up to 75% of COBRA health care continuation premiums for laid-off workers under a "back to work relief" package unveiled last week by the Bush administration. Under the package, states would be eligible for a total of \$3 billion in emergency federal grants by certifying that the terrorist attacks of Sept. 11 contributed to a major plant closure, mass layoff or multiple layoffs.

Grants could be used by the states to pay up to 75% of COBRA health care premiums for up to 10 months for laid-off workers. The grants would be available for 18 months. The federal subsidies would be a boon to laid-off workers, who now have to pay the full cost of COBRA premiums, which, for family coverage, can easily exceed \$600 per month. Employers can charge eligible beneficiaries premiums equal to 102% of the group rate for active employees. Because of the high cost of COBRA premiums, only about 20% of eligible beneficiaries actually opt for coverage. COBRA—short for the Consolidated Omnibus Budget Reconciliation Act of 1985—allows workers who lose their group health care coverage because they quit or are let go from their jobs to continue coverage for 18 months.

► **LATEX AWARD** A jury in Philadelphia has awarded a dental hygienist \$842,000 for her allergic reaction to latex gloves. Late last month, all eight jurors in the state court case agreed that the glove maker, Safeskin Corp., should pay Kathy Falcone for its failure to properly warn her of the potential impact of its gloves on latex allergy sufferers. The total award is \$1.2 million after prejudgment interest is added, said Howell Rosenberg, a partner at Philadelphia law firm Brooxman, Rosenberg, Brown & Sancler, who represents Ms. Falcone. Ms. Falcone was diagnosed with a latex allergy in 1994. Upon her doctor's advice, she switched to gloves made by San Diego-based Safeskin that were marketed as being hypoallergenic. In fact, the gloves still contained latex proteins that aggravated Ms. Falcone's allergy and made her ill, according to court papers. She brought suit in 1996 against a variety of defendants, including several glove makers. All defendants but Safeskin were either dismissed from the case or settled prior to trial. Safeskin is owned by Kimberly-Clark Corp. in Dallas.



► **HEARTBURN DRUG AWARD** Johnson & Johnson is seeking to overturn a \$100 million jury award to plaintiffs who claim they were injured by the company's heartburn drug Propulsid. The state court jury in Port Gibson, Miss., late last month awarded the compensatory damages to 10 plaintiffs who allege they suffered heart problems and other ailments after taking Propulsid before the drug was recalled last year. The case was the first related to Propulsid to go to trial. A spokesman for New Brunswick, N.J.-based Johnson & Johnson said approximately 200 other cases have been filed. Judge Lamar Pickard, who presided in the trial, decided that punitive damages were not warranted. Johnson & Johnson will appeal if Judge Pickard refuses to overturn the compensatory award, the spokesman said. The company would not comment on insurance coverage that might be available to pay a potential award.

► **DISCRIMINATION CASE IN COURT** The Supreme Court has agreed to hear the appeal of a former reinsurance company executive who claims that he suffered job discrimination because of his age and national origin. At issue in *Akos Swierkiewicz vs. Sorema N.A.* is whether Akos Swierkiewicz, a former senior vp and chief underwriting officer at the U.S. unit of Paris-based Sorema S.A., provided sufficient evidence of discrimination to pursue a claim. Mr. Swierkiewicz, a U.S. citizen born in Hungary, claimed that his rights under both Title VII of

the Civil Rights Act of 1964 and the Age Discrimination in Employment Act were violated when his employer transferred most of his underwriting duties to a younger French national in 1995. According to a March 12, 2001, summary order issued by a three-judge panel of the 2nd U.S. Circuit Court of Appeals in New York, Mr. Swierkiewicz said he was isolated and excluded from decisions and meetings and "denied the opportunity to reach his true potential" at Sorema from 1995-97. Mr. Swierkiewicz outlined his grievances in a 1997 memo and requested a "suitable severance package." The company responded that he could either quit without a package or be fired. When Mr. Swierkiewicz refused to resign, Sorema fired him. The trial court ruled in favor of Sorema, which has since been taken over by SCOR S.A., holding that there was insufficient evidence to prove employment discrimination, and the ruling was upheld on appeal. Mr. Swierkiewicz appealed to the Supreme Court, arguing that the lower courts were holding him to too high a requirement for pleading his case. No date has been set for arguments.

► **BRIEFLY NOTED** Property/casualty insurance rates increased by 11%-13% in September, according to a survey by MarketScout, an Internet-based distribution channel for insurers and agents. The increase in rates does not yet reflect the impact of losses from the Sept. 11 terrorist attacks, according to Richard Kerr, chairman and chief executive officer of MarketScout. Mr. Kerr said MarketScout expects to see the full impact in early 2002, after the Jan. 1 reinsurance treaty renewals.... The Pension Benefit Guaranty Corp. will waive penalties through Feb. 12, 2002, for pension termination insurance premiums with due dates between Sept. 11, 2001, and Feb. 12, 2002, if the plan administrator is located in areas affected by the Sept. 11 terrorist attacks or if the administrator cannot obtain needed information from other firms whose operations were affected. The details of the PBGC's relief will be published in the Oct. 11 Federal Register.... Workers over 65 years of age have the highest fatality rate of all age groups, according to a report issued this week by the National Institute for Occupational Safety and Health. The report also said that the annual number of fatal job injuries among all workers decreased by about 28% between 1980 and 1995.... Aetna Inc. has named Alan M. Bennett as senior vp and chief financial officer in Hartford, Conn. Mr. Bennett, who joined the insurer in 1995, had served as interim CFO since April.... John J. Byrne, chairman of White Mountains Insurance Group and OneBeacon Insurance Group, has been named **Insurance Leader of the Year** by the School of Risk Management, Insurance & Actuarial Science at St. John's University, which was formerly known as The College of Insurance. Mr. Byrne has held several senior positions in the insurance industry and was widely recognized for leading the turnaround of personal lines insurer GEICO Corp. He will be honored at a dinner in New York in January 2002.... In response to last month's terrorist attacks, the Risk & Insurance Management Society Inc. is adding several sessions on terrorism, disaster recovery and business interruption to its 2002 annual conference, to be held April 14-18 in New Orleans. Additional information is available at [www.rims.org](http://www.rims.org).... The New York Insurance Department has created an antifraud task force to look into allegations of insurance fraud stemming from the Sept. 11 terrorist attack on the World Trade Center. Under the plan, a special investigator from the department will examine insurers' reports of suspected fraud. Insurers have not yet reported any fraud. [B]

### Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News

As a public service to its readers, *Business Insurance* is making selected articles from its coverage of the aftermath of the Sept. 11 terrorist attacks available at no charge online.

To view this coverage and related information, log on to:  
[www.businessinsurance.com/editorial/cyberbeat.php3](http://www.businessinsurance.com/editorial/cyberbeat.php3)

► To get breaking news as it occurs, visit *Business Insurance's* free online Updates, at [www.businessinsurance.com](http://www.businessinsurance.com). All of the material in the Updates column, as well as other content in this week's issue, is generated from daily news postings that appeared on the Web site in the previous week.

# Road ends for Reliance

## WTC disruption speeds insurer's entry into liquidation

By DOUGLAS McLEOD

HARRISBURG, Pa.—The widening impact of the terrorist attack on the World Trade Center now includes hastening the slide of Reliance Insurance Co. into liquidation.

The Pennsylvania Insurance Department last week gave up on its four-month effort to rehabilitate Reliance, placing the insurer in liquidation after concluding that it was insolvent by \$1.05 billion as of last March 31 and will run out of cash to pay claims before the end of this year.

Among the factors triggering the liquidation, Pennsylvania regulators cited a further slowdown in reinsurance collections,

the insurer's main source of cash, since the Sept. 11 catastrophe. Reliance brokers Aon Corp. and Marsh & McLennan Cos. Inc. had offices in the Trade Center towers.

"The company has experienced a liquidity problem by a slowdown in payments due from its reinsurers," Pennsylvania Insurance Commissioner Diane Koken said in a statement. "This was exacerbated by recent events at the World Trade Center that have made collections more difficult."

"Reinsurance collections since Sept. 11 have slowed up substantially," agreed Dale Stephenson, president of the Indianapolis-based National Conference of Insurance Guaranty

Funds. Mr. Stephenson said he had expected Reliance to be liquidated eventually but was surprised by the speed with which the liquidation followed the terrorist attack.

The liquidation order triggers coverage of Reliance claims by state guaranty funds, which Mr. Stephenson said will be easily able to handle the losses. Reliance will pay roughly \$2 billion in claims in 2001 and "substantially less" next year, the NCIGF estimated. While saying that he has not yet projected the guaranty funds' exposure to the ongoing claims, Mr. Stephenson noted the funds collectively can assess insurers up to \$4 billion a year.

See Reliance on page 50

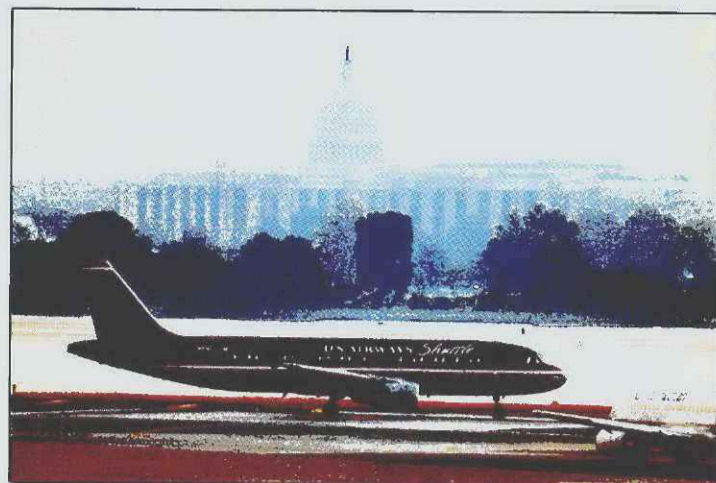


PHOTO: AP/WIDE WORLD

Airlines and airports, some of which have recently renewed their coverage, are seeing severe rate increases following the terrorist attacks.

# Airlines, airports starting to see sharp rate hikes

By DAVE LENCKUS

Commercial airlines are beginning to feel the hull and liability insurance cost repercussions from the Sept. 11 terrorist attacks, while U.S. airports continue to operate without terrorism liability coverage as brokers work on pulling together a new market for that risk.

Based on the Oct. 1 renewals of a few major U.S. airlines, carriers that renew their hull and liability insurance through year end can expect rate or premium hikes of up to 500%, according to commercial aviation insurance market sources. That estimate includes the new surcharge for primary limits for terrorism liability coverage but not the cost of excess terrorism coverage.

How much of the insurance cost increase that airlines will have to shoulder this year is unclear, however. Under the airline rescue law that President Bush signed on Sept. 22, the U.S. secretary of transportation is authorized to reimburse U.S.

airlines for the additional cost of their coverage through Oct. 1, 2002.

But airlines can expect a hard insurance market over the next couple of years at least, market sources said.

Meanwhile, airports—which did not receive any of the insurance cost or liability relief that air carriers won under the airline rescue law—last week were balking at the cost increases they face for replacement primary limits for terrorism liability coverage. That may delay the development of a new excess market for that risk by at least a week and maybe as long as three weeks, market sources said.

Trade group Airports Council International-North America in Washington also has been lobbying Congress for airport assistance similar to that which the federal government has agreed to provide airlines. But those efforts have been getting "no traction" on Capitol Hill, an ACI spokesman said.

Before the Sept. 11 terrorist See Aviation on page 50

# Tropical Storm Allison cut swath of commercial losses

By MICHAEL BRADFORD

Commercial property owners are hoping they never see another Tropical Storm Allison.

As claims have mounted since the June 2001 storm drenched Houston then moved along the Gulf Coast and northward, it has become apparent that commercial property took a bigger hit than usual from storm-related flooding. While there were far fewer commercial claims than other expensive storms have generated, the severity of the claims from Allison were much greater.

The Property Claims Services unit of the Insurance Services Office Inc. estimates that insured losses from Allison will total \$2.5 billion. Of that, 15,000 commercial property claims from six states are expected to amount to \$1.8 billion. The storm generated 202,000 claims on homeowners and automobile policies.

In comparison, Hurricane Floyd, which swept through Florida, the Carolinas and the Northeast with heavy flooding in 1999, generated 75,000 commercial claims—60,000 more than Allison. But those claims added up to \$1.2 billion, \$600 million less than Allison's commercial property toll. In 1998, Hurricane Georges pounded the Caribbean, parts of Florida and the southeastern United States. Commercial property damage reached \$1.9 billion, but it took 70,000 more claims than the number generated by Allison to reach that amount.

The severity of commercial property damage in Houston from Tropical Storm Allison was "very



PHOTO: AP/WIDE WORLD

Texas Gov. Rick Perry surveys severe flooding in Houston caused by Tropical Storm Allison.

unusual," said John Hinz, general manager in the Houston office of GAB Robins N.A. Inc. Tropical storms that hit the area in recent years have not produced nearly the same losses as Allison, he said, mainly because they moved more quickly. "Most tropical weather moves through in 24-36 hours."

Allison, however, stuck around for four days to drench the Houston area with more than 35 inches See Allison on page 47

Attacks' effects spill over into market

# Surge in marine rates forecast

By EDWIN UNSWORTH

GENOA, Italy—Marine insurers meeting last month in Italy said that it was too soon to determine their exposure to the Sept. 11 terrorist attacks in the United States but that they expect the tragedy will change their market forever.

At the annual conference of the International Union of Marine Insurance in Genoa, Italy, IUMI President Richard DeSimone, speaking via video from New York, told delegates: "The impact to the insurance industry will be of a magnitude that we

have not seen before and will alter the very way we do business."

This blow comes at a time when the marine market is already dealing with an increasing demand for marine insurance products and services as a result of continuing "globalization and the rapid growth in world trade," said Mr. DeSimone, who is also the New York-based president of global marine for The St. Paul Fire & Marine Insurance Co.

These changes in the market, combined with an expected contraction in reinsurance capacity following the terrorist attacks, will al-

See Marine on page 41



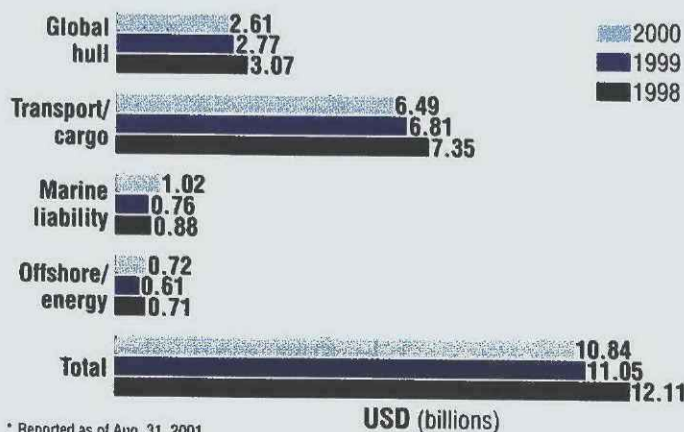
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Cargo rates remain low page 43

# Marine insurance premiums

Global premiums reported by members of the International Union of Marine Insurance\*



\* Reported as of Aug. 31, 2001  
Source: Central Union of Marine Underwriters

GRAPHIC BY ADAM DOI

# Rule change beneficial to Medicare HMOs

By JERRY GEISEL

WASHINGTON—Federal regulators are giving Medicare health maintenance organizations the green light to customize health plans for individual employers.

Responding to requests from the managed care industry, the Centers for Medicare & Medicaid Services have eliminated longstanding rules that made it difficult, if not impossible, for Medicare HMOs to design customized plans for employers.

Previously, a Medicare HMO—now known as a Medicare + Choice plan—could, in general, offer a benefit design to an employer only if it also offered that same design to

all Medicare-eligible individuals in that same service area for purchase on a personal-lines basis.

If, for example, a Medicare HMO were to contract with 50 employers in a service area to offer coverage to their Medicare-eligible retirees and each employer were to choose a somewhat different design, the HMO would have to offer all 50 designs to each retiree considering the purchase of coverage on an individual basis in that same service area.

“If you offer a lot of plans with low enrollment, that is not very efficient,” said Mark White, a consultant with Watson Wyatt Worldwide in Washington.

But under new waivers recently

approved by the CMS—formerly known as the Health Care Financing Administration—Medicare HMOs are free to offer employer-specific designs.

Consequently, a Medicare HMO could offer an employer a customized plan—for example, one with unlimited prescription coverage and a \$10 copayment—but need offer only its standard plan—such as one with a \$500 prescription benefit and a \$5 copayment—to retirees in the personal-lines market in that service area.

“This is a significant change. An HMO can design an employer-specific plan,” said Kathleen Mahieu, a consultant in the Rowayton,

Conn., office of Hewitt Associates L.L.C.

In addition, a Medicare HMO will be allowed to offer a plan to an employer with retirees in any part of a state provided that it offers personal-lines coverage to retirees in at least one county in that state.

Previously, the service areas for group and individual plans had to be the same. That requirement caused problems for HMOs, because there may have been service areas in a state for which they did not want to offer plans to individual retirees due to the low payment rates provided by the government in those areas. Payment rates are set on a county-by-county basis.

Now, though, the existence of low-payment counties in a state might not deter an HMO from offering its plan to an employer if large numbers of that employer's retirees were concentrated in counties with high payment rates and relatively few were located in low-payment counties.

These changes, officially known as waivers, were made in August, but federal regulators have only now begun to publicize them. The waivers are permitted under a federal law enacted late last year that gives regulators the authority to modify or eliminate requirements that hinder the design or offering of Medicare + Choice plans to employers.

HMOs welcomed the changes, saying the waivers give them more freedom to design plans to meet specific employer needs.

“There has been a lot of interest by employers and by plans to have more flexibility in the offering of benefits,” said Candace Schaller, vp-regulatory affairs for the American Assn. of Health Plans, a managed care trade group in Washington.

*‘Employers have very specific ideas of what they want a plan to offer and what they don’t.’*

— Jonathan Nemeth  
Aon Consulting

“Employers have very specific ideas of what they want a plan to offer and what they don’t,” said Jonathan Nemeth, a senior vp with Aon Consulting in Somerset, N.J.

The waivers come at a time when the Medicare + Choice program has been in decline. Enrollment has fallen since 1999 by about 700,000, to 5.6 million. HMOs have pulled out of dozens of counties around the country due to what they say are inadequate payment rates.

Under the Medicare + Choice program, HMOs agree to provide at least the basic Medicare benefit package for a fixed government payment for each retiree who enrolls, choosing to opt out of the traditional Medicare program. Typically, the plans offer much richer benefits than does Medicare in order to attract retirees.

The appeal of the plans to employers is cost savings. It may be less expensive for employers to pay the premiums charged by the Medicare HMOs than to provide retirees with coverage under their own plans to supplement Medicare.

But the Medicare + Choice program continues to be hampered by the pullout of HMOs. Indeed, benefits experts say, the waivers provided by CMS ultimately will have to be accompanied by greater government funding in order to have a significant impact.

“This is very welcome, but—in the absence of better funding—it is not as big a deal as it could be,” said Kevin McCarthy, a senior consultant with Towers Perrin in Pittsburgh.

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# Feds explore artificial butter, lung disease link

ATLANTA—The National Institute for Occupational Safety and Health is investigating whether there is a link between vapors from artificial butter flavoring and a severe lung disease suffered by workers in the microwave popcorn processing industry.

NIOSH, a unit of the Atlanta-based Centers for Disease Control and Prevention, last year began investigating the potential link when several young employees at a Missouri processing plant developed the disabling disease known as bronchiolitis obliterans, according to the federal agency.

Now NIOSH wants to know whether workers at other plants that produce microwave popcorn have suffered similar injuries.

The disease is well known to transplant surgeons, because the long-term complication sometimes develops in the recipients of lung and bone marrow transplants, according to NIOSH. But it is rare to find

the disease in a cluster of workers.

Meanwhile, the law firm Humphrey, Farrington, McClain & Edgar P.C. of Independence, Mo., has filed a lawsuit against New York-based International Flavors & Fragrance Inc. IFF manufactures the artificial butter flavoring. The lawsuit, filed on behalf of

workers at a Glister-Mary Lee Corp. popcorn plant in Jasper, Mo., claims the flavoring contains a chemical that made the workers ill. The suit, filed in state court in Joplin, Mo., seeks medical costs and damages.

Glister-Mary Lee is not named in the lawsuit, but employees at its Missouri plant have filed workers compensation claims related to inhaling the vapors, said Kenneth B. McClain, a partner at Humphrey, Farrington.

Representatives for IFF and Glister-Mary Lee could not be reached.

—By Roberto Cenicerros



# Raytheon to offer health care accounts

LEXINGTON, Mass.—Defense contractor Raytheon Co. has become one of a handful of employers to offer a consumer-driven health benefits program to its employees.

Starting in January 2002, Lexington, Mass.-based Raytheon will offer its approximately 26,000 employees in Texas and Arizona a so-called defined contribution-style health benefits plan.

The program, which will be managed by Minneapolis-based Definity Health, is designed to give employees greater freedom to choose the doctors and types of care they want. Employees also will receive information on wellness, prevention and treatment, as well as data on pricing and the quality of local health care services.

Under the plan, employees choose their health care services and pay for them out of individual Personal Care Accounts, which are funded by employers at a set amount each year. Funds remaining in the account at the end of the year are rolled over for use in subsequent years. If an employee's annual health care costs exceed the funds in the Personal Care Account, alternative health coverage is provided once a deductible is met.

The size of the accounts for the Raytheon employees who choose the Definity Health option will vary depending on regional health care costs, in order to keep per-employee costs consistent across the company, a Raytheon spokeswoman said.

Raytheon will continue to offer employees its other health plan options, including a point-of-service plan and a health maintenance organization. In addition, starting next year Raytheon will offer a preferred provider organization option, the spokeswoman said.

Other employers using the Definity Health plan include Aon Corp. of Chicago; Ridgeview Medical Center of Wackonia, Minn.; and the University of Minnesota.

—By Joanne Wojcik

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## ERRORS & OMISSIONS

• The information in an Oct. 1 chart, "Equity Takes a Hit," illustrates the relative size of the losses from the Sept. 11 terrorist attacks for the companies affected and was not intended to suggest actual reductions of shareholders' equity.

• A Sept. 24 story on life insurers' Sept. 11 losses misstated two insurers' estimated losses as a percentage of assets. MetLife Inc.'s estimated \$250 million to \$300 million in losses equal about 0.1% of its \$255 billion in assets, while Hartford Life's \$30 million in estimated losses are equal to about 0.0167% of its roughly \$180 billion in assets.



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## OPINIONS

# Medicare option worth saving

IF THERE EVER WAS a federal initiative in need of a congressional overhaul, it is Medicare+Choice.

Just a few years ago, this program in which health maintenance organizations contract to deliver Medicare coverage was viewed as a winning proposition for the government, managed care plans, retirees and, in many cases, employers. But today virtually none of these stakeholders is satisfied with the programs. Federal lawmakers need to step in and fix the problems that led to this sorry situation, because a benefit with such wide appeal is worth saving.

The mechanics of Medicare+Choice are simple: Health plans, in exchange for a fixed payment from the government, agree to provide at least the level of benefits offered by the traditional fee-for-service Medicare program. These payments are supposed to be slightly less than what the federal government estimates it would cost Medicare to provide the coverage, resulting in cost savings for the government.

Because the payments are based on Medicare's costs, managed care plans often have been able to

trim expenses, provide retirees with a much richer benefit package than Medicare offers and still earn a profit.

For employers, Medicare HMOs provided a way to reduce retiree health care costs. Many employers found that the cost of offering a Medicare HMO, even after paying premiums, was considerably less than what they were spending on retiree indemnity benefits that supplemented Medicare.

For retirees, the opportunity to receive a richer benefit package than traditional Medicare at little or no cost drove them en masse out of the traditional Medicare program and into Medicare HMOs. Between 1996 and 1999, Medicare HMO enrollment increased nearly 50% to 6.3 million.

Since 1999, though, the program's attractiveness has rapidly declined in several of its stakeholders' eyes. The government became much more tight-fisted about payments to Medicare HMOs, limiting their annual rate increases for several years to 2% and currently to 3%. That cap came just as HMOs' expenses began to soar due to rising prescription drug costs and higher provider fees.

Unable to earn the profit they had expected,



HMOs in droves have exited the Medicare+Choice program, leaving hundreds of thousands of enrollees scrambling for replacement coverage. In many cases, enrollees have been forced back into the traditional Medicare program because HMOs no longer offer Medicare coverage in their areas.

This decline is regrettable. Although there is no magic cure for high health care costs, HMOs still can deliver better benefits to retirees at a lower expense compared to Medicare, which is an old-fashioned traditional indemnity plan.

Clearly, Congress needs to take another look at Medicare+Choice payment rates and boost them where appropriate. In certain locations, for example, medical expenses are far outstripping the government's cap on reimbursement increases.

The alternative to fixing Medicare+Choice is a continuing exodus of HMOs from the program.

Until legislators take action, we applaud federal regulators for doing what they can to get rid of roadblocks in the way of Medicare HMOs offering plans directly to employers and their retirees. As we report this week, HMOs now can design custom plans for employers and can offer plans to employers in areas where they do not provide coverage to individual retirees. These are welcome changes and will mean even more if Congress takes action to breathe the new life into this pro-

## LETTERS

## Overcoming online E&S hurdles

To the editor: In regard to your Sept. 10 article, "Online E&S Services Generally Not Clicking," the principal reason real-time online quoting is not readily available in the excess and surplus lines market is that many of the initial participants in the effort acted merely as a referral mechanism to the insurers and failed to add value.

The focus should be to begin with the lines of coverage that most closely mirror standard lines. There are firms that specialize in rating, quoting, binding and issuing E&S placements. In order to achieve real-time connectivity, a front-end system must be created that would contain all of the underwriting elements necessary to connect with the back-end rating, quoting, binding and issuance software now available.

Most insurers have not been willing participants. CoverageConnect has been working with E&S brokers and other tech-

nology providers to create this front-end platform for the wholesale community. The easiest way to begin the task is to work with the larger wholesalers that are true managing general agencies for package, general liability and property lines business.

But these wholesalers must first understand the concept and see how the technology could save them money and allow them to place additional business. Wholesalers must become advocates of the technological possibilities, then lean on their respective insurer partners to make them a reality.

It can be done.

**Charles L. Ruoff Jr.**  
Executive Vp  
CoverageConnect  
New York

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## SPOTLIGHT

# 2001 BEST OF THE WEB

Spotlight on

## E-commerce

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Buyers discuss favorite  
Web destinations

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Spotlight Editor: Sally Roberts

## 2001 Best of the Web winners

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## BI's Best of the Web package:

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## Internet liability moving to stand-alone policies

### Insurers excluding risks from traditional policies

By JUDY GREENWALD

**R**isk managers who want coverage for their Internet-related risks will find an array of insurers willing to write stand-alone policies for such exposures.

And they may also find that the stand-alone coverage is their only recourse, as an increasing number of insurers exclude such risks from their traditional policies, and the Insurance Services Office Inc. moves to add limiting endorsements applicable to electronic data in commercial general liability and property policies.

hard market make the prospect of additional premiums particularly welcome.

But anxiety about potential liabilities, which has increased since the Sept. 11 terrorist attacks, is likely to make the coverage more appealing, say observers.

Several insurers offer a variety of policies as part of their Internet risk programs, and risk managers can put together a suitable program by assembling an insurer's policies on a modular basis. This may consist of buying a basic policy offering Internet Liability coverage and adding complementary policies that provide coverage in areas such as extortion, business interruption and crisis management.

"A customer can customize the product to his or her needs," said David O'Neill, vp of e-business solutions at Zurich North America in Baltimore, one of the markets for Internet risk insurance.

"You can, a little bit, pick and choose depending upon what your particular business is," said Kevin Kalinich, Chicago-based director of the Aon Technology & Telecom Group, a unit of Aon Corp.

New York-based American International Group Inc.'s netAdvantage Suite program, for instance, includes policies that offer coverage for Web content liability, professional errors and omissions, network security liability, cyber-extortion, first-party network security property loss, and first-party network security business interruption. The suite also includes a cyber-criminal reward fund program, which gives policyholders access to a fund to post a reward for information leading to a criminal's arrest and conviction.

See **Policies** on page 12

## Choosing online benefit system not free from risk

### Longevity of tech vendors a concern for buyers

By JOANNE WOJCIK

**I**t's easy to get tangled up in the web of online benefits enrollment system vendors, especially because many of those that are here today may be gone tomorrow.

Take San Diego-based xyber-NET, for example. *Business Insurance* profiled the use of xyber-NET's interactive HealthFare system by a California-based fast-food company in 1997 (*BI*, March 3, 1997).

But, like many promising dot-coms that later became dot-bombs, xyber-NET dropped out of the benefit enrollment system business. Now xyber-NET specializes in credit and warranty insurance administration and data-warehousing applications.

"Like others...they burned a little too much money. So they moved on," said Jonathan Felt, xyber-NET's former chief technical officer and product manager.

But HealthFare is still around, albeit under a different label.

Another San Diego firm, Hawthorne Benefit Technologies Inc., purchased HealthFare from xyber-NET in 1999 and reintroduced it as BeneTrac. Hawthorne also hired several xyber-NET employees, including Mr. Felt, who now serves as vp and general manager of Hawthorne.

Since many of today's innovative software programs designed for benefits enrollment and administration are being developed by Internet startups, it can be difficult for a buyers to know whether the vendor it selects will be around long enough to service the company's business, benefits experts say.

"Viability is going to be one of the issues," observed Michael Cornetto, senior consultant at Watson Wyatt Worldwide in New York. "The problem today is even strong companies have gone away whereas other companies that were not so well off were bought by stronger companies and made better."

"There will be risk. There are tremendous changes in the industry," agreed Denis Cortese, a consultant in the Atlanta office of Buck Consultants Inc. "Even the big companies got beat up by the dot-com disaster."

Because of this uncertainty, Margaret Ann Cole, a principal in charge of human

resource outsourcing product development at UniFi Network in Fort Lee, N.J. advises clients to "look for established companies with a lot of financial backing."

Steer away from startups and technology companies that lack benefits outsourcing experience, she warns.

"Small players are disappearing from the scene," Ms. Cole said, noting that such firms "didn't realize how difficult benefits are" to administer.

Unfortunately, because online benefit enrollment technology is relatively new not every company with an attractive

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Spotlight on

## E-commerce

Observers say the situation is similar to the development of the markets for employment practices liability, directors and officers, and environmental impairment liability, where coverage also was excluded from standard policies and then separate policies were developed.

"I think the e-business coverage is getting better and more defined," said Richard Ryan, director of risk management for San Mateo, Calif.-based Franklin Templeton Investments.

Risk managers at so-called "bricks and mortar" companies may find themselves somewhat torn, though, as to whether to buy the coverage. A soft economy and a

Spotlight on

## E-commerce

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## SPOTLIGHT

## Policies

Continued from page 10  
tion, as well as a crisis communications management fund that can be tapped to hire public relations help.

Risk managers generally are offered prepackaged combinations from among these policies, though they may select their own combinations, said Ty R. Sagalow, chief operating officer and executive vp of AIG's eBusiness Risk Solutions in New York.

About one-third of insurers exclude first-party coverage in

their policies, another third exclude third-party coverage, and the rest exclude both, said Mr. Kalinich.

Individual insurers usually offer up to \$15 million to \$25 million in capacity, "but you can stack carriers on top of each other and achieve a lot more," said Emily Freeman, senior vp at Marsh Inc. in San Francisco, who works primarily with AIG, Chubb Corp., Lloyd's of London syndicates and Zurich North America. "The largest we have bound so far has been \$100 million, and we are at work on something that has higher limits than that for a single insured."

Annual premiums can be as low as \$2,000, say observers. Typically, a \$5 million policy will have a \$250,000 to \$500,000 deductible, while a \$25 million policy is likely to have a \$1 million or \$2 million deductible, said Mr. Kalinich.

One of the things that makes the issue of premiums and deductibles so complicated is that "it all depends upon the kinds of risk, size of risk, and how much business is done on the Internet," said Kae Lovaas, president of global technology underwriting at The St. Paul Cos. Inc. in St. Paul, Minn.

A factor expected to spur interest in the Internet risk policies is

the increasing number of insurers who are now excluding the coverage from their traditional policies. In addition, the Jersey City, N.J.-based Insurance Services Office in August filed an endorsement to the standard CGL policy that says electronic data is not tangible property (BI, Sept. 10). ISO is preparing a similar endorsement for commercial property policies.

"I think that as ISO and even some other carriers have made the step of being very clear about what's not covered," it has removed ambiguity from the situation and increased the need for risk managers to look at their programs, including their insurance

coverage, said Ms. Lovaas.

Michael Flanagan, managing director at Arthur J. Gallagher & Co. in Chicago, said: "A lot of people have gone through this cycle in EIL and EPL. They've waited until the concrete exclusions have come about and said, 'OK, now I can do something.'"

The market for stand-alone coverage, in fact, is developing in a fashion similar to the advent of EPL insurance and other lines, observers say. "Due to some very serious concerns these insurers have about risk and pricing and other things, this area seems to be evolving into a specialty area, which demands certain underwriters specialize" and provide expertise from a loss and risk control perspective, said Ms. Freeman.

"It seems to be going more in the direction of employment practices, rather than something that's simply going to be included within traditional insurance," she said.

"But the good news in all of this is what we've learned in EPL," said Mr. Sagalow, which is that

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*In a hard market, with major rate increases, risk managers aren't 'as interested in seeing another policy to buy.'*

— Michael Zeldes  
Kaye Tech Risk Solutions

policyholders "are better off having dealings with an underwriter and claims people with specific expertise. What's happened here is that risk managers understand, (chief executive officers and chief financial officers) understand, that when it comes to cyber risk, you must deal with an expert."

But while risk managers may recognize the need for this coverage, they may also be reluctant to pay for it. Given the current economy and the hard market, there is less money available for such things, Mr. Sagalow said.

But "there's also a counter trend," which is a growing conservatism about taking risks. "Because of the economy and because of recent events, companies are now saying, 'We are taking too much risk and we need to manage our risks more effectively,' and that means not only looking at companies that can provide loss prevention services, but also buying insurance," he said.

Michael Zeldes, senior vp at Kaye Tech Risk Solutions, a division of Kaye Insurance Associates Inc. in New York, said, "In a hard market, when risk managers are looking at major increases across the board, and they're not well versed in these different exposures, they're not as interested in seeing another policy to buy."

But, he added, "I think what's going to happen is there's going to be some large losses that'll be taken by somebody, and

See Policies on page 14

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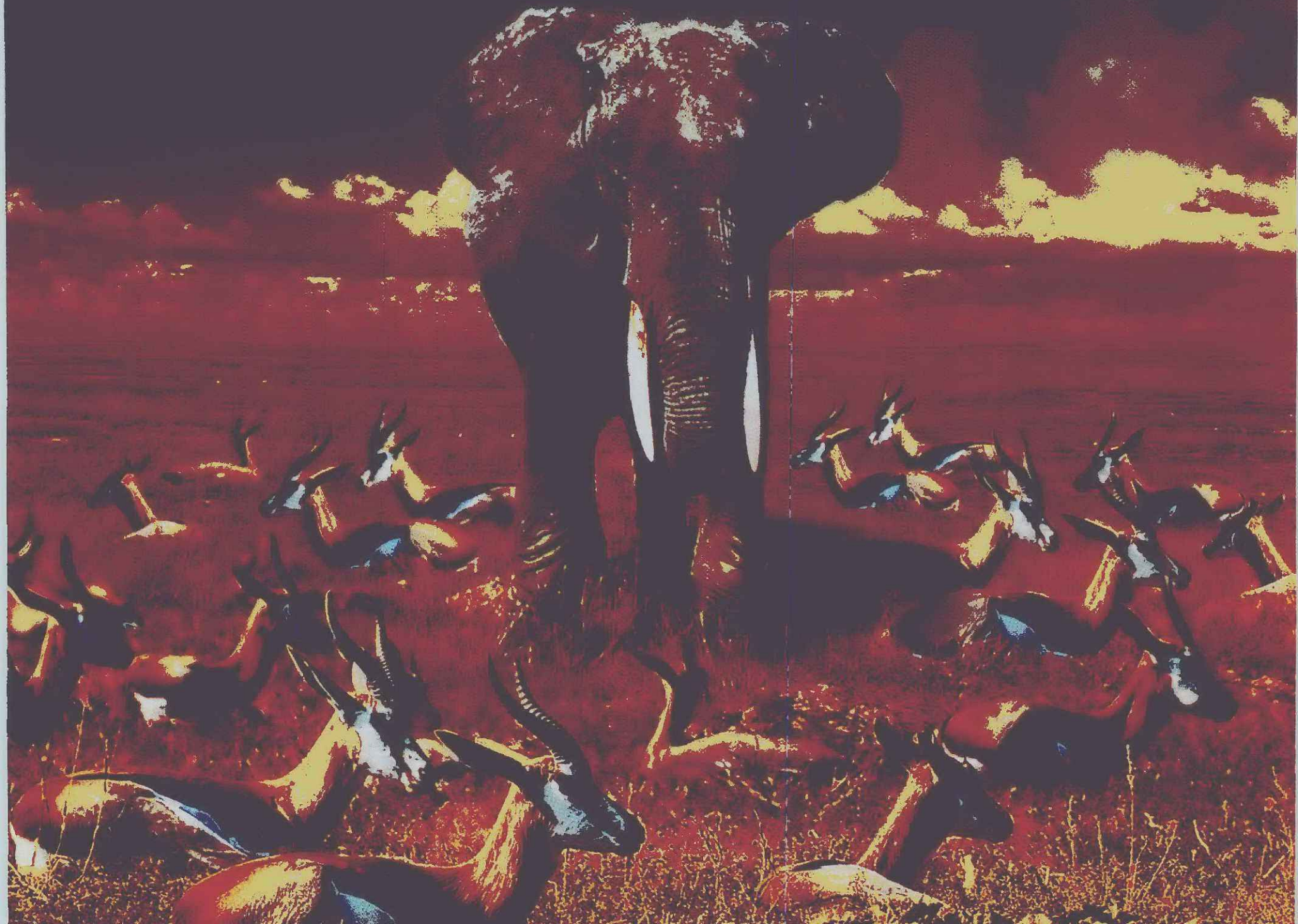
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## SPOTLIGHT

## Policies

Continued from page 12 that'll kind of usher in these policies."

To a degree, that may already be happening. Last year, after several major Internet companies were breached by hackers, "that woke them up," said Aon's Mr. Kalinich. "Now, they're calling us." Computer viruses such as Nimda, which was released last month, also will spur interest, he said.

"I think that with any cycle of a new product, you're always going to have risk managers

who don't want to be the leader, who don't want to be out there and be the first to buy this new coverage. So for some, there'll be some hesitation," said Tracey Vispoli, assistant vp at Chubb in Warren, N.J.

But there are gaps in coverage in standard policies and "I think risk managers are starting to wake up and realize these gaps are clearly something they need to address," said Ms. Vispoli. "I think insureds have no choice but to look at these products," she said.

The World Trade Center disaster is likely to have an impact in this process as well, say ob-

servers. Mr. Sagalow said the terrorism "had the effect of people looking at how they look at risk, understanding they had risk they hadn't really concentrated on before. Of course, data backup comes to mind, mass cyber events come to mind right thereafter. And we are finding, although it's a terrible way for it to happen," this creates greater interest in understanding different types of risk.

This includes online risks in particular "because, regrettably, that's the risk of the 21st century. That's the world we're in," he said.

Ms. Lovaas said: "I think that

the world at large is understanding terrorism with totally new eyes. And while this tragedy... has focused upon the physical aspect of terrorism, I don't think it's too terribly hard to imagine" that the people responsible for the disaster would also "not be beyond thinking about cyber terrorism. I think it will cause us to think about cyber liability with a new sense of exposure and a new appreciation, and so companies will look at their internal practices and also continue to look more at insurance."

Risk managers should not rely exclusively on insurance, how-

ever, said Frank Vinik, a risk manager at Chevy Chase, Md.-based United Educators Reciprocal Risk Retention Group Inc. "My first advice to any institution is, don't rely on insurance to the detriment of risk management. Your first step really should be prevention."

If a risk manager does decide to buy a stand-alone policy, he or she should make sure that policy is adequate, said Aon's Mr. Kalinich.

"You can't just plug in the policies with the old proverbial square peg to fit into the round hole. It depends what the companies are doing," he said. **BI**

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## Enrollment

Continued from page 10 product has an established track record, points out Terry Warren, operations leader for Willis North America Inc.'s benefits practice in Nashville, Tenn.

"Because it is the Internet, you don't have people with 20 years' experience," Mr. Warren said.

*With online benefit products, 'because it is the Internet, you don't have people with 20 years' experience.'*

— Terry Warren  
Willis North America Inc.

Vivius Inc., for example, has a software program designed to administer the much-discussed consumer-driven health care model, but it has yet to sign up its first customer. Vivius' system essentially allows users to design personalized health plans.

Recognizing that it would be difficult to sell employers such an untested system, Vivius is marketing its product to insurers that will, in turn, offer the system to employer clients, said Dave Teckman, president of the Minneapolis-based company. "We bring the technology to the plan and let them private-label it."

But even these systems, while available free to employers, have certain limitations, Mr. Warren points out.

One question is whether the system would be available for the employer to use for its entire benefits enrollment, or only with the single insurer that offered it, he said. "The carrier may not want to feed data to competitors. Maybe they'll just collect the data and give it to employers to send to other carriers participating in the benefit program," Mr. Warren said.

Such a problem was seen in HealthFare.

"The old model was carrier-sponsored. But that had its problems," Mr. Felt said. In particular, the insurer sponsors didn't want HealthFare to give competitors access to their enroll-

See Enrollment on page 16



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THE BENEFITS OF BETTER COVERAGE.

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## SPOTLIGHT

## Enrollment

Continued from page 14  
ment system, he explained.

To avoid that problem, Hawthorne is marketing Bene-Trac to brokers rather than to insurers, and the cost of the system is shared by all participants in the benefit plan transaction—the broker, insurers and the employer, Mr. Felt said.

Before beginning the search for an online benefits enrollment vendor, a benefits manager must first determine exactly what he or she wants the technology to do, benefits experts say.

For example, will the system perform only enrollment, or will it also be used for back-room administration, linking with an existing payroll system?

The answer to that question alone can narrow the field significantly, experts say, because many of the new vendors are selling products that perform enrollment or administration only.

Another question a benefit manager should consider is whether the system will operate in-house on the company's existing intranet, or whether Internet accessibility is needed.

If the Internet-based model is desired, the benefit manager then needs to determine whether all employees have access to such a

tool. If not, it may be necessary to install computer kiosks or to also offer a telephone-based system.

Benefit managers also should investigate their own existing technology resources and determine whether their in-house support would be available to assist with benefits administration. This can reduce the need for ongoing system support from the vendor, benefit experts say.

The accuracy of the employer's existing data also will have a bearing on how sophisticated a vendor must be.

"We had one client that we ran data cleanup for three years in a row," recalled Mr. Cortese of Buck. Each time the data was

collected from open enrollment conducted electronically, it was sent to the employer to be reconciled with data stored in its human resource information system.

Among the problems Mr. Cortese cited were that "some children were listed as sons when they should be daughters, or an ex-spouse was included after a divorce."

Another consideration is whether the employer wants the online enrollment system to integrate with the company's existing HRIS or payroll systems.

In such cases, a benefit manager should ask a vendor what kinds of systems its software has

been linked to, as well as how many times the company has set up such arrangements, said Willis' Mr. Warren. "Who have they fed the data to already?...To how many vendors, including insurance companies, health plans, life insurers, are they comfortable sending information?"

Furthermore, Mr. Warren said an employer should consider whether the company's existing HRIS was purchased from a well-known national vendor, "or is it home-grown?"

Finding a vendor can be accomplished by attending trade shows, by sending out request-for-information letters or by contracting with a consultant, broker or vendor search firm.

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*'Checking references (of benefit plan vendors) is underrated.... Too often it's pushed off to the end.'*

— Brian Dennen  
Curcio Webb L.L.C.

"People are making a business of doing vendor searches," according to Unifi's Ms. Cole.

For example, San Francisco-based Curcio Webb L.L.C., which has offices in several cities nationwide, helps employers select outsourcing vendors, such as online benefits enrollment and administration software developers.

"We work with the client to make sure all the bases are covered" before launching a search, said Brian Dennen, a consultant for Curcio Webb in Buffalo, N.Y. Then, Curcio Webb conducts the necessary due diligence and reference checks on vendors before inviting them to bid, he said.

"Checking references is underrated," he said. "Too often it's pushed off to the end. But it's an important step."

If a vendor being considered has no clients, it's a tough situation, Mr. Dennen said.

"We generally don't recommend a client be a guinea pig," he said. But, if it appears that the vendor is a viable candidate, Curcio Webb will ask the vendor to put some of its fees at risk.

"The market is pretty consistent in the way it prices. However, there is demand from vendors to get clients, and some will put their fees at risk," Mr. Dennen said.

While firms like Curcio Webb can cut through the clutter for employers, the search is more difficult for benefit managers that can't afford such services or do not have benefit consultants that would do the vendor screening for them.

In such cases, the benefit manager may find an insurance broker helpful.

"Talk to your broker, because there are so many vendors out there. We have reviewed them as a service to our clients," said Willis' Mr. Warren.

*And suddenly, the world stopped.*

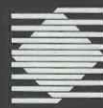
On September 11<sup>th</sup>, we learned how every fleeting moment  
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**SPOTLIGHT**

# Risk, benefit managers find Web functions helpful

By **SALLY ROBERTS**  
and **MICHAEL PRINCE**

**T**he Internet continues to change the way risk managers and benefit managers do their jobs. A few simple Internet searches using the key words "risk management," "insurance," "workers compensation" or "employee benefits" will produce myriad Web sites and electronic products and services.

*Business Insurance* recently polled risk and benefits managers to find out which Web functions—ranging from e-mail and chat rooms to online research—are making their lives easier. Respondents were also asked to identify any potentially useful functions they still find lacking in cyberspace.

While nearly all risk and benefits managers would agree that the Internet has radically changed their work, there is little consensus about which Web

functions are most useful to insurance professionals.

"I have all of my risk management forms on our intranet Web site, and it's just invaluable," said Jeffrey W. Pettegrew, vp-risk management and insurance for Westaff Inc. in Walnut Creek, Calif. Mr. Pettegrew said that last month he was able, for the first time, to tell staff members located in more than 300 offices around the country that they could discard their printed manuals.

"E-mail is my most commonly used Web function," said Roger Andrews, director of risk management in Provo, Utah, for E.D. Bullard Co. "I use it a lot. I'm a telecommuter, and e-mail has allowed me to be much more productive, especially with the extra travel that I have done for RIMS over the past couple of years," he said, referring to the New York-based Risk & Insurance Management Society Inc., of which he is a past president.

James E. Crockett, manager of

risks and benefits for water authority Denver Water said he most often uses the Web to look up information about various benefits and risk management practices. Mr. Crockett said he regularly researches risk and benefits consultants, survey results and regulations issued by the U.S. Internal Revenue Service.

Many risk and benefit managers note that the Internet has made conducting research much easier.



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*'I use (Internet e-mail) a lot. I'm a telecommuter, and e-mail has allowed me to be much more productive.'*

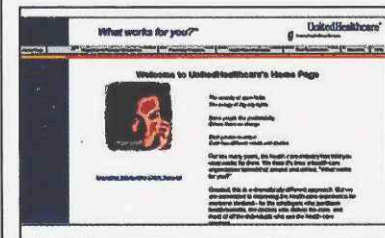
— Roger Andrews  
E.D. Bullard Co.

For example, Nancy Lazgin, director of global benefits at office supplies retailer Staples Inc. in Framingham, Mass., said that prior to implementing a work/life program at Staples a few years ago, she investigated the topic on the Internet. In addition to finding sites hosted by colleges that contained information about work/life issues, Ms. Lazgin found an AT&T Corp. site that documented that company's implementation of its own work/life program.

"It was absolutely super on details about telecommuting," Ms. Lazgin said.

For many risk and benefits managers, it is the Web sites established by their own insurers that offer them the most.

Charlene Edwards, vp-employee benefits at Lend Lease Real Estate Investments Inc. in Atlanta, noted, for example, that she finds the Web site of her health insurer, Minneapolis-based UnitedHealthcare, to be particularly valuable. The site provides up-to-date information about providers in the United-



UnitedHealthcare

Healthcare network, lists drugs in its formulary and permits employees to track their claims, Ms. Edwards said. In addition, she noted, the site offers articles on health-related topics.

Lend Lease placed a link to the UnitedHealthcare Web site on its own intranet site. Giving

See **Functions** on page 20



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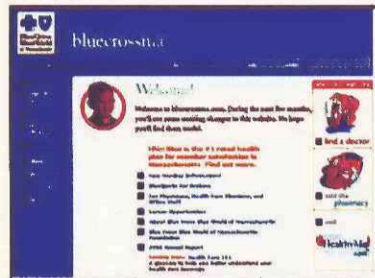
Looking to hire? Call 1.877.HOT.JOBS

SPOTLIGHT

# Functions

Continued from page 18 employees access to the insurer's site is "a great way to become more and more paperless," Ms. Edwards said.

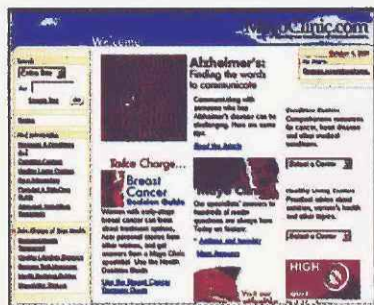
Staples' Ms. Lazgin said that when she's looking for health care information, she visits the Web site of one of her company's largest health care providers, Blue Cross & Blue Shield of Massachusetts.



Massachusetts Blues

"It has a whole wealth of information out there that I was surprised to see on a Web site," she said. In addition to information on the BC/BS plan itself, the site contains links to sites to shop for vitamins, baby food and other health-related items, she said. Ms. Lazgin added that the BC/BS site also has a link to the Mayo Clinic Web site, which maintains an online library of

articles on health topics. Risk managers also find their



Mayo Clinic

insurers' Web sites useful. Lance Ewing, senior director of insurance and loss prevention at GES Exposition Services in Las Vegas, for example, said that the best Web function he has found comes from his property insurer, Factory Mutual In-



FM Global

surance Co., which does business as FM Global. Mr. Ewing said he receives an e-mail from Johnston, R.I.-

based FM Global every morning that keeps him informed about approaching hurricanes and tornadoes. Those messages enable him to prepare his employees located around the country for the arrival of bad weather.

"That's been extremely helpful in getting information out to my folks," Mr. Ewing said. "It makes my job much, much easier."

But risk and benefits managers are quick to point out potentially useful work-related functions they find lacking on the Web.

"I still think the products and services available via the Web that support our risk management efforts, particularly enterprise risk management efforts are pretty insignificant and unresponsive to our needs," said Christopher E. Mandel, risk manager for USAA Group in San Antonio.

Mr. Mandel said USAA's risk management department is currently shifting to an enterprise risk management approach, and he has been reviewing software platform products that would support this effort. So far, he said, he is unimpressed.

Mr. Mandel said that he is most interested in "finding good tools that establish and help measure metrically some of our performance issues relating to

traditional and enterprise risk management issues. But those are pretty limited or fairly narrow in their current design, depending on the industry," he said.

Westaff's Mr. Pettegrew said

*'I still think the products and services available via the Web that support our risk management efforts...are pretty insignificant and unresponsive to our needs.'*

— Christopher E. Mandel  
USAA Group

he would like injured workers to have online access to information about their workers compensation benefits. "Employees don't understand it, and half the time they go to lawyers" if they get injured on the job, Mr. Pettegrew said. "There is no uni-

form way of getting that information to people."

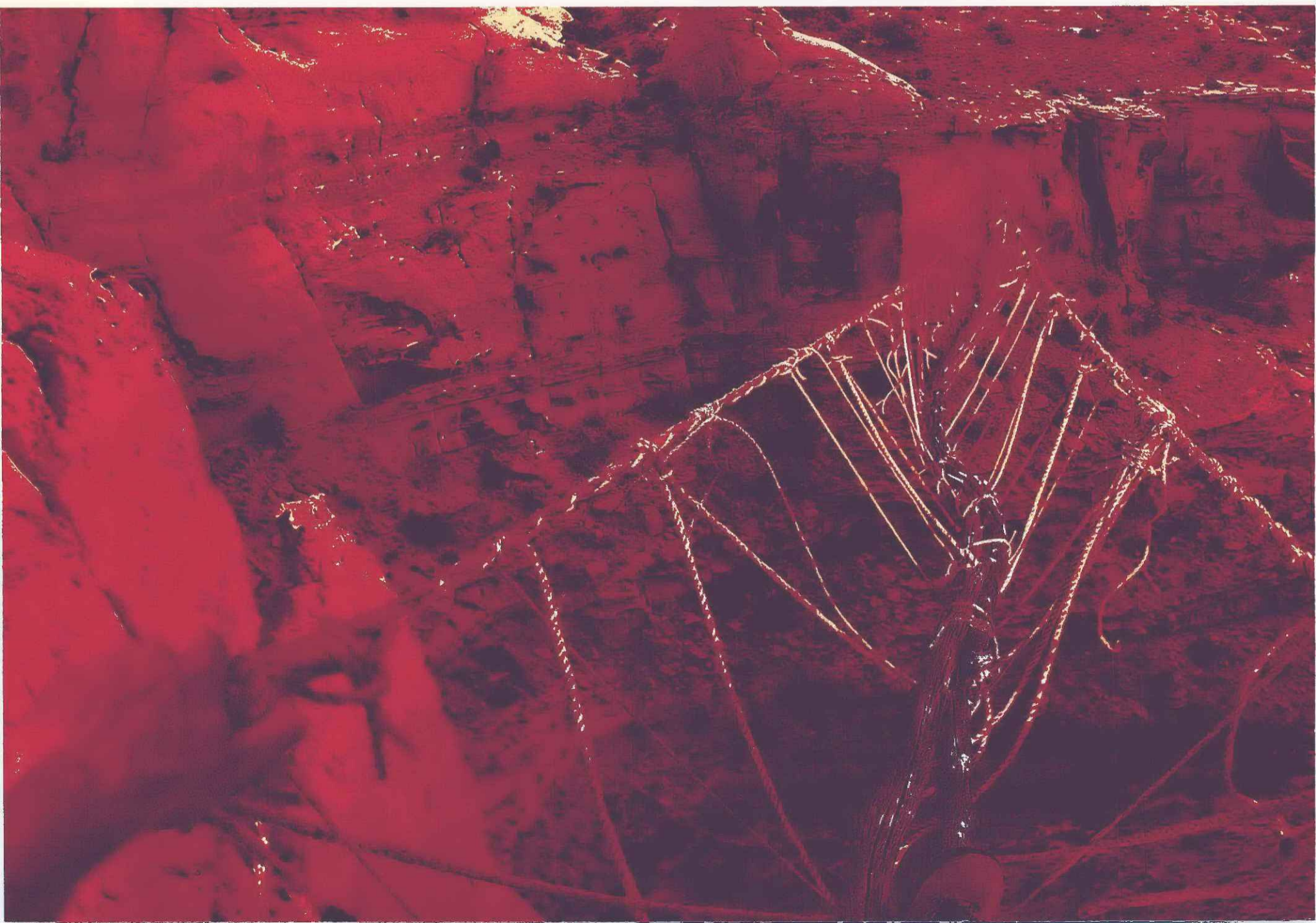
Mr. Pettegrew said he would like to find a workers comp Web product that would permit employees to access, using passwords, a variety of disability and medical information and to get answers to their questions.

Mr. Pettegrew said he also would like to see a Web-based system that would permit him to track and monitor workplace ergonomics concerns. "I've looked all over the Web (for such a product), but, so far, I haven't seen what I'm looking for," he said.

Ms. Edwards of Lend Lease Real Estate said the Web lacks any site that compiles surveys about which benefits employers are offering to their employees.

She said that she would like to see a site that organizes its employee benefits data by the size of the employer, type of industry and geographic region. Ms. Edwards said that having access to information such as the average level of employee copayments for health care coverage and the average percentage of company matching for 401(k) plans would help her in designing Lend Lease's own benefits programs.

"That would be the biggest help to me," she said. **BI**



# 11 judges select Best of the Web award winners

The Best of the Web competition was created in 2001 by *Business Insurance* to recognize and promote excellence in Internet-based services for corporate risk and employee benefits executives.

Web sites designed primarily—though not necessarily exclusively—for the buyer of commercial insurance services were invited to submit their sites for consideration. To be considered, entries were required to be freestanding sites on the World Wide Web, not private intranets or Web-enabled software.

A panel of 11 independent judges reviewed and scored entries, judging such elements as functionality, interactivity, design, innovation and relevance to the buyer of commercial insurance services.

The judges for the 2001 Best of the Web competition were:

- David P. Duden, national RMIS practice leader for Deloitte & Touche L.L.P. in Hartford, Conn.
- Chris Duncan, director-risk management for Delta Air Lines in Atlanta and a member of the Risk & Insurance Management Society Inc.'s Technology Committee.
- Jenny P. Emery, global e-business

leader for Tillinghast-Towers Perrin in Weatogue, Conn.

- Kevin Hoskinson, director-risk management for Sun Microsystems Inc. in Broomfield, Colo., and a member of the RIMS Technology Committee.
- Richard Kerr, chairman and chief executive officer of MarketScout.com in Dallas.

• Linda Lamel, chief executive officer of Claims On Line Inc. in New York.

• Michael Pikelnny, corporate actuary and employee benefits consultant at Hartmarx Corp. in Chicago.

• Sheryl A. Pixler, risk manager for Storage Technology Corp. in Louisville,

Colo.

• Steven Tippins, professor of risk management and insurance for the Walter E. Heller College of Business at Roosevelt University in Schaumburg, Ill.

• Bruce Walton, senior consultant in the HR Technologies Practice of Watson Wyatt Worldwide in San Diego.

• Christi Rager Wise, a principal with Hewitt Associates L.L.C. in Lincolnshire, Ill., and practice leader of Hewitt's Creative Design and Human Factors team.

Several of the judges' own companies entered the competition. To prevent conflicts of interest, judges were not assigned to review entries in the same category as their own company's.

The judges evaluated Web site entries based on seven criteria (see story, page 24). The sites with the highest average score in each category are named Best of the Web, subject to the judges' discretion. The next highest-scoring sites, subject to the judges' discretion, are given an Award of Excellence.

Categories for the Best of the Web competition are broken into risk management categories, employee benefits categories and combined categories, as follows.

**Risk management categories:**

• Insurance services. Sites entered in this category should include sites maintained by brokerages, insurers and others for purposes of helping commercial insurance buyers place and procure property/casualty insurance. Included in this category are property/casualty insurance auction sites, insurance quoting engines and risk exchanges aimed at commercial insurance buyers.

• Claims services. Sites entered in this category should help insured and self-insured corporate entities with property/casualty claims management services, including administration, adjusting, investigations, etc. This category includes sites aimed at workers compensation and occupational disability claims management.

• Risk management. Sites entered in this category should be designed to provide buyers with risk management services other than risk financing. This can include risk analysis, risk identification, risk modeling, safety and loss control consulting, etc.

**Benefits management categories:**

• Benefits management. Sites entered in this category should help corporate benefit managers with benefits plan administration, plan communication, regulatory compliance, flex plan administration.

See **Judges** on next page



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**BEST OF THE WEB**



Panel of judges for the 2001 competition



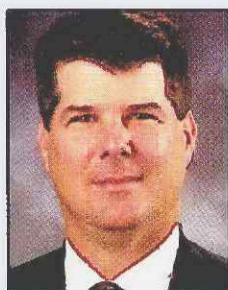
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Ms. Lamel



Mr. Tippins



Mr. Duden



Mr. Hoskinson



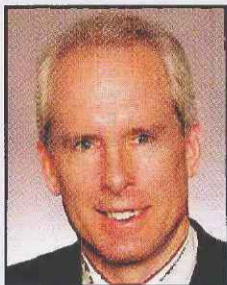
Mr. Pikelny



Mr. Walton



Mr. Duncan



Mr. Kerr



Ms. Pixler



Ms. Rager Wise

# Judges

Continued from previous page  
tion, 401(k) enrollment, etc.

- **Health plan services.** Sites entered in this category should include those maintained by brokerages, insurers, managed care companies and others for purposes of helping group health plan purchasers place and procure group health plans (insured and self-insured). Included in this category are health and accident insurance auction sites and quoting engines aimed at group benefits purchasers (i.e., not individuals).

- **Claims services.** Sites entered in this category should help corporate benefit managers with group benefit plan claims management, including claims ad-

ministration, claims adjusting, claims investigations, case management, utilization review, etc. Included in this category are sites aimed at integrated disability management.

**Combined categories:**

- **Legal services.** Sites entered in this category should be designed to help organizations with legal services arising from risk and benefits management. Included in this category are sites that provide arbitration, legal, litigation and subrogation services.

- **Educational/professional.** Included in this category is any site that provides risk or benefit management educational services, online training, accreditation, etc. Professional societies or associations should be entered in this category as well.

## How the winning sites were chosen

Seven criteria were used by the judges to score the entries for the *Business Insurance* Best of the Web competition.

The panel assigned a numerical value of one to 10 for each of the following:

- **Content:** This criterion assesses the range and depth of services available to users. Is the site limited to one core function, or does it provide multiple tools and services?

- **Sophistication:** Is the Web site's function readily accessible to risk and benefit professionals, or does it require an advanced understanding of computer skills and assistance from IT professionals to achieve its function?

- **Design:** Is the site visually pleasing and engaging, or is it stale, cluttered or otherwise unattractive?

- **Functionality:** Is the site easy to navigate and under-

stand, well organized and complete?

- **Innovation:** Does the Web site provide new services to users or just automate existing ones? Does it represent a new type of online insurance service, or is it one of many?

- **Fulfillment:** Does the site offer information to the buyer of insurance services, or is it aimed primarily at others, such as intermediaries? How well does the site meet its stated objectives to its targeted users?

- **User experience:** Overall impression; is it easy to use and helpful—or mind-numbing and repetitive? Would you want to come back to this site for more information?

Finally, for each site, judges were asked whether, in their opinion, the site would be worthy of an award if it were the top-scoring entry within a category.

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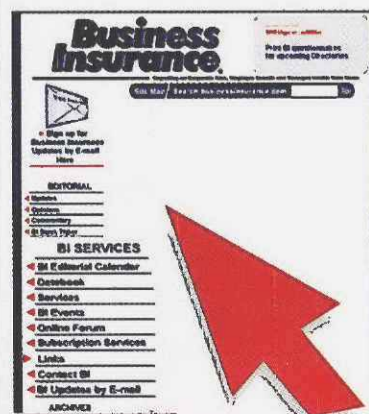
## Make the connection

*Business Insurance* has a broad and comprehensive directory of industry-related Web links available on its Web site.

If you are searching for risk management or employee benefits management information, this is a great place to start.

If your site provides commercial insurance services or information, you can submit an online request for a free link.

To browse the links, visit the Links section of [businessinsurance.com](http://businessinsurance.com)



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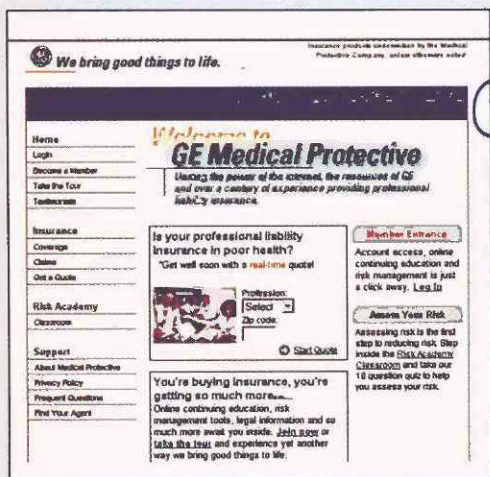
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**BEST OF THE WEB**



2001  
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**Best of Show Insurance Services**

# GE Medical Protective's site preserves role of intermediary

By SALLY ROBERTS

GE Medical Protective Co. is dispelling the myth that the Internet is cutting insurance agents and brokers out of the purchasing process.

Its year-old Web site, [www.gemedicalprotective.com](http://www.gemedicalprotective.com), was developed to provide independent agents and brokers

streamlined processes and on-line self-service tools, making it quick and efficient to conduct business with the Fort Wayne, Ind.-based medical malpractice liability insurer.

"Our independent agents and brokers were telling us that they wanted to do business with us and want it to be as easy to do business with us as possible,"

said Michael D.P. Cavanaugh, vp-marketing for GE Medical Protective, a subsidiary of Employers Reinsurance Corp.

Mr. Cavanaugh noted, though, that there was initial trepidation when GE Medical established the site: Agents and brokers assumed the insurer was trying to approach insurance buyers directly.

"Our goal was not to go direct," said Mr. Cavanaugh, who is the e-business leader for the Web site. "Our goal is to improve relationships with independent agents and brokers and make us the easiest insurer to do business with."

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*'Our goal is to improve relationships with...agents and brokers and make us the easiest insurer to do business with.'*

— Michael Cavanaugh  
GE Medical Protective Co.

Mr. Cavanaugh said intermediaries now "definitely see this as a tool for them." Both the numbers of registered users and hits to the site are increasing, he said.

GE Medical Protective's Web site, which won the Insurance Services Best of Show Award in *Business Insurance's* first Best of the Web competition, features four areas: Insurance Resources, the Agent/Broker Resource Center, the Risk Management Academy and Customer Service. In addition, users can customize the site to suit their particular needs.

The Insurance Resources section permits independent agents and brokers to compare quotes against sample quotes from other insurers, secure certificates of insurance and request copies of insurance policies. Mr. Cavanaugh said that the insurer is in the testing phase of offering agents and brokers the ability to complete customized GE Medical Protective medical malpractice insurance applications and to receive bindable premium quotations within seconds.

"This is something we're on target for in the next couple of months," Mr. Cavanaugh said.

Among other capabilities, the Agent/Broker Resource Center  
*See GE Medical on page 28*

# Premium Thinking

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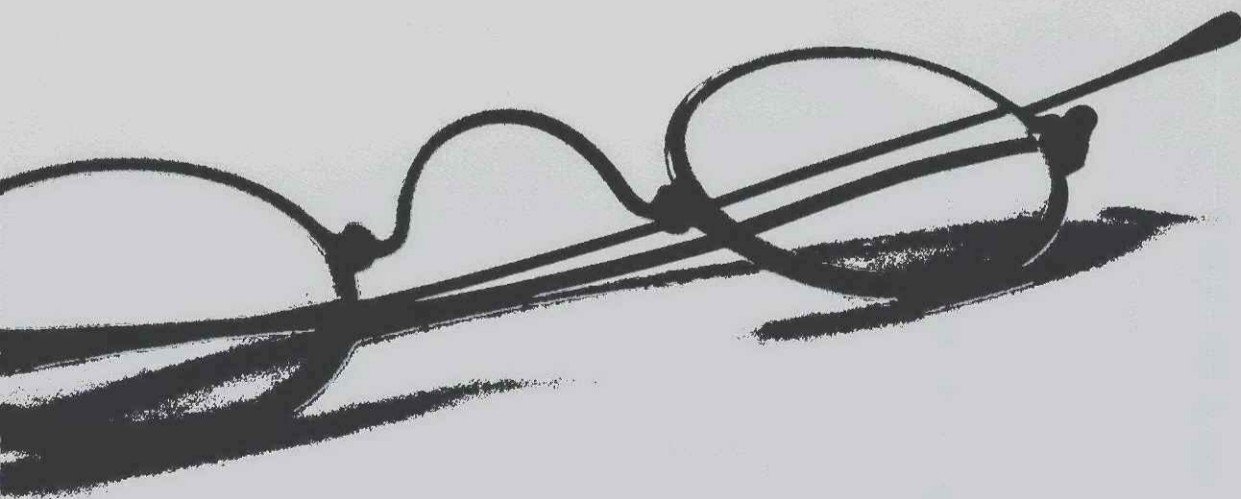
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A photograph of a desk with a red spiral notebook, a yellow folder, and a woman's photo. The notebook is open to a page with a white sticky note. The sticky note has a list of tasks written in cursive. The background is a blurred office setting with a computer monitor and keyboard.

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**BEST OF THE WEB**

# GE Medical

*Continued from page 24*  
link lets intermediaries download sample policies and applications, as well as GE Medical Protective letter templates. The samples help agents and brokers achieve a consistency in their documents.

Although independent agents and brokers are the primary target of GE Medical Protective, the insurer also is marketing the site to the primary end users of its product—doctors, dentists and hospital risk managers. In the Risk Management

Academy section of the Web site, for example, a policyholder can take a clinical risk management assessment test as well as ask questions of risk management consultants. Policyholders can also take continuing-education risk management courses through the Web site.

Mr. Cavanaugh noted that doctors and dentists who take the online continuing education courses receive premium discounts from GE Medical Protective.

The customer service part of the Web site helps doctors and dentists locate their local GE Medical Protective agents. **BI**



*Award of Excellence in the Insurance Services category*

**NCCI.com**

[www.ncci.com](http://www.ncci.com)

**Owner/sponsor:** National Council on Compensation Insur-

ance, a Boca Raton, Fla.-based workers compensation data-collection and services organization.

**Launched in:** July 1999.

**Target market:** Intended audiences include underwriters, intermediaries, insurance buyers, workers compensation regulators as well as users working for the Department of Labor, state workers comp funds and self-insured markets.

**Strategy:** The NCCI uses its site to provide flexibility in delivering its information and data-analysis services.

Features of NCCI.com include the ability to personalize Web

pages and receive information via links on those pages or via e-mail. For example, users can receive updates to the NCCI site and state-specific information.



The site also offers online workers comp publications, a "media center" that contains industry-specific videos and a "CEO correspondence" link to the NCCI's perspective on various topics.

In addition, the site offers products and services designed to assist in underwriting, evaluating and servicing workers comp business.

One such product is an electronic rate modification and worksheet application that enables users to have immediate access to information on experience rating modification.

Underwriters also can use a risk assessment tool that lets them compare and review the validity of new and existing policy information.

— By Sally Roberts

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Best of Show  
P/C Claims  
Services



# Intracorp's Claims Toolbox helps to build better outcomes

By ROBERTO CENICEROS

Claims professionals who want help managing medical injury cases can find a variety of helpful tools online from Philadelphia-based Intracorp.

Intracorp's Claims Toolbox, available at [www.intracorp.com](http://www.intracorp.com), provides in-depth information—such as medical treatment guide-

lines and preferred disability management outcomes—for workers compensation, short- and long-term disability and auto accident-related cases. Through the site, users can obtain descriptions that will help them recognize and understand a vast array of injuries. Then they can look up the medical examinations and diagnostic tests used to verify the existence of a

specific injury, and the disabilities and time away from work that such an injury typically generates.

For each injury, the site also lists "red flag" conditions that can affect the duration of a disability. For example, the red-flag conditions that might apply to a carpal-tunnel case include symptoms that exist for longer than a year and delayed referral to a physician.

"For an adjuster who is not a clinical professional, it helps them put some clinical terms in context," said Fred Scardellette, Intracorp vp of disability management product development and marketing in Philadelphia. "It helps an adjuster make a decision about when they need a clinical resource, such as a case manager or a physician adviser, to support them when a claim looks like it is getting beyond their ability to manage."

When that happens, claims administrators also can use the Web site for profile information about specific physicians and Intracorp case managers, listed by geographic region.

Intracorp provides medical management services for workers compensation, disability and health care industry participants, including insurers, third-party administrators, employers, managed care companies and other organizations.

A claims manager can also use the Claims Toolbox to arrange a physician consultation, refer a claim to an Intracorp case manager or initiate a disability medical evaluation. By helping patients get the right care at the right time, the site streamlines the claims administration process, facilitates timely returns to work and ensures employee satisfaction, according to Intracorp.

Intracorp's Claims Toolbox won the Best of Show award in the Property/Casualty Claims Services category of *Business Insurance's* Best of the Web competition.

The toolbox can be accessed by going to Intracorp's Web site, at [www.intracorp.com](http://www.intracorp.com); first selecting "B2B Tool" on the yellow bar at the top of the screen; and then selecting "Claims Toolbox" from the drop-down menu. Registration is required.

Thus far, about 2,400 claims professionals who work for insurers, third-party administrators, self-administered employers and Intracorp have registered to use the site, Mr. Scardellette said, with about 107 new users registering monthly. The site averaged 1,925 hits monthly between January and July.

Mr. Scardellette said one of the advantages to using the site is that it fosters teamwork by making information such as Intracorp's disability guidelines readily available to each individual working on a claim. So, for example, he said, that provides a claims adjuster on a particular case with the same information that is available to a case manager assigned to that same case.

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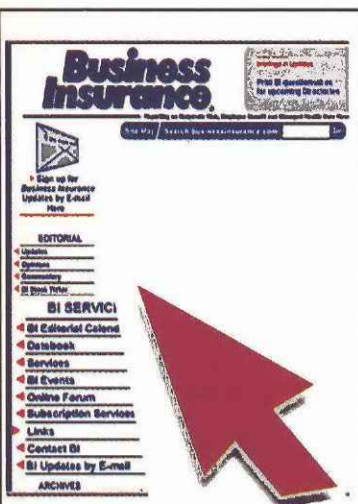
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**BEST OF THE WEB**

## Make the Connection

*Business Insurance* has a broad and comprehensive directory of industry-related Web links available on its Web site.

If you are searching for risk management or employee benefits management information, this is a great place to start.

If your site provides commercial insurance services or information, you can submit an online request for a free link.

To browse the links, visit the Links section of [businessinsurance.com](http://businessinsurance.com)

**Business Insurance**  
www.businessinsurance.com

2001  
**BEST OF THE WEB**

*Award of Excellence in the Property/Casualty Claims Services category*

**CareMC.com**

[www.caremc.com](http://www.caremc.com)

**Owner/sponsor:** CorVel Corp., an Irvine, Calif.-based managed care company.

**Launched in:** April 2000.

**Target market:** Risk managers, human resource administrators, claims professionals, medical providers and patients.

**Strategy:** CorVel provides managed care services—including case management and bill review—for workers compensation, group health and auto insurance markets.

It launched CareMC to help customers reduce their costs and return injured employees to the workplace more quickly by streamlining the exchange of in-

formation.

Through the CareMC Web site, employers, claims administrators, medical providers, case managers and others can share access to claims files.



Provided they have authorization, users can retrieve the in-

formation from any computer with Internet access.

Once a claims file is accessed, a variety of functions can be performed. Case managers, for example, can enter notes detailing the progress of and medical appointments for a specific claimant.

That way, an adjuster or human resource manager can look at those notes to monitor the claimant's case. Adjusters also can use the CareMC system for bill review and as a tracking device, checking when a claim was processed or adjudicated, for example.

—By Roberto Cenicerros

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# Online library a vast resource for enterprising risk managers

By SALLY ROBERTS

Unlike too many short-lived online ventures, Risk Management Internet Services' *rmis.com* site has withstood the test of time.

Launched in 1996, *www.rmis.com* has since been building on its goals of being the most comprehensive resource for enterprise risk management.

"It's taken five years of development to get where it is today," said Keri Ungemah, the Denver-based marketing manager for Downers Grove, Ill.-based Risk Management Internet Services.

What that is, is an electronic library, known as *rmLibrary*, with roughly 19,000 up-to-date resources immediately available to risk managers. Risk managers can access re-

sources, arranged according to category, that address such business concerns as disasters, finance, managed care, industrial hygiene and state government.

The site also offers a link to a host of professional guides tailored for risk managers, chief financial officers, ergonomists, safety directors and others.

It also provides a link to special resources, giving quick access to reference materials—such as case law, databases, forms, handouts and statistics—that risk managers can put to immediate use.

"Risk managers have so much on their plates today," Ms. Ungemah said. "They want to find what they need quickly and easily, and that's

*Risk managers 'want to find what they need quickly and easily...that's what the site is all about.'*

— Keri Ungemah  
Risk Management  
Internet Services

not easy to do. But that's what the site is all about."

Risk Management Internet Services' *rmLibrary* won the Risk Management Best of Show award in *Business Insurance's* first Best of the Web competition.

Ms. Ungemah noted that, in response to the thousands of requests it received following the Sept. 11 terrorist attacks in the United States, a new "disaster" category was added to the *rmLibrary*.

Within this broad category, risk managers can find specific materials to assist them with the creation of emergency evacuation plans, the development of computer disaster recovery plans and information on bomb threat prevention, as well as other resources, manuals, fact sheets and links, she explained.

Although the site was developed solely for risk managers, it has expanded its reach to include other corporate departments linked to risk management, such as safety, human resources, loss control and legal.

"Because enterprise risk management has really grown into so many different departments, we kept growing with it," Ms. Ungemah said.

Individual subscriptions to *rmLibrary* are \$35 per month or \$300 per year. Discounts are given to large-group orders.

Currently, *rmLibrary* is the only site among the "rmFamily of sites" on *www.rmis.com* that is fully operational.

Within the next two years, the company plans to launch seven more sites, Ms. Ungemah said. Among the next to be rolled out is *rmDirectory*, which will offer names, addresses and phone numbers for risk management-related products, services and people.

rmFamily of Sites

- Library
- Disasters
- Finance
- Health
- Human Resources
- Industrial Hygiene
- International
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rmFamily of Sites and Services

Library.com

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- Resource for Enterprise Risk Management
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- NEW!** Disasters main category for emergency planning

We Search the Net...so you don't have to!

Search

(Category Search Tip: One word searches usually return the best results)

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Risk  
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# CIGNA offers broad resources for employers' benefit needs

By MICHAEL PRINCE

When it comes to its Web site, the "C" in CIGNA could stand for "comprehensive."

Since it first went online five years ago, CIGNA Corp.'s Web site for plan sponsors and members has grown from a one-dimensional tool into a full-service benefit site. The site, at



[www.cigna.com](http://www.cigna.com), boasts features and capabilities that allow it to

handle virtually every aspect of planning for retirement and choosing health, life and disability insurance. The site serves as a resource for employers and employees for up-to-the-minute information about their benefits plans.

The site was designed to "make it easy to access benefits if you are an employer and access benefits and benefit information if you are an employee," said David Gordon, senior vp of e-commerce at CIGNA in Bloomfield, Conn. Its breadth of coverage has enabled CIGNA's site to capture the Best of Show Award in *Business Insurance's* Best of the Web contest in the Benefits Management category.

To help employers, the site encourages a tremendous amount of

See **CIGNA** on page 36

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Award of Excellence in the Risk Management category

**EPLselect.com**  
[www.eplselect.com](http://www.eplselect.com)

Owner/sponsor: Lexington Insurance Co., a Boston-based unit of American International Group Inc.

Launched in: June 2000.

Target market: Employment practices liability policyholders of Lexington Insurance Co.

Strategy: EPLselect.com aims to help employers meet federal standards and obligations with

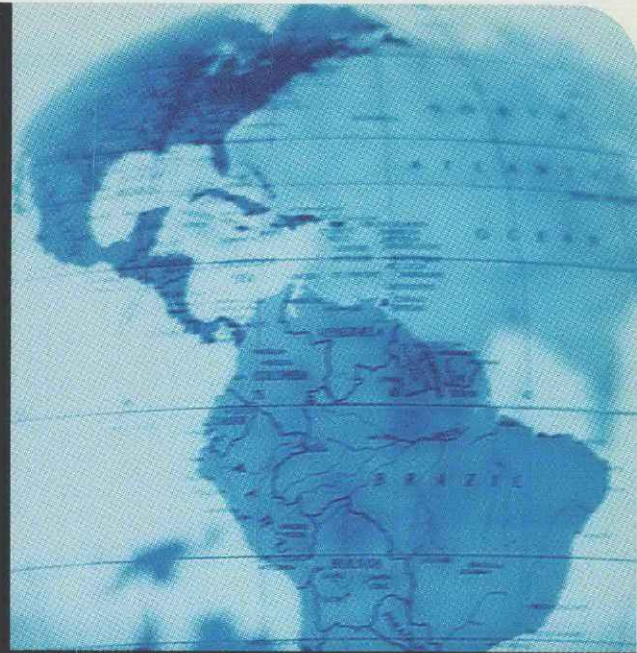
**LEXINGTON**  
Insurance Company

regard to discrimination and harassment in the workplace. The site discusses state-of-the-art personnel policies, and it gives users access to Lexington's training and testing system, which provides verifiable proof that comprehensive employee training has taken place.

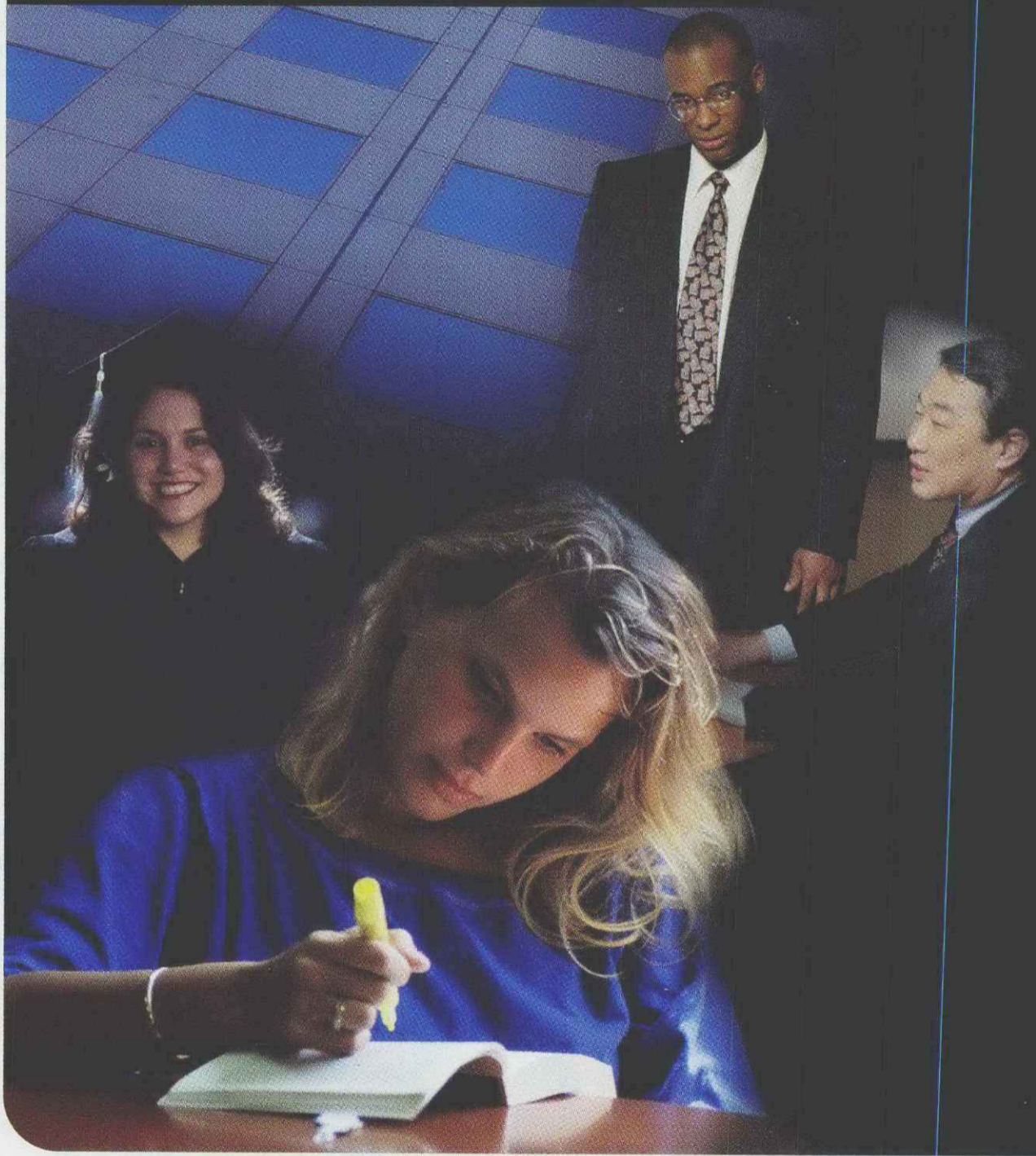
EPLselect.com's two sections provide content tailored for use by managers/supervisors and by other employees, respectively. The site also includes various risk management and loss control tools and information, including Lexington's employment practices compliance program, manuals on best workplace practices, and a direct e-mail link to Lexington's risk management consulting operation.

—By Sally Roberts

# Investing in the Future of Risk Management Today



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## BEST OF THE WEB

## CIGNA

Continued from page 34

employee self-service, including plan enrollment, thus reducing the administrative burdens on benefit managers, Mr. Gordon said. It also contains information on health and retirement topics, cutting down on an employer's need to undertake extensive employee education programs.

The CIGNA site also offers a host of advantages for employees. Besides having access to libraries of information, employees can use modeling tools to help them choose among health plans and to

calculate the amounts needed to save for such events as a child's college education or the employee's own retirement.

The site is actually a compilation of individual ones that were introduced over the past five years. It started with CIGNAAccess, a portal for retirement plan sponsors that Philadelphia-based CIGNA launched in 1996.

Since then, the CIGNA site has added AnswerNet, which permits an individual to review his or her entire retirement account. AnswerNet allows for online plan enrollment and transactions and provides investing advice and educational materials to help work-

ers plan for retirement.

Those who want more educa-

*CIGNA's site is a compilation of individual ones that were introduced over the past five years.*

tion can turn to Academy by CIGNA Online. Individuals can take courses at their own pace on topics such as saving for college,

managing personal finances and saving for retirement. A library of articles provides information on financial areas such as investing, estate planning and debt management. In addition, employers can arrange for live Webcasts for groups on specific retirement and investing topics.

Other sections have tools that guide investment decisions and can even help select the best investment funds for an individual based on that person's specific needs. Earlier this year, the site started allowing medical plan enrollment online. This service will greatly expand next year to include most of CIGNA's health

plan members, Mr. Gordon said.

An enhancement slated for early 2002 will allow individuals to customize the site and receive information on topics they select, Mr. Gordon said. This will ensure that "the right information will be sent to the right people," he said.

The site has about 200,000 registered users. The entire CIGNA.com site receives over 4 million page hits per month, from both registered users and other visitors, Mr. Gordon said. The average number of pages viewed per visitor has gone up, he noted, indicating that visitors are using more of the site's features. **BI**

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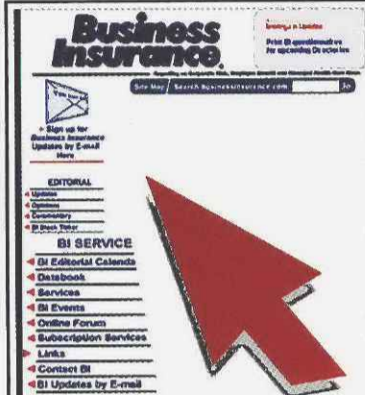
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## Make the connection

*Business Insurance* has a broad and comprehensive directory of industry-related Web links available on its Web site.

If you are searching for risk management or employee benefits management information, this is a great place to start.

If your site provides commercial insurance services or information, you can submit an online request for a free link.

To browse the links, visit the Links section of [businessinsurance.com](http://businessinsurance.com)

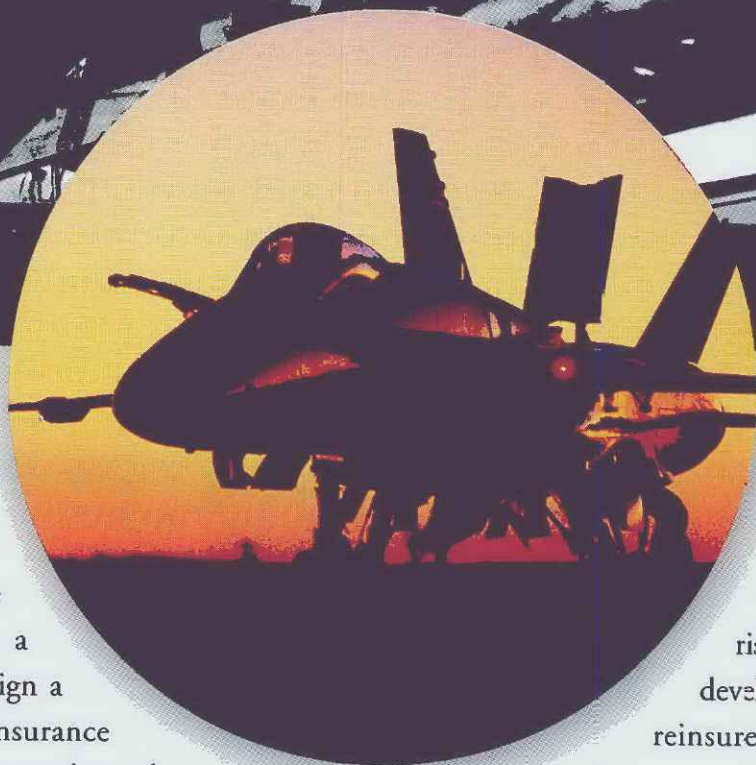
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**BEST OF THE WEB**

# Empire site seeks to save time, money for every user group

By MICHAEL PRINCE

In developing its Web site, Empire Blue Cross & Blue Shield focused on promoting savings—in terms of both money and time.

Empire sought ways that the four groups it works with—employers,

plan. The result of those efforts is the company's Web site, located at [www.empireblue.com](http://www.empireblue.com). Empire's site received the Best of Show award in *Business Insurance's* Best of the Web competition in the Health Plan Services category.

The first part of the site, which

groups in the plan. Moving the quoting and enrollment process online cut down the time needed to perform these functions, according to Empire.

Developed next were several applications for plan members. Using the site, an enrollee can check on the status of a claim, add information missing from a claim report, change the designation of his or her primary care physician and look up the names of providers in a given health care network. The vast majority of tasks that plan members once took care of by telephone or mail can now be handled over the Internet.

And that's the site's goal, said Jack Smith, senior vp of marketing for Empire in New York. Empire health plan members can perform "all plan administration functions online and make the telephone and mail become secondary communication vehicles," Mr. Smith said.

And because the site provides members with around-the-clock access to those functions, "they can do it when they want to do it," he said. "The convenience factor is huge."

See **Empire** on next page



Best of Show

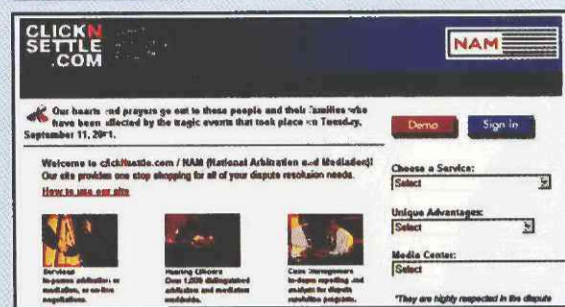
Health Plan Services

plan members, providers and brokers—could save both time and money by using the Web to work with the New York-based health

was rolled out in October 2000, is geared toward brokers. Once registered with Empire, intermediaries can obtain quotes and enroll small



Best of Show  
**Legal Services**



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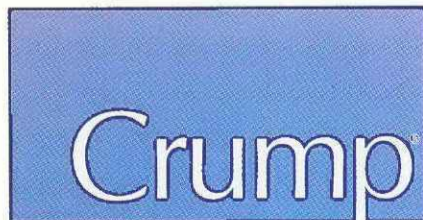
tle.com has captured the Best of Show award in *Business Insurance's* first Best of the Web competition in the Legal Services category.

The Web site was developed in 1997 by National Arbitration & Mediation, a Great Neck, N.Y., dispute resolution firm. Two years

See **clickNsettle** on next page

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## clickNsettle

*Continued from previous page*  
later, the Web site took on the name "clickNsettle.com," and in May 2000, the whole enterprise changed its name to clickNsettle.com Inc.

The site combines NAM's services, including the work of more than 1,700 hearing officers located around the world, with cutting-edge Web-based dispute resolution, according to Roy Israel, the president and chief executive officer of clickNsettle.com.

"We took all the NAM resources and Web-enabled them," Mr. Israel said.

The site permits any entity that seeks to resolve a dispute—an attorney, a business or an insurer—to engage the in-person services of a trained mediator or arbitrator. In addition, disputes can be resolved through binding online negotiation. Using this tool, the two opposing sides indicate through bids the amount of money each would find acceptable to settle a dispute. When the two sides get within striking distance with their bids, they can agree on a figure and end the dispute.

The company's goal is to create "one-stop shopping for all parties involved in any dispute anywhere in the world and to resolve that dispute quickly and more efficiently than anyone else," Mr. Israel said.

In addition, he said, the site makes it easier for large organizations with many claims offices to manage their ADR programs. Typically, Mr. Israel said, such organi-

zations lack a firm grasp of what each office is doing. Consequently, he said, individual offices tend to adopt their own rules and styles of negotiating and resolving disputes.

But clickNsettle.com maintains detailed records of every user's online negotiations, including bidding histories. Similarly, the site stores the text of each user's written decisions that result from the in-person mediation and arbitra-

tion transactions. By providing a password, a clickNsettle.com user can gain access to information about all its negotiations through the site.

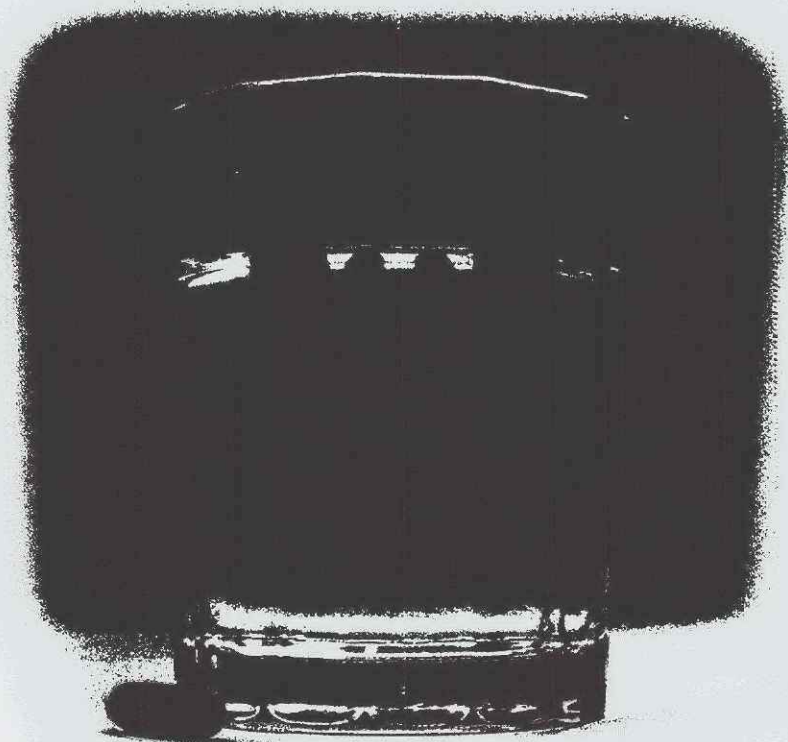
Before the creation of clickNsettle.com, "there was really no way a national or global entity could get its arm around its mediation program," Mr. Israel said.

Over 2,000 companies have registered with clickNsettle.com to

use the Web site. More than 440 of these are insurers; the rest are businesses or law firms that use the service for their own or their clients' disputes, Mr. Israel said. The site received about 3,700 visits per month in the first half of this year.

Sometime next year, clickNsettle.com will unveil a new guideline feature that Mr. Israel said is the final component in a fully managed ADR program for its users. The

feature would permit a single individual—a senior official in a particular company, for example—to create a customized guideline that would indicate to those in the company's individual offices whether the various disputes on which they were working should be mediated or taken to court. Mr. Israel said that such guidelines could centralize the authority to decide whether to pursue ADR. **BI**



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## Empire

*Continued from previous page*  
Empire also developed several applications for plan physicians, who can use the site to file claims, check on the eligibility status of patients and adjudicate claims. This enables doctors to obtain reimbursement for services more quickly, and it allows a physician to inform a patient how much is owed for an office visit at the time of that visit. For health care providers, adjudicating a claim while the patient is in the office is a welcome change from the old mail-based system, which often required days or even weeks to resolve claims.

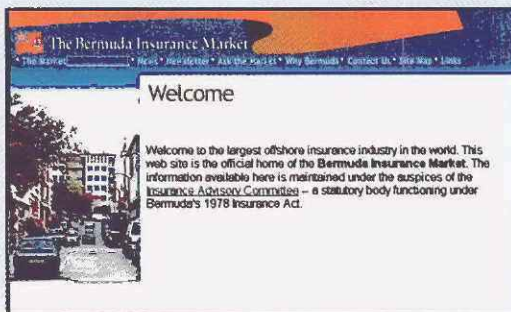
"The ability to understand eligibility is very big with the provider community," he said.

Later this year, Empire plans to add to its site a section for employers. That section will transform the Empire Web site into a complete self-administrative tool, Mr. Smith said, allowing an employer to perform a wide variety of transactions online. Plans call for employers to be able to update lists of eligible members, check on bills and payments made to Empire, and verify coverage details.

In addition, Empire plans eventually to add features that will allow members to enroll through the site and to receive all communication with Empire through e-mail, "so it becomes a completely online process," Mr. Smith said. The new features will reduce Empire's costs for preparing and mailing documents to members, he said. **BI**

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# Bermuda's Web site gives users access to market professionals

By ROBERTO CENICEROS

Risk managers, brokers and other insurance industry participants know Bermuda as a captive domicile and a haven for reinsurers and innovative commercial insurers.

But even market-savvy participants are sometimes surprised by the scope and breadth of in-

urance products and services available on the island, said David Fox, director of information services for the Marketing Committee of Bermuda's Insurance Advisory Committee in Hamilton, Bermuda. To foster a better understanding of those products and services, the Marketing Committee provides an informative Web site, located at [www.bermuda-insurance.org](http://www.bermuda-insurance.org).

The site, titled "The Bermuda Insurance Market," offers a variety of information, including the procedure for incorporating a captive insurance company, a list of all insurance-related companies on the island, an inventory of available coverages and the latest industry news. And Mr. Fox said that one of the site's greatest strengths is a feature that allows visitors to ask questions of industry experts.

"We wanted to create a Web site that was not just a window allowing people to see what is going on in the Bermuda market but allows them to draw closer by getting direct answers from market professionals," he said.

The IAC's Marketing Committee site won the Best of Show award in the Educational/Professional category of *Business Insurance's* Best of the Web contest.

Mr. Fox noted that the Marketing Committee Web site is "noncommercial." The absence of advertising permits users to navigate the site easily, focusing on Bermuda's services and the insurance concerns they need to address, he said.

Bermuda's colorful flag greets visitors, and a single, small photograph of either the island's business infrastructure or its surrounding blue waters adorns each page, but there is little emphasis on the site's graphic presentation. Instead, the goal is to

provide easily accessed information, using pages that were designed with simplicity in mind.

The uncomplicated design, created on a Lotus Notes platform, makes the pages easy to administer and update. Lotus Notes is a groupware application that supports e-mail, scheduling and file distribution.

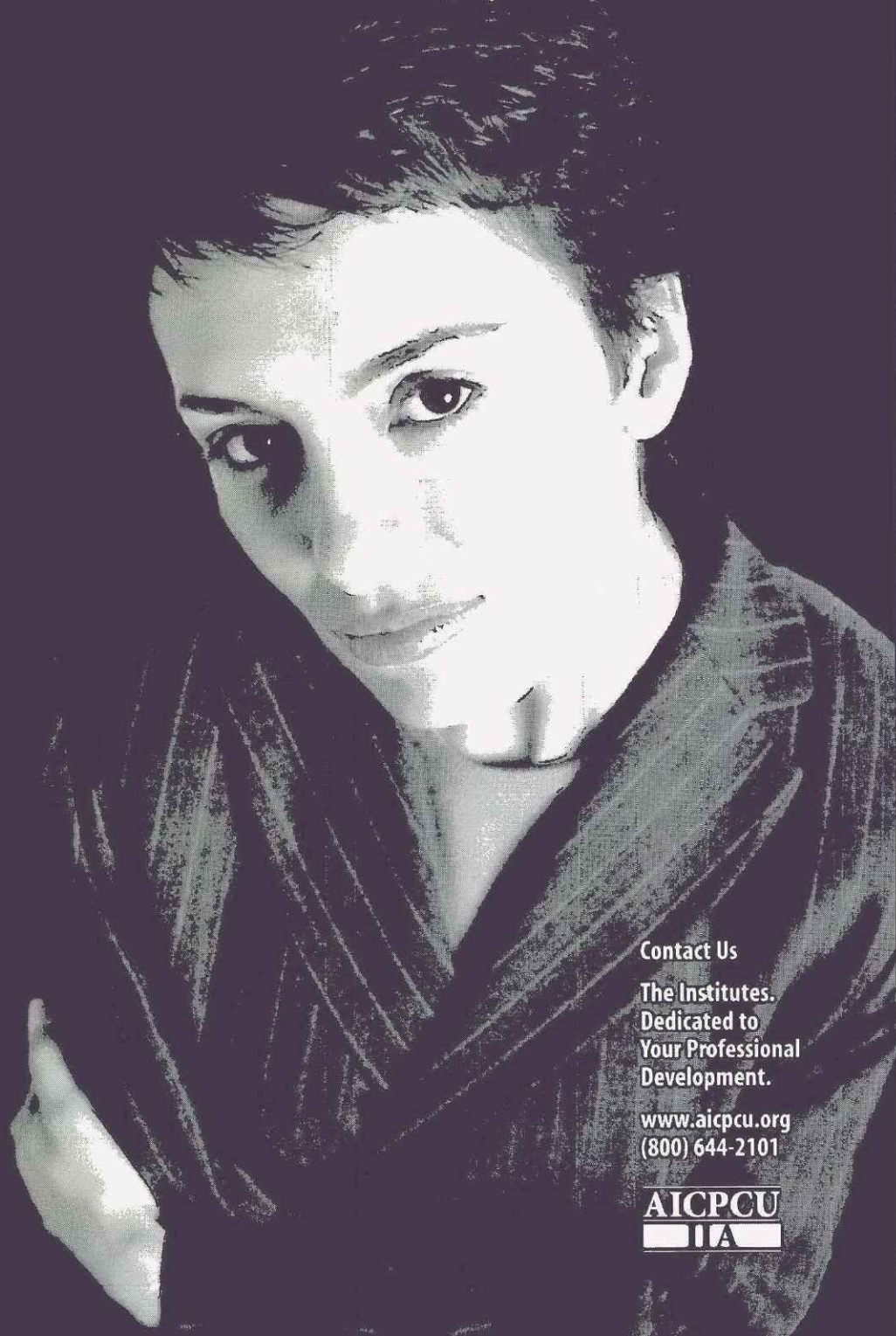
"We didn't want a Web site where you need a few people to keep it running," Mr. Fox said. "We needed one that could be administered by a single layperson."

The site was launched in 1997 but underwent a complete revision in April 2000. About 1,000 visits to the site have been made thus far in 2001, with more than 12,000 page views. Mr. Fox points out that the Web site is intended for a specialty audience and so does not draw as large a number of visits as it might if it were intended for the general public.

Mr. Fox said he measures the site's success not by the quantity of traffic generated but by the types of site visitors. He is especially gratified when risk managers and brokers click onto certain site locations such as the one labeled "Ask the Market." When a visitor asks a question, Mr. Fox forwards it to several experts capable of addressing the matter. If, for example, an individual visiting the site were to seek the viewpoint of a captive manager, Mr. Fox would pass that question on to many captive managers, not just one.

Users of the site "love it, because they get three or four responses," Mr. Fox said. "You don't get one standardized response; you get different responses from different captive managers, reinsurers and others." **B**

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**Launched in:** April 2000.

**Target market:** Risk managers and other buyers of commercial insurance, such as financial officers.

**Strategy:** IRMI.com provides free information, including hundreds of articles on about 50 topics; experts in a wide range

of risk management fields contribute the articles.

Through its Web site, IRMI seeks to reinforce the institute's

 **IRMI.com**

reputation as a premiere source for risk management reference materials, to maintain an ongoing dialogue with its customers and to showcase its products and services.

The site also contains financial ratings and profiles for about 4,000 insurers, with a weekly report of rating changes. In addition, it offers an extensive directory—with Web links—of insurance regulators, associations and companies that serve risk managers.

IRMI.com eventually will serve as a gateway for the purchase of IRMI products; that service is expected to be available in 2002.

— By Roberto Cenicerros

# Hull cover market faces capacity cuts, other challenges

By EDWIN UNSWORTH

GENOA, Italy—The hull insurance market, which already was firming for shipowners this year, is likely to harden even more in the wake of insurance industry losses from the Sept. 11 terrorist attacks in the United States.

Although the marine hull in-

urance market will not directly bear losses from the terrorist attacks, it derives capacity from insurers that will be hit by claims, delegates to hull insurance sessions heard during the annual conference of the International Union of Marine Insurance, held last month in Genoa, Italy.

“Since Sept. 11, the world has changed. The insurance indus-

change,” said Jean-Philippe Pages, chairman of IUMI’s ocean hull committee.

Mr. Pages, manager of the hull and offshore department of Paris-based AGF Marine Aviation Transport, said that although hull insurance rates were already rising, after last month’s terrorist at-

tacks, they will now be “firmly up.”

Tony Nunn, a retired underwriter who served as chairman of the IUMI conference’s hull sessions, said that hull insurance is now at a crossroads.

“The basis on which hull business has been traded to date may no longer be sustainable. See **Hull cover** on next page



try will change. The marine market will change. And, indeed, the hull market will

## Marine

Continued from page 3

most certainly result in reduced capacity for marine risks and higher insurance rates for the marine and offshore energy industries, IUMI delegates were told.

If marine insurers are unable to find sufficient capacity for offshore energy risks, which is already a money-losing sector, underwriters may consider writing this business on a net retained basis, said Dominick Hoare, group energy underwriter for the Watkins syndicate at Lloyd’s of London, who addressed the IUMI conference by telephone.

*‘What reinsurance there will be will be more expensive.’*

— Len Messenger  
IUMI

Mr. Hoare singled out the offshore drilling platform sector as an example of an area in need of changes in underwriting and pricing. Insurance premiums from 1996-2000 totaled \$440 million, while estimated claims were around \$1 billion, producing a loss ratio of more than 220%.

Reinsurance for offshore drilling platforms is already scarce, and “significant re-rating is imminent,” he said.

A substantial increase in the deductibles on coverage for offshore rigs also is needed, Mr. Hoare said. For example, he said, the average deductible for a semi-submersible rig in 2001 is \$250,000, which is unchanged from 1982. Underwriters need to demand a deductible of \$500,000 to \$1 million, he said.

Len Messenger, the chairman of IUMI’s energy and offshore committee, said that marine underwriters are considering writing business on a net retained basis if sufficient reinsurance capacity becomes unavailable. He stressed, though, that it is still too early to know what level of reinsurance will be available to marine insurers, because reinsurers are still assessing their exposures following the Sept. 11 terrorist attacks.

“What reinsurance there will be will be more expensive,” said Mr. Messenger, vp for exploration and production underwriting at Zurich Reinsurance (London) Ltd.

If reinsurance capacity for energy and offshore business proves insufficient for renewals, underwriters are considering insisting on higher retentions by clients and may look at alternative risk transfer mechanisms to help policyholders finance those retentions. **B**

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## Hull cover

*Continued from previous page* and the time is ripe for new concepts and new products that will need to be more robust to override the cycle," Mr. Nunn said.

"It is debatable whether the present marine hull cycle...bottomed in 1999 or 2000. With loss ratios matching the worst experienced in previous downturns, the future of the business once more comes under the microscope," Mr. Nunn said.

Compounding problems, he said, is that the hull market is losing experienced underwriters.

"Many underwriters, including several well-known names, have left the market, either through choice or force," Mr. Nunn said. As a consequence, "there is only a very small number of experienced hull underwriters still active, and the extreme volatility of the business is not attracting new entrants."

Mr. Nunn also questioned the commitment of new capacity to the market. Although "speculative capital" is always available to enter the market in the short term to take advantage of a perceived upturn in pricing, such "speculative short-term opportunism provides no solution to a business which is intrinsically, at minimum, medium term," he said.

Angelo Ansaldo, senior marine underwriter for Italy's largest marine insurer, Genoa-based Societa Assicurazioni e Riassicurazioni S.p.A., said that, along with rising rates, the principles of sound underwriting are returning to the market. "The great majority of international players are operating carefully further toward sound risk analysis, and premiums are rising," Mr. Ansaldo said.

The small core of professional underwriters remaining in the hull market "are in a position to apply better discipline to their underwriting activities," he said.

AGF's Mr. Pages said that more hull underwriters need to improve their risk analysis and claims handling procedures. These practices also must be more transparent, so that shipowners can see what they are paying for and understand why they need to pay more, he said.

Mr. Pages also said that hull underwriters should stop granting full coverage—coverage for both hull and machinery risks—to any but the best shipowner risks.

He pointed out that claims for machinery damage onboard ships can average about \$300,000 before deductibles, while the average annual premium for the risk is just \$30,000 with a deductible of about \$50,000. At that rate, Mr. Pages

said, it would take an underwriter about nine years of premiums to pay for a single average-cost claim.

One reason that tougher underwriting standards and pricing is needed is an increase in the values at risk, Mr. Ansaldo said.

He noted that there is a potential for huge claims arising from the manufacture of high-value modern vessels. A passenger ship of the most-recent generation, for example, can carry 5,000 people, and its hull can be valued at \$500 million, he said. In addition, a container ship today can carry up to 6,000 containers, and crude oil carriers transport increasingly large cargoes, he said.

If hull coverage hardens as a result of the terrorist attacks last month in the United States, that development would also have significant implications for the cruise ship industry, said Enrico Buschi, who is in charge of cruise and passenger ship construction for the Trieste, Italy-based shipbuilder Fincantieri S.p.A.

Mr. Buschi noted that demand for hull coverage is increasing for cruise ship owners because the design and manufacture of these vessels "is presently in a new breakthrough stage" in terms of greater size, structural concepts and sophisticated new technology. **BI**

## Marine volume falls

### 2000 premiums drop 30% from 1995

GENOA, Italy—Global marine insurance premiums have steadily declined over the past five years, driven largely by soft pricing.

Norway's Central Union of Marine Underwriters, or Cefor, presented its yearly report on marine insurance statistics dur-



ing the annual conference of the International Union of Marine Insurance, held last month in Genoa, Italy. The statistics are drawn from the member associations of IUMI, which represent national marine insurance companies.

As of the end of August, 45 out of 55 IUMI members had reported the 1999 premiums for their countries' marine markets, and 41 had reported the 2000 premiums. Those numbers represent 95% and 93%, respectively, of the total marine insurance premiums written by IUMI members, according to Oslo-based Cefor.

Projecting total global marine

insurance results based on those figures, Cefor estimates that marine premiums were \$11.59 billion in 2000 and \$11.63 billion in 1999. The 2000 figure is down 30% compared with 1995 premiums.

Looking at just the premium figures reported by IUMI members as of the end of August, Cefor said that:

- Marine insurance premiums were \$10.84 billion, down 1.9% from 1999 and

- 10.5% from 1998.

- Hull insurance premiums were \$2.61 billion in 2000, down 6.0% from 1999 and 15.2% from 1998.

- Cargo insurance premiums were \$6.49 billion in 2000, down 4.7% from 1999 and 11.7% from 1998.

- Marine liability premiums were \$1.02 billion, up 33.2% from 1999 and 15.6% from 1998.

- Offshore energy premiums were \$719 million, up 17.7% from 1999 and 1.8% from 1998.

The Cefor report on marine insurance premiums can be downloaded from the organization's Web site, located at [www.cefor.no/index.htm](http://www.cefor.no/index.htm).

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# Cargo remains weak sector in marine market

By EDWIN UNSWORTH

GENOA, Italy—While pricing in other sectors of the international marine market have started showing signs of firming, cargo insurance remains a good buy for shippers.

Delegates at the International Union of Marine Insurance's annual meeting, held Sept. 16-19 in Genoa, Italy, were told that cargo insurance rates, while rising, are still too low for underwriters to make a profit.

As a result, it has been another tough year for cargo underwriting, an insurance executive says.

"The hardening of most markets has been tempered by poor cargo re-

marine cargo policies.

Meanwhile, IUMI delegates were warned about potential losses to cargo posed by weather risks.

Thomas Loster, head of weather/climate risk research in the GeoRisks Research unit of Munich Reinsurance Co. in Munich, Germany, warned delegates that insured cargo losses from one "normal" hailstorm could total approxi-

mately 2% of annual global cargo premiums. Two such events, he said, "may determine whether we make a profit in our industry."

In addition, he said, a study undertaken at the Port of Hamburg, Germany, indicated that with more than \$3 billion of cargo typically at risk in the port at any time, potential losses for cargo insurers from a "severe" storm surge could exceed \$10

million and from a "very severe" storm surge could reach \$150 million.

A single major event "may wipe out some 50% of our annual cargo income," Mr. Loster warned.

Another speaker warned of risks to shipping from climate change.

Peter Cullen, senior partner in Montreal-based law firm Stikeman Elliott, said climate experts believe

that global warming may lead to less ice in northern waters. That also means, he said, that pieces of older, harder ice will break loose from ice caps and flow into shipping lanes. At the same time, as ice recedes or disappears from the Great Lakes and the St. Lawrence River and Gulf, it could result in higher water levels and changes in shipping patterns, he added.

*Cargo underwriters must 'tighten up our approach to the marketplace by meeting the demands of our clients, while avoiding wasting our capacity on practices that have little or no underlying value.'*

— Carlo Franchini  
Assitalia

sults overall," said Carlo Franchini, who presented the IUMI Cargo Committee's report to the gathering.

Speaking by telephone to the group, Mr. Franchini, a cargo underwriter with Rome-based insurer Assitalia-Le Assicurazioni d'Italia S.p.A., said the lack of cargo profitability "remains alarming."

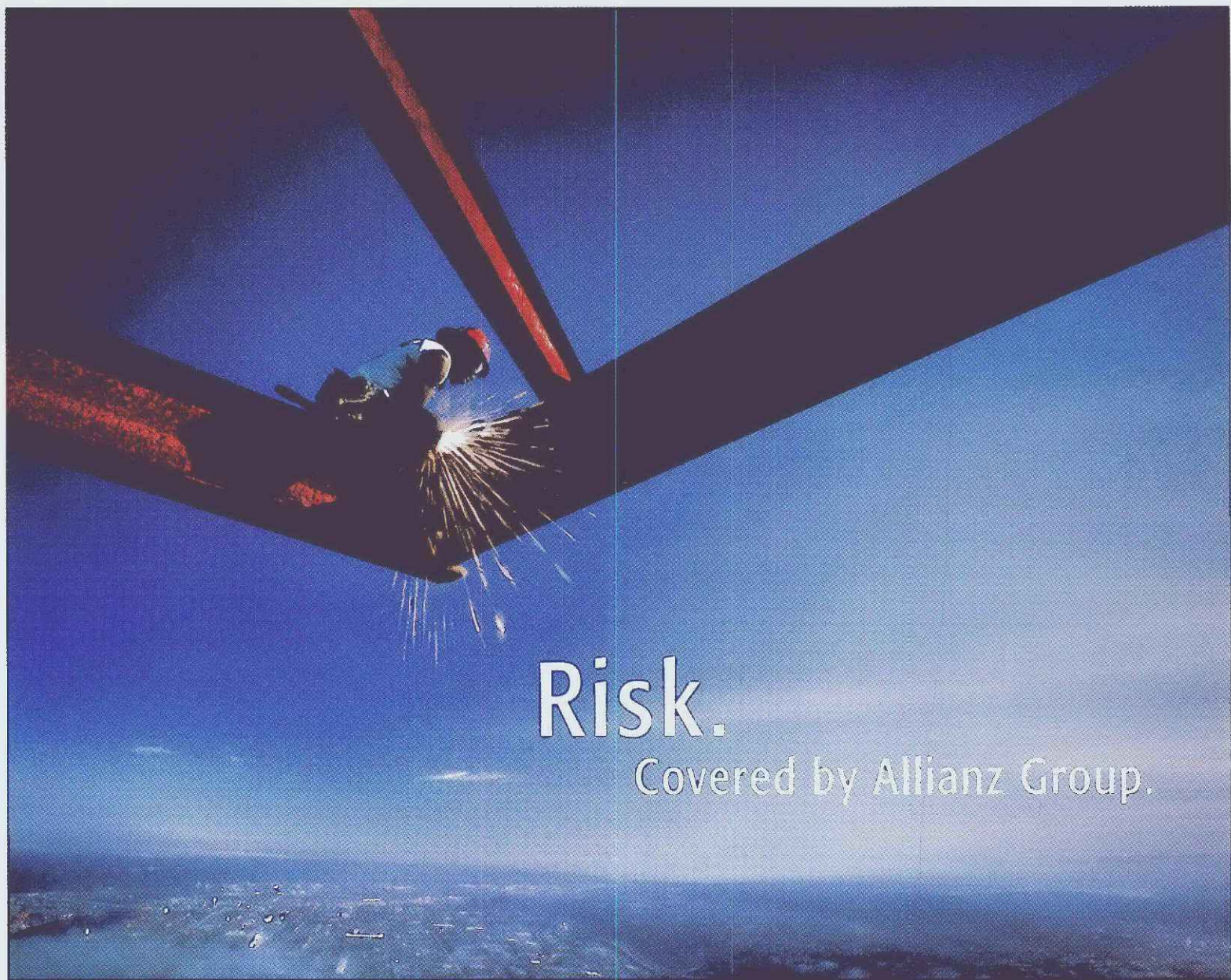
The Central Union of Marine Underwriters of Oslo, Norway, reported at the meeting that global cargo premiums—which account for about 60% of total marine premiums—for 2000 were \$6.49 billion, down 4.7% from 1999 (see story, page 42). This represents a steady decline since the peak of 1995, when cargo premiums totaled more than \$8.00 billion, the group's statistics show.

During the period from 1994 to 1999, Mr. Franchini said, the rates charged for this line of insurance have fallen about 30%. But this has occurred against a backdrop of record growth in international trade, he added.

The solution to improving underwriting profitability, however, lies not only in higher rates and tougher underwriting criteria, Mr. Franchini said. Cargo underwriters must "tighten up our approach to the market place by meeting the demands of our clients, while avoiding wasting our capacity on practices that have little or no underlying business value," he said.

Despite poor results, cargo underwriters face continued pressure from shippers and brokers to provide, for example, global policies, multi-line/multi-year policies and to include coverage for goods in storage as part of marine cargo policies, Mr. Franchini noted.

Demand also is increasing, he said, for political risks, war on land, misappropriation and consequential losses coverage to be included in




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# Attacks keep attendance at IUMI down

GENOA, Italy—Attendance at this year's International Union of Marine Insurance annual conference was down by around 20% due to last-minute cancellations following the Sept. 11 terrorist attacks.

The number, expected to have been about 500—the same as at the London meeting in 2000—was down to 397. The decline came from a near-nonattendance of delegates from the United States, the United Kingdom and Japan, where key underwriters stayed at home out of sympathy and to help assess damage to their insurance markets. Even IUMI President Richard DeSimone, the New York-

based president of global marine for The St. Paul Fire & Marine Insurance Co., was unable to attend and addressed the conference by audiovisual linkup.

At the meeting, held Sept. 16-19 in Genoa, Italy, Len Messenger, the chairman of IUMI's energy and offshore committee, told attendees that offshore energy capacity is shrinking—\$3.25 billion in 2001 compared with \$4.08 billion in 2000—though it still exceeds the approximately \$2.0 billion of capacity actually used this year.

Worldwide offshore energy capacity is about five times greater than demand, said Mr. Messenger, who is also vp, exploration and

production, at Zurich Global Energy in London.

The latest loss ratio for offshore energy insurance market is 106%, he noted. A key reason for this hardening is the explosion and sinking of the Petroleo Brasileiro S.A. P-36 oil rig off the coast of Brazil in March. That loss cost insurers about \$500 million, which represented approximately 60% of current worldwide offshore energy insurance premiums, he said.

Other executives of the global marine insurance market presented overviews of the cargo and hull markets (see related stories).

The IUMI meeting's venue, Genoa, is one of the Mediter-

anean's leading ports and home of Italy's largest marine insurer.

The host organizer for this year's conference was l'Associazione Nazionale fra le Imprese di Assicurazione, Italy's national association of insurance companies.

This year's theme was "Partners in Commerce." ANIA President Alfonso Desiata said in the keynote speech that this was chosen to highlight the importance of cooperation in trade and transport by all parties to the chain, from shipper to vessel owner to insurer.

Mr. Desiata also gave figures showing the depressed state of the Italian marine insurance market, which were typical of the state of

the global marine insurance industry. Marine premiums totaled about 600 million euros (\$550.3 million) in 2000, representing less than 2% of the entire Italian non-life insurance market. The loss ratio for hull business was 145% and was 68% for cargo, compared with 83% for the nonlife market as a whole.

As a result, the number of insurers operating in the field is continuously decreasing, falling in the hull class to 60 from 69 between 1997 and 2000 and in the cargo class to 79 from 82.

Next year's IUMI conference will be held in New York Sept. 15-18, hosted by the New York-based American Institute of Marine Underwriters. Information will be available at [www.iumi-newyork-2002.org](http://www.iumi-newyork-2002.org). **BI**

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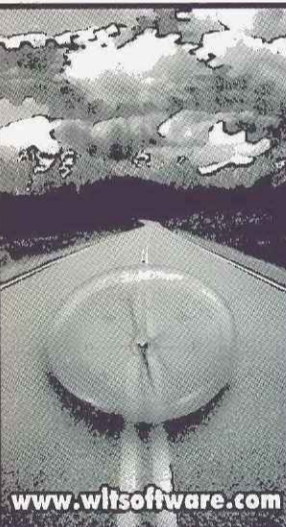
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## GLOBAL BRIEFS

The Comité Européen des Assurances, the Paris-based trade association of European insurers, will undertake an in-depth study of insurance coverage against terrorism following the Sept. 11 U.S. terrorist attacks. The CEA said its study would examine both public and private coverage mechanisms and propose changes where appropriate. In addition, the association plans to review regulatory and accounting provisions that may come into play as a result of major terrorism losses for insurers. The CEA intends to work with the European Commission and national governments....The events of Sept. 11 have also led Moody's Investors Service to initiate a review of its Aaa financial strength rating of **Munich Reinsurance Co.**, and its debt and financial strength ratings for Munich Re's U.S. subsidiary, American Re-Insurance Co., for possible downgrade. Moody's stated that Munich Re, along with other reinsurers, faces a high level of uncertainty in estimating losses from the recent terrorist attacks due to its remoteness from the businesses insured and the complexity of the coverages and contracts that are affected....French insurer **AXA Group** and bank **BNP Paribas S.A.** have signed a draft agreement to "pursue industrial cooperation." Under the agreement, each company would continue to retain a minimal reciprocal shareholding in the other, combined with a mutual pre-emption right in the event of a change in capital ownership and control of either company. AXA currently controls 7.0% of BNP Paribas shares, and the agreement calls for it to retain a minimum of 4.9%. The bank controls a 22.25% shareholding in Finaxa, AXA's holding company, and 2.0% of AXA shares. The agreement is valid for three years with an option to renew.... **Sampo Insurance Co. Ltd.** has cancelled its takeover bid for Norwegian insurer **Storebrand A.S.A.** after Sampo failed to acquire a sufficient number of Storebrand shares. Helsinki, Finland-based Sampo's offer for Oslo-based Storebrand was launched in June and expired on Sept. 28. Sampo was unable to obtain acceptances that would allow it to buy the 90% of Storebrand's shares it needed under the terms of the offer....Loss adjuster and insurer services provider **Crawford & Co.** has been granted a license to operate in Vietnam. **Crawford (Vietnam) Ltd.** has offices in Hanoi and Ho Chi Minh City....**Trenwick Group Ltd.** has revised its estimated net losses from the Sept. 11 terrorist attacks to \$100 million. The Hamilton, Bermuda-based reinsurer previously estimated that it would pay \$75 million in claims related to the attacks. The revised figure is based on an industrywide loss estimate of \$35 billion to \$40 billion, **Trenwick** said....**Wellington Underwriting P.L.C.** has sharply increased its estimate of net losses from the Sept. 11 terrorist attacks to £50 million from £30 million (to \$73.7 million from \$44.2 million). It said the adjustment is primarily due to new data on its exposure as a reinsurer. **Wellington** also announced it will double its Lloyd's of London syndicate 2020's underwriting capacity to £1 billion to reflect the "dramatic" hardening of insurance rates and will explore further options to raise additional capital....**Zurich Global Energy** has named **Carla R. Greaves** vp and global casualty manager in Bermuda. She previously was the insurer's branch manager in Bermuda.

## Shift from defined benefit to be slow

## Japan allows DC pension plans

By MICHAEL BRADFORD

Employers in Japan now can set up defined contribution pension plans, but the move away from defined benefit plans is expected to be a slow one.

A new law that went into effect Oct. 1 in Japan permits employers to set up plans modeled after the 401(k) plans used in the United States. The plans also are portable, allowing workers to transfer their pensions when they change jobs.

Before the change, Japanese law allowed only defined benefit pension plans.

The change will give Japanese employers an alternative to defined benefit plans, which often are underfunded. Defined contribution plans also would allow employers to shift to employees some of the liability associated with making investment decisions.

The growth in the use of defined con-

tribution plans will be gradual, but the pace will increase in the coming years, experts on the Japanese pension system say.

"It's definitely going to pick up once companies start converting their defined benefit plans to defined contribution plans," said Henry Yan, international employee benefits consultant with Price-waterhouseCoopers in London.

One factor that will slow the growth of the plans is the need to educate employees about investing, he noted. "It's going to take 15 years or more for them to become educated in the equities market," in much the same way U.S. workers took about a decade to learn how to invest in 401(k) retirement savings plans, Mr. Yan said.

While media reports about the new plans have been abundant, Japanese employers have been slow to educate work-

ers about the change, Mr. Yan said. Because of Japan's sluggish economy, making pension plan changes has not been a high priority for employers, he explained.

"The question is, are Japanese employees ready to take control of their finances?" said Charles Ruffel, chief executive officer of Japanpensions.com, an Internet information service for pension plan sponsors, which is based in Greenwich, Conn. As for workers and their companies, "there are going to be aspects of this that are learned on the fly by the Japanese. In theory, they should be able to learn from the mistakes we made" in the United States, he said.

Mr. Ruffel said that the move to defined contribution plans would be slow but sure.

The new law gives Japanese employers

See **Japan** on next page

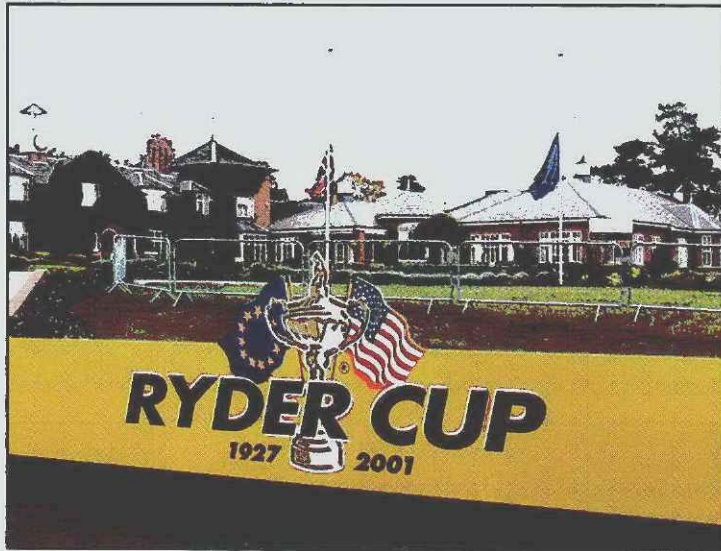


PHOTO: AFP

The 2001 Ryder Cup golf matches, scheduled for Sept. 28-30 in England, were postponed until 2002 because of the Sept. 11 attacks.

## Canceled events prompt claims, coverage crunch

By CAROLYN ALDRED

LONDON—High-profile event cancellations in the wake of the Sept. 11 terrorist attacks, such as the postponement of the Ryder Cup golf tournament, are giving rise to insurance claims, and event organizers are finding it increasingly difficult to insure events in the London market.

Faced with many claims, cancellation underwriters are excluding terrorism from standard event-cancellation policies and are hiking rates as capacity shrinks, brokers say.

The cancellation market "no longer is providing any form of terrorism cover as part of a standard policy. Some underwriters may be prepared to write it separately, but for very high rates," said Lloyd's of London underwriter Danny Burns, chairman of Lloyd's Contingency Business Panel.

"The extent of the loss (to the London market) was not contemplated by anybody. It is like an open wound. Everybody is assessing what the degree of change will be and how to price cover when they don't yet know the full consequences," said Mr. Burns, who is contingency underwriter for syndicate 102, managed by Goshawk Syndicate Management Ltd.

Policy wording for cancellation insurance likely will become more restrictive, and policies may not cover terrorism at this point, said David Close, a broker with London-based Adam Brothers Contingency Ltd.

Meanwhile, rates for cancellation coverage may be increasing by at least 50% in certain cases, Mr. Close said. Significantly higher prices may prompt certain companies to consider the economics of buying

See **Canceled** on next page

## Buyers in London seeing prices rise, terror cover vanish

By CAROLYN ALDRED

kers agreed.

LONDON—Commercial property/casualty insurers in the London market are implementing terrorism exclusions, capacity restrictions and large rate increases as policies come up for renewal.

In expectation of massive losses following the terrorist attacks in the United States on Sept. 11, the London market is struggling to curb its exposure to future terrorist losses and recoup some of its existing losses.

And with capacity restrictions also being imposed, risk managers with programs placed in London may have to restructure their programs.

Some policyholders also face canceled insurance coverage as at least one Lloyd's of London syndicate last week issued notices of cancellation on some of its policies expiring after Dec. 31, 2001.

Underwriters and brokers in London point out that the market is changing daily, almost hourly. The market is in turmoil and risk managers will find renewals tough and expensive, they say.

"The market is all over the place in terms of pricing. It is going to take several weeks to find a level," said John Eltham, director of the special risks unit of London-based broker The Miller Insurance Group Ltd.

"The market is very fluid, it is changing continually," noted another broker, who did not wish to be named.

One change that seems certain, however, is the removal of terrorism coverage in most property/casualty programs.

Last week, almost no insurers in the London property/casualty market would include insurance for terrorism in standard commercial insurance programs, bro-

Most insurers are adding a newly drafted war exclusion, which now includes terrorism, into standard property and casualty policies. Some are prepared to write terrorism as a stand-alone coverage, but most will not offer any cover for terrorist risks, they say.

"After the events of Sept. 11, underwriters now are not prepared to include terrorism as part of a standard property cover. Underwriters believe terrorism cover may well be excluded by reinsurers, at renewal of their treaties, and are not prepared to write the business without reinsurance," said Alastair Blades, property underwriter for syndicate 623, managed by Beazley Furlong Ltd.

Risk managers with renewals after Oct. 1 will likely have to buy terrorism insurance as a stand-alone policy or accept that their property will not be insured for terrorism incidents.

"We have added terrorism to our standard war and civil war exclusion and clients understand and are accepting this," said Mr. Blades.

The exclusions are, in part, a response to a lack of reinsurance coverage. Several property facultative reinsurers have indicated that they will no longer cover terrorism risks. As a result, most underwriters expect most reinsurers likely will exclude terrorism coverage in January 2002 treaty renewals.

A spokesman for Munich Reinsurance Co., in Munich, Germany, said: "Terrorism has a new dimension. The size of the New York losses were not imagined before. It is quite clear that this peril has to be reconsidered thoroughly. This is the beginning of the renewal season and I imagine

See **Changes** on page 47

## Japan

Continued from previous page  
the opportunity to move away from defined benefit plans, which for most companies are showing significant shortfalls. "It's in their interest to move away from the huge defined benefits sinkhole" to a plan that transfers the risk of investing to employees, Mr. Ruffel said.

However, the law requires an employer to make whole its defined benefit plan before a defined contribution plan can be implemented.

Mr. Yan said that the first employers to begin offering defined contribution plans likely would be those with no pension offerings in place. Given the huge shortfalls in most defined benefit plans and the sluggish economy, erasing the deficits will take

time, he explained.

If a company has both a defined benefit and a defined contribution plan, it can contribute no more than 216,000 yen (\$1,792) per year to each account in the defined contribution plan.

If only a defined contribution plan is offered, the annual contribution to an employee's account can be as high as 432,000 yen (\$3,585).

The new plans also can be transferred when an employee changes jobs. As Japanese society has moved away from an employment environment in which workers generally stayed at the same job for life, portability of pension plans has become important, Mr. Yan said.

"That's a very big change," he said. "Under a defined benefit plan, they could only take their benefits when they retired." **BI**

## Canceled

Continued from previous page  
coverage, particularly because their other insurance costs may rise as well, he said.

James Hopper, a cancellation broker with Marsh Ltd. in London, said he had already received many inquiries from clients who were anxious because they have not bought cancellation coverage.

However, at least one syndicate was still willing to include coverage for terrorism in event-cancellation policies last week, although on a limited, case-by-case basis.

Davić Bruce, cancellation underwriter for syndicate 33, managed by Hiscox Syndicates Ltd., confirmed that he would cover terrorism for certain risks—for a "substantial" premium.

Mr. Bruce made his remarks shortly before a two-day visit with

his reinsurer in Munich, where he planned to discuss coverage matters. Insurers and brokers expect many

*A claim believed to be about \$12 million is being processed in London over the Ryder Cup golf tournament being postponed.*

claims will be paid for events cancelled immediately following the attacks, although underwriters are likely to balk at claims for events cancelled weeks later.

Among the cancellation claims currently being settled in the London market is a claim for the postponement of the Ryder Cup, a biennial golf competition among teams from Europe and America. The tournament, which was scheduled for Sept. 28-30 in Sutton Coldfield, England, was postponed until next year, after the American team decided against attending so soon after the World Trade Center tragedy. A spokesman for Warren, N.J.-based Chubb Corp., which leads the insurance coverage for the event, declined to comment on the policy, as did London-based Marsh, which placed the risk.

Sources in the London market confirmed, though, that the claim, which is believed to total about \$12 million, is being processed.

Goshawk Chief Executive Andrew Gammell confirmed that syndicate 102 expects to pay a claim on the policy. **BI**

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TAKE FURTHER NOTICE, that on October 1, 2001, the Circuit Court of Cook County, Illinois, entered an Order Fixing Rights and Liabilities and Providing for the Filing of Claims and the Setting of Claim Filing Deadlines ("Fixing Order"). Pursuant to the Fixing Order, all rights and liabilities of APIC and its policyholders, creditors and stockholders, and all other persons interested in its property or assets, are fixed as of August 16, 2001, unless otherwise provided in subsequent orders of the Court.

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# INTERNATIONAL Changes

Continued from page 45  
that the whole market is going to be very, very prudent regarding this risk."

But Mr. Blades of Beazley Furlong, as well as some other underwriters, will write terrorism coverage on a stand-alone basis. By writing the coverage under a separate policy, insurers can more accurately assess and price their exposures, said Mr. Blades.

Mr. Eltham of Miller said that while some syndicates still are prepared to write terrorism risks as a stand-alone coverage, capacity is limited.

Capacity of up to about \$300 million is available in London, but underwriters are closely examining their total aggregates for terrorism exposure, he said.

Even with terrorism excluded from most policies, risk managers with upcoming renewals in London face huge price increases and reductions in coverage, brokers and underwriters say. Indeed, they say, renewals will be an uphill battle, as buyers try to place programs in a market faced with huge losses and dramatically reduced capacity.

Last week, syndicate 1009, managed by Markel International Ltd., issued notices of cancellation on some policies covering hull, cargo, specie, energy, liability and property risks as it sought to put a new reinsurance program in place. The canceled policies have expiration dates after Dec. 31, 2002, the date at which the syndicate's current reinsurance program is due to be renewed.

Markel is seeking to place a new reinsurance contract, "which will

be effective within the next few weeks," said Jeremy Cooke, president of Markel International.

The syndicate "can extend the affected policies by a maximum of 30 days and can still offer net lines on new business if required," Mr. Cooke said.

Meanwhile, in the nonmarine market, U.S. property accounts face rate increases of between 75% and 400%, estimated one leading London property underwriter, who did not wish to be named.

In addition, capacity has fallen, as insurers facing large losses have withdrawn from some lines of business and other insurers fearing a contraction in reinsurance capacity have curbed their own activities.

As a result, risk managers may have to restructure their programs and pay two to three times more for less coverage, he said.

Brokers confirmed that some U.S. accounts were being charged multiples of the rates used last year.

"A lot of capacity has gone out of the market in many areas, and no one is certain what is going to happen. We are being told that we are looking at a long-term struggle," said David Gamble, executive director of the Assn. of Insurance & Risk Managers in London.

French risk manager Thierry van Santen, incoming chairman of the Federation of European Risk Management Assns., said "the situation is changing every day, and much depends on what the reinsurers will do."

While the market was hardening before the attacks and risk managers were expecting increases of between 25% and 30%, risk managers in Europe now are looking at rate increases of at least 40% to 50% across the board. **B**

## Allison

Continued from page 3

of rain before swinging across Louisiana, Mississippi and Florida and then heading up the East Coast. The storm caused damage as far north as Pennsylvania, where it left \$215 million in insured property losses, and in New Jersey, where PCS recorded another \$10 million in property losses.

Tom Upman, vp of property claims at CNA Financial Corp. in Chicago, said the storm, particularly in Texas, "was clearly an event that extraordinarily impacted the commercial lines as opposed to personal lines business. Because of the magnitude of the storm that "camped out over Texas...you can understand why it impacted the commercial lines book of business the way it did," he said.

That Allison was an aberration in terms of the amount of commercial damage it produced is "an absolute certainty," said Joe Williams, chairman and chief executive officer of Houston-based brokerage Wisenberg Insurance + Risk Management. "This storm devastated a considerable number of downtown buildings and totally devastated the Texas Medical Center," he said.

Baylor College of Medicine, located at the Texas Medical Center complex, suffered a loss of around \$495 million, including property damage and business interruption expenses, said a Baylor spokeswoman. The largest part of the loss was due to floodwaters that rushed into lower floors and ruined research labs, a bookstore and a cafeteria. Around 30,000 research animals, mostly mice and rats, perished in

the floodwaters.

Coverage written by Zurich North America will pay for an undetermined portion of Baylor's losses, the spokeswoman said.

The Harris County Appraisal District put damage at \$960 million to 526 commercial buildings in Houston. Another \$122 million in inventory was damaged. Those figures do not include damage to medical, government and arts buildings or to property outside city limits.

"This is the first time we've seen this type of thing," said the

*Tropical Storm Allison 'was clearly an event that extraordinarily impacted the commercial lines business.'*

— Tom Upman  
CNA Financial Corp.

district's chief appraiser, Jim Robinson. Houston has experienced significant flooding in the past but nothing of Allison's magnitude, he noted.

Much of the downtown flooding occurred when water rushed through a series of tunnels, ruining underground restaurants and shops. The water found its way into lower floors of buildings adjacent to the tunnels.

Mr. Upman of CNA pointed out that "the vast majority of commercial policies" do not cover flood damage. Instead, that coverage has to be written separately, carrying its own limits

and deductibles.

Because commercial property owners in many cases had no flood coverage, that could be part of the reason there were far fewer commercial lines claims than those from personal lines policyholders, Mr. Upman suggested.

Some property owners already are making changes to prepare for the potential for future flooding.

Baylor College of Medicine, which still does not have access to its basement and sub-basement, is conducting an analysis to determine where and how water entered the building. A retaining wall has been put in place where it is evident that water entered, and a berm that protects a courtyard has been shored up. Plans call for flood doors to be installed in other areas.

The spokeswoman for the facility said the storm was of such magnitude that planning for it was nearly impossible. "It was such an unusual storm in that it hung over the medical center," she said. "Even if we were planning for a worst-case scenario, we never would have anticipated that much rain from a single storm."

The city of Houston, which suffered around \$39 million in damage to its property, is looking at ways to prevent water from rushing into the tunnel system, said a spokeswoman for Houston Mayor Lee P. Brown's office. So far, no solutions have emerged.

Mr. Robinson, the appraiser, said, "There's going to have to be some money spent by owners of some of the major buildings" in Houston's downtown to put in "safeguards to prevent that type of flooding in the future." **B**

## Pointing out polluters

Agency report faults management attitudes

By CAROLYN ALDRED

Companies must do more to prevent pollution, the chief executive of the Environment Agency for England and Wales says in a recent agency report.

Last year, the Environment Agency prosecuted nearly 700 businesses and individuals for serious pollution offenses, according to the report. The offenses usually involved negligence, deliberate acts or basic management failings, the report says.

"Businesses must understand their responsibilities to the public and the environment. We need to see a culture change across management, with zero tolerance for pollution, replacing apathy and acceptance of poor environmental performance," says Environment Agency Chief Executive Barbara Young in the report.

The report, titled "Spotlight on Business Environmental Performance," lists the companies most frequently prosecuted by the Environment Agency for pollution in 2000, ranking offenders by the size of the fines levied against them.

The report notes that seven company directors and senior managers were personally convicted or fined as a result of prosecutions undertaken by the

agency in 2000.

"Pollution incidents occur through businesses failing to put in place adequate environmental management systems and because they have not provided sufficient training and awareness programs for their staff. We call for company boards to take responsibility," Ms. Young says in the report.

The report also calls for an increase in the level of fines imposed by courts on companies and individuals for pollution offenses.

"Most fines that the courts impose still do not reflect the high impact that pollution incidents have had on the environment and human health. Low fines continue to be an insufficient deterrent, as it can be cheaper to pollute than put in place measures to prevent pollution occurring in the first place," writes Ms. Young. She adds that "the Environment Agency will enforce environmental standards, but fines will need to substantially increase for businesses to understand the environment's true value, and the business risks and liabilities they face."

The report can be viewed on the Environment Agency's Web site, [www.environment-agency.gov.uk](http://www.environment-agency.gov.uk).

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## COMMENTARY

# Don't believe all that you read

Shortly after the attack on the World Trade Center, the Internet was abuzz with a fast-moving rumor that the tragedy had been predicted hundreds of years ago by the French astrologer Nostradamus, who allegedly said that the disaster would start a third world war.

The No. 1 search term on various Internet search engines for a while after the attacks was "Nostradamus," as people around the world sought out more information on the 16th century French mystic. The search engine Google and online retailer Amazon.com were among the sites that saw searches for "Nostradamus" spike, outnumbering all other inquiries for a time. And a Web site maintained for the study of Nostradamus' writings, [www.nostradamus-repository.org](http://www.nostradamus-repository.org), has shut down some of its features until the frenzy subsides, as traffic has overloaded the site's resources.

Several quatrains attributed to Nostradamus were making the rounds after the WTC attack.

One reads:

*In the City of God there will be a great thunder,  
Two brothers torn apart by chaos,  
While the fortress endures, the great leader will succumb.  
The third big war will begin when the big city is burning.*

Another says:

*In the year of the new century and nine months,  
From the sky will come a great King of Terror.  
The sky will burn at forty-five degrees;  
Fire approaches the new city.*

After a time, the cynical mainstream news media did its best to quash all hope that this rumor has any basis in fact. They pointed out that the quatrains were cited as having been written in the 1650s, while Nostradamus died in 1566. They said that he never even wrote the

words above, or that some lines were taken from actual quatrains from his writings and mixed up with nonsense. They sneered at the possibility that a rural French seer could, only a couple of decades after Columbus set foot in the New World, foresee the destruction of twin skyscrapers in Manhattan by jet airplanes, more than 500 years into the future.

But keeping an open mind, and being a faithful reader of The Weekly World News, I decided to peruse the writings of Nostradamus and learn for myself whether his predictions foretold current events. I was amazed at what I discovered.

There is a quatrain that reads:

*After a day of much toil,  
A traveler will fall into a deep pit,  
Creating a great explosion  
That will cause much sorrow and strife.*

This is amazing: Last week, while driving home from the office, I hit a giant Chicago pothole and blew out a tire! And I was really upset at the cost of replacing it the next day, but not half as upset as my wife, who scolded me for not taking the train to work. How could he have known this? I read on:

*In a dark place, something awaits  
Left behind by the clawed beast,  
To be discovered by the unwary.  
It is foul and unnatural.*

Well surely this refers to the surprise I had a few months ago, when I put my foot into one of my shoes and discovered that one of my cats had only recently deposited a giant hairball within. When it comes to predicting misfortune, this guy was really on the ball! Incredible!

How about another:

*In the lane bounded by the Wall  
The egg will crack wide open  
And the treasure within will vanish  
As speculation gives way to hysteria.*

OK, this is eerie. It describes exactly what has happened to my retirement plan investments in the stock market over the past year. I try one more:

*In the third millennium, the day will come  
When the bear child will rise up  
After a long period of slumber  
To defeat all foes and reign again.*

All right! I told you the Cubs would win the World Series! Now you know this guy is right on the money. Believe it, or not.

Editor Paul D. Winston's commentary appears fortnightly and on [www.businessinsurance.com](http://www.businessinsurance.com). He can be reached at [pwinston@crain.com](mailto:pwinston@crain.com).

## Interrupted

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access to the place of business is prohibited by order of civil authorities, such as the police. The ingress/egress endorsement responds if income is lost because a business owner cannot access the business because of an impediment, such as a flood. Service interruption coverage pays if utilities are cut off, and contingent business interruption pays if losses are incurred because other entities upon which a business is dependent fail to provide goods or services necessary to its operations.

"In 25 years, I have never seen a loss of such immense complexity. Most interesting is the convergence of exceptionally broad coverage, much of which was placed in soft markets, and the unprecedented losses to financial institutions, many of which have never before experienced a business interruption loss, let alone of this magnitude," Mr. Dempsey said.

"Many corporations have announced publicly that they expect insurance to respond to their losses. The insurance markets are privately stating otherwise," he said. "It's going to be very interesting going forward. The big question in my mind is, with so much money at stake, can coverage litigation be far behind?"

Because of the wide variety of coverages available and the extended time periods that may be involved, the full cost of business interruption claims resulting from the Sept. 11 attacks may not be known for as long as a year, said Donald Griffin, director of business and personal lines for the National Assn. of Independent Insurers in Des Plaines, Ill.

Furthermore, the loss figure may grow over time if telecommunications problems persist, particularly for financial services companies, and if contingent business interruption losses mount, according to the NAI.

"Most markets have not taken positions on the magnitude of business interruption coverages," said Paul McVey, national property claims practice leader for Marsh Inc. in New York.

Mr. McVey said he expects, though, that some coverage discussions about contingent business interruption claims filed by businesses outside of the affected area, as well as some claims by hotels, will be "difficult."

The broker will go to bat for these clients if there is a logical argument for coverage, he said.

Lance Ewing, senior director of insurance and loss prevention at Las Vegas-based GES Exposition Services, said he is prepared to litigate if necessary to obtain reimbursement for the income lost when trade shows were canceled after the attacks.

Throughout the exposition industry, more than 200 trade shows and conventions have been canceled, he said, adding that "well over 50" were being conducted by GES. "It's cost-

ing us millions," Mr. Ewing said.

In addition, civil authorities forced GES to shut down shows in Atlanta, the District of Columbia, Orlando and San Francisco, he said. And in New York, GES was ordered to evacuate the Jacob K. Javits Convention Center, where it was conducting a manufacturers show, immediately following the attack, so that the facility could be used as a makeshift morgue, Mr. Ewing said.

"At this point in time, we're using our broker to help with the claim," he said. GES' insurance broker is Willis North America Inc. Mr. Ewing said he is "cautiously optimistic" that GES' insurer, Factory Mutual Insurance Co., will pay the claims. Johnston, R.I.-based Factory Mutual does business as FM Global.

A spokesman for FM Global declined to discuss specific claims related to the attacks and said the insurer has not taken a stance publicly on business interruption claims.

"Will it be contentious? Yes," Mr. Ewing said. "Will there be litigation? Possibly."

*Many companies 'think they're not covered...but they should review their business interruption policies.'*

— Rebecca Szelc  
Deloitte & Touche L.L.P.

Marriott International Inc.'s director of insurance, Hector A. Mastrapa, said he hopes his longstanding relationship with his insurer will make the resolution of the Washington-based hotelier's business interruption claim a little easier.

Marriott manages 800 hotels across the country, 90% of which are covered by a single blanket property policy underwritten by FM Global, Mr. Mastrapa said.

Marriott meets the requirement present in most property policies that there be actual physical damage to trigger business interruption coverage. Marriott's World Trade Center property was destroyed, and its nearby World Financial Center property is still closed due to the damage it sustained when the WTC towers collapsed.

Mr. Mastrapa estimates a three-year business income loss for the WTC property, while the WFC hotel could open as early as Jan. 1, 2002.

But "there is a question about how far the civil authority coverage will go," he said. In addition to the New York losses, Marriott lost considerable revenues nationwide due to airport closures, Mr. Mastrapa said.

Current economic conditions also could have an impact, he said.

"Clearly, there's going to be a dialogue between all the par-

ties involved because of the economic factors we are facing," he said. "Those are the issues we're working out with our accountant."

Marriott has hired BDO Seidman L.L.P., a claims consulting and forensic accounting firm based in New York that also helped Marriott calculate its business income losses from a fire at its property in Vail, Colo., last winter. Glenn Pomerantz, a claims consultant with BDO Seidman, said he has been engaged by five large clients to handle their business interruption claims after having spoken to about 15 since the attack.

Most of the others, especially small and midsized financial services companies, are filing property and extra-expense claims, Mr. Pomerantz said. Extra-expense coverage pays any costs necessary for a policyholder to become operational again, such as relocation expenses or rent for temporary quarters, he explained.

Blair Basham, director of risk and insurance at USF Worldwide, a freight-forwarding company based in Itasca, Ill., said he isn't filing a business interruption claim even though "for the first 10 days after the attack, there were no planes flying, so there was no air freight."

"A business interruption claim requires a direct physical loss to you that stops your ability to do business," Mr. Basham said.

And while USF Worldwide does have civil authority coverage, that coverage also is limited, Mr. Basham said. According to the wording on USF Worldwide's property policy, which is underwritten by Chubb Corp., coverage applies only to business income lost or expenses incurred "due to actual impairment of your operations when civil authority prohibits access to your premises," he said, emphasizing the word "premises."

Because civil authorities did not prohibit access to USF Worldwide's "premises" in Itasca, Ill., the company likely isn't covered, Mr. Basham said.

"A lot of companies unfortunately think they're not covered, but they should review their business interruption policies" before making that determination, advised Rebecca Szelc, a principal in the Dallas office of Deloitte & Touche L.L.P.

She noted, for example, that contingent business interruption coverage could respond even if the policyholders didn't sustain physical property damage.

Contingent business interruption coverage applies to income that is lost because damage to a supplier or customer disrupts operations, explained Brad Murlick, North American practice leader for business interruption claims consulting for Deloitte & Touche in Chicago.

"Say an automobile manufacturer couldn't get parts from Canada or Mexico because of the border closures," he said. "Basically, anything along the food chain is covered." B

# Aviation

*Continued from page 3*  
attacks, the loss-plagued commercial aviation insurance market already had been hardening.

Commercial aviation underwriters sought 20% to 50% increases in rates or premiums depending on the risk, said Nigel Weyman, a managing director for the Heath-Lambert Aerospace division at broker HLF Insurance Holdings Ltd.

Shortly after the terrorist attacks, aviation underwriters withdrew quotes for coverage they had not bound and canceled airlines' and airports' terrorism liability coverage.

Aviation insurers then allowed only airlines to purchase \$50 million of the terrorism coverage for a surcharge of \$1.25 per ticketed passenger. The limits were a fraction of the amount that airlines previously had, and airlines worldwide threatened to shut down if they could not cover the risk.

London brokers Aon Ltd., HLF, Marsh Ltd. and Willis Group Holdings Ltd. pulled together a separate market that provides airlines \$1 billion of excess terrorism coverage (BI, Sept. 24). Only non-U.S. airlines are taking advantage of the market initially, because the U.S. airline rescue law set up the federal government for six months as airlines' terrorism liability insurer for losses exceeding \$100 million.

With most airlines renewing their liability and hull coverage in November or December, only a few airlines had Oct. 1 renewals. Those included United Airlines, which lost two jets during the Sept. 11 hijackings, American Trans Air and USAir.

The good news for the airlines was they completed their renewals and obtained the policy limits they sought, observed Wayne Wignes, managing director in Chicago for broker Aon Aviation, a division of Aon Corp.

A "clean airline" with an expiring "competitive rate," however, absorbed a 70% to 100% increase in its base liability rate, which does not include the terrorism coverage surcharge, said Heath-Lambert's Mr. Weyman.

Underwriters socked other air-

lines with 150% to 200% rate hikes, he said.

Another market source estimated that, after factoring in the terrorism liability coverage surcharge, rate hikes ranged from several hundred percent for large airlines that fly long routes to "thousands of percent" for smaller airlines that fly short routes and therefore carry more ticketed passengers.

For airlines renewing later this fall, all of the market changes mean that "cost increases of 400% to 500% should be expected," Mr. Wignes said.

*For airlines renewing later this fall, 'cost increases of 400% to 500% should be expected.'*

— Wayne Wignes  
Aon Aviation

American Airlines, the other airline that the Sept. 11 hijackers targeted, renews Dec. 1.

The commercial aviation market now hopes to generate about \$4.5 billion to \$4.7 billion in premiums this year, or more than double its pre-attack goal, Mr. Weyman said. He noted, though, that losses due to the terrorist attacks, in addition to the market's typical yearly losses, would exceed that premium volume.

But the market may not be able to generate that much premium, which could lead to a rougher renewal season in the fall of 2002 for those airlines with Oct. 1 renewal dates, a market source noted.

That is because the rates for airlines that have renewed Oct. 1 were based on exposures that likely will diminish over the next 12 months, as those airlines implement their announced service cutbacks. Underwriters, therefore, likely will try to make up that premium shortfall next autumn, the source said.

U.S. airports, meanwhile, continued to operate last week without terrorism liability coverage, as the same four brokers that pulled

together the excess terrorism liability market for airlines worked on creating a new market for airports.

New York-based American International Group Inc., one of the numerous insurers that participate on the terrorism coverage line slip for airlines, is offering airports \$50 million of primary limits.

But airports are balking at the cost—a multiple of the premium that airports traditionally have paid for all of their liability insurance, brokers say.

The market momentum for creating an excess program "has died a bit" because airports are not prepared to spend the money necessary to purchase the coverage, Aon Aviation's Mr. Wignes said.

In addition, because the excess terrorism coverage for airports would not generate as much total premium for underwriters as the airline facility will, more underwriters must be willing to assume a greater percentage of the airport risk than the 5% line that many underwriters took on the airlines' line slip, he said.

Underwriters also are concerned about airports' ability to service their debt, after Standard & Poor's Corp. placed all North American airports on CreditWatch with negative implications on Sept. 21 because of the downturn in air travel, said aviation broker Don Bingham, president of Van Beurden Insurance Services Inc. of Seattle.

But, Mr. Wignes said, "I think there will be a morph in the perspective of airport buyers and underwriters." He predicted an excess market likely would be created by Nov. 1.

A survey of ACI members shows that an "overwhelming number" want Congress to create government-sponsored terrorism coverage for airports, the ACI spokesman said.

The ACI also is pushing Congress to "stretch" an airline rescue law provision that allows airlines to cover the risks of their vendors and contractors. While airports may not fall into either category, some specific airport functions may, the spokesman said.

But "Congress is only dealing with crises. People are saying it's a crisis, but they're not shutting down," he said. "So Congress just isn't paying attention." **BI**

# Pool

*Continued from page 1*  
ple pool construed in a way that does not get involved in the divisive question of federal insurance regulation, said Ann Spragens, Alliance senior vp-public policy development. The retention requirements of participants vary as well under the plans, as does the point at which federal reinsurance would kick in.

The proliferation of plans reflects a sense of urgency, noted Joel Wood, senior vp-government affairs for the Council of Insurance Agents & Brokers in Washington.

"In my 14 years in the industry, there has never before been such a desperate need for cohesion, because there is an absolute crackup in the marketplace that started with Oct. 1 renewals," said Mr. Wood. "We think the AIA proposal is an excellent template for a congressional response, and this is not an issue where Congress should think about it for six or eight months. This is a crisis, and the crisis is occurring every day."

"We have put our own proposal together, but we strongly feel that all of the proposals we see coming from the industry have an awful lot in common. We see the industry being able to rally around one proposal," said Carl Parks, senior vp-government relations for the NAI in Washington.

The Risk & Insurance Management Society Inc. has been reviewing the AIA proposal, said David Mair, the New York-based group's president, who also is associate director for risk management for the U.S. Olympic Committee in Colorado Springs, Colo.

He noted that RIMS has not endorsed the AIA proposal and added that "the principle of using a federally chartered reinsurance pool may raise some concerns because it puts the tax-

payer in the loop. However, we think it meets the objective of maintaining an available reinsurance source, at least in the short term. The current proposal is not without some drawbacks, and we'll work with AIA, Congress and the administration in order to try to address those shortcomings," he said.

From RIMS' perspective, one of the major drawbacks is that the AIA proposal only focuses on domestic property, whereas RIMS would prefer that the pool cover U.S. companies' U.S.-insured overseas properties as well, he said.

Industry officials remain confident that they will be able to overcome past problems and present Congress and the administration with a single proposal.

"We are very hopeful that the industry can get together behind a single proposal because that gives it the best chance of being enacted," said David M. Farmer, senior vp-federal affairs in the Alliance's Washington office.

"We're in the spirit of trying to work things out the best we can," said RAA President Frank Nutter. "There's recognition that we have had a history of disagreements, but we're trying to address these constructively without peeling off into different camps. We're all in the same community. We may not yet be in the same neighborhood, but we're working to do that."

"We're anticipating coalescing around some ideas," said Leigh Ann Pusey, senior vp-federal affairs for the AIA. "I think the industry is surprisingly united on their general approach—the industry wants to preserve the private market, but there is no private market regarding terrorism on the reinsurance side. We're united in our message needing help, as much as we'd like to preserve a private market. We're coming to Congress reluctantly with this because there is no private reinsurance market covering terrorism." **BI**

# Reliance

*Continued from page 3*

Reliance's financial condition was revealed in recent weeks to be far worse than believed when the insurer entered voluntary rehabilitation May 29 (BI, June 18). At that time, the insurer had not yet filed a year-end 2000 financial statement but reported a \$220 million deficit in policyholder surplus as of Dec. 31. Reliance finally produced an unaudited 2000 statement two months ago showing surplus of negative \$730 million, and a first-quarter 2001 report on Sept. 29 showed that the insolvency had widened to \$1.05 billion as of March 31, court filings say.

Of \$8.81 billion in assets as of March 31, \$5.91 billion, or 67%, consisted of reinsurance recoverables, including \$4.67 billion recoverable on direct insurance business, \$852.9 million on paid losses and expenses and \$385.8 million on assumed reinsurance business, court filings show.

Reinsurance recoveries also represented about 65% of the insurer's cash receipts, but those recoveries have slowed since the start of the year, and the Sept. 11 attack made things worse, regulators say.

Aon Re Worldwide acted as Reliance's reinsurance broker, while other Aon units provided premium collection and third-party administration services, an Insurance Department spokeswoman said. Marsh also collected premiums, while Hartford Insurance Co. acted as a Reliance TPA and SCOR U.S. Corp. was a Reliance reinsurer. All had offices in the World Trade Center.

Among Reliance's more than 1,000 reinsurers are many that face huge losses from the attack, which may slow Reliance's own recoveries in the future, the spokeswoman said.

For September, when reinsurance recoveries fell short of expectations, Reliance's paid losses and operating expenses totaled more than \$111 million, while its cash receipts, including some asset sales, totaled

only \$80 million, leaving a \$31 million shortfall, court filings report. Regulators expect even larger deficits for the rest of this year as reinsurance recoveries slow further and claims—including some arising from 170 lawsuits against Reliance policyholders scheduled for trial by the end of November—increase.

Meanwhile, Reliance faces other problems. One of its largest assets, for example, is a block of 11.2 million shares of Symbol Technologies stock that was worth \$285.3 million as of March 31 but has since plummeted to less than half that value. Regulators are also trying to recover \$95 million in tax refunds they say Reliance is owed by its parent, Reliance Group Holdings Inc., which is in Chapter 11 reorganization.

The Pennsylvania Department will notify Reliance policyholders within the next several weeks of claims-filing procedures and deadlines, which cannot be less than a year after notice of the liquidation order, the spokeswoman said. **BI**

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# Pegram

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The finding in *Pegram* is narrowly focused on the issue of fiduciary duty and whether treating physicians become ERISA fiduciaries when they make "mixed" decisions.

But language in the decision that is not directly related to this finding also has attracted significant interest. Judge Souter distinguished between pure eligibility decisions, pure treatment decisions and so-called "mixed decisions" that combined elements of both. "In practical terms, these eligibility decisions cannot be untangled from physicians' judgments about reasonable medical treatment," he wrote.

Observers say while pure treatment decisions by a physician would presumably be covered under state malpractice laws, and pure eligibility decisions pre-empted by ERISA, Judge Souter leaves unanswered the question of whether ERISA should pre-empt mixed decisions as well.

"It's always been pretty clear you can sue the HMO for poor medical judgment," said Mary Ellen Signorille, staff attorney for the AARP Foundation Litigation in Washington. "Assuming that either the HMO, or the HMO acting through physicians, is not providing appropriate medical care, then you should be able to sue" for medical malpractice, she said.

At the same time, in an example of a "pure coverage" issue, ERISA would pre-empt a suit by a hemophiliac whose benefit plan refused to cover a blood transfusion. Damages under ERISA generally are limited to the actual benefits that were not properly provided.

The problem is when mixed eligibility and coverage decisions arise, Ms. Signorille said. An example would be a case where a primary care physician says an angioplasty is needed or a heart problem and the HMO does not disagree there is a heart problem but says, "We're not going to pay for it, we don't think it's medically necessary" and orders cheaper medications instead, she said.

Judge Souter's decision seemed to indicate "these cases are not pre-empted, but he was not specific," said Ms. Signorille.

Daly D.E. Temthine, an attorney with Epstein, Becker & Green in Washington, said, "I think he was intentionally vague, and that's because *Pegram* was about a very specific case, and the plaintiff's bar has been trying to read an awful lot into *Pegram*."

Mr. Temthine said, "I think the Supreme Court was probably hoping that the patient's bill rights legislation in some form would be enacted, because that legislation would have attempted, or at least was intended, to address many of the issues that have been left open by *Pegram*" as well as other cases.

Plaintiffs attorney Bryant L. Welch of Potomac, Md.-based Bryant Welch & Associates said, "I think most experts who have reviewed *Pegram* would agree that the Supreme Court

was really saying that the HMOs that are providing health care under ERISA plans are not themselves subject to the ERISA pre-emption, especially with respect to medical necessity determinations."

Courts have reacted to the *Pegram* decision in different ways. "There is a lot of ambiguity, and you can see courts are still struggling to determine how to read and apply *Pegram*," said Susan Burke, an attorney with Mintz, Levin, Cohn, Ferris, Glovsky & Popeo in Washing-

*'There is a lot of ambiguity, and you can see courts are still struggling to determine how to read and apply Pegram.'*

— Susan Burke

Mintz, Levin, Cohn, Ferris,  
Glovsky & Popeo

ton, who represents providers and HMOs.

When *Pegram* was first issued, it was hailed as a great victory for HMOs, Ms. Burke said. "I read it the opposite, which is you were going to see state courts more willing to keep some of these cases against HMOs, as opposed to the federal courts taking jurisdiction. I think you are seeing that."

One case that has attracted attention is the Pennsylvania Supreme Court's decision in *Pappas vs. Asbel*. In 1991, Basile Pappas began to experience paralysis and numbness in his arms and legs. An emergency room physician recommended emergency surgery at a nearby hospital that specialized in such procedures but was outside Mr. Pappas' HMO's network. The HMO refused to authorize the transfer, and Mr. Pappas was left paralyzed.

The Pennsylvania Supreme Court ruled in Mr. Pappas' favor in 1998, finding the case was not subject to ERISA pre-emption. The case was appealed to the U.S. Supreme Court, which asked the Pennsylvania court to reconsider the case in light of *Pegram*.

But in April, the Pennsylvania Supreme Court reaffirmed its earlier decision, stating that medical negligence claims under state law were not pre-empted under *Pegram*. "*Pegram* instructs that an HMO's mixed eligibility and treatment decisions implicates a state law claim for medical malpractice, not an ERISA cause of action for fiduciary breach," the court held. The facts in the *Pappas* case "establish the sort of mixed eligibility and treatment decisions that *Pegram* discussed."

The case is again being appealed to the U.S. Supreme Court, which is expected to decide this month whether to review the case, said attorney Stephen A. Ryan of Marshall, Dennehey, Warner, Coleman &

Goggin in Philadelphia, who represented insurers involved in the case. The insurers, Camp Hill-based Pennsylvania Hospital Insurance Co. and Harrisburg-based The Commonwealth Pennsylvania Medical Professional Liability Catastrophe Loss Fund, are seeking reimbursement for the undisclosed settlement they paid in the case.

In an amicus brief in the case, the U.S. Department of Labor says the *Pegram* decision helps reinforce the Pennsylvania court's decision that "pre-emption does not obtain simply because there may be some tenuous connection between the HMO defendant and an ERISA plan (*BI*, Oct. 9, 2000)."

But other decisions have reached different conclusions with similar facts. The March decision by the 3rd U.S. Circuit Court of Appeals in *Pryzbowski vs. U.S. Healthcare* involved Linda Pryzbowski, who was told by a physician that she needed back surgery immediately. U.S. Healthcare did not approve the surgery, however, until six months later. Ms. Pryzbowski continued to suffer from severe back pain after the surgery, which her doctor attributed to the delay.

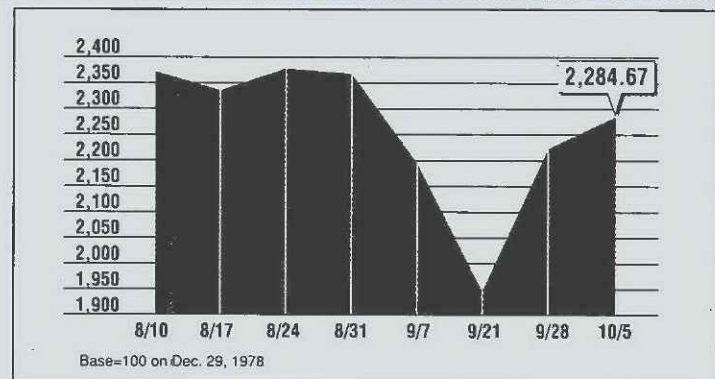
The appellate court agreed with a lower court that ERISA pre-empted Ms. Pryzbowski's claims against U.S. Healthcare. A unanimous panel said Ms. Pryzbowski claims "are limited to its delay in approving benefits, conduct falling squarely within administrative function. A holding that Pryzbowski's claims against U.S. Healthcare were not completely pre-empted would open the door for legal challenges to core managed care practices (e.g. the policy of favoring in-network specialists over out-of-network specialists) which the Supreme Court eschewed in *Pegram*." The decision has not been appealed.

Among other decisions, a federal court ruling in May in *Roark vs. Humana Inc.* involved the managed care firm's refusal to authorize certain treatment and care to Gwen Roark for a spider bite on her leg that became infected. The leg eventually had to be amputated. A federal judge in Dallas ruled the case was pre-empted by ERISA.

The *Roark* decision said that while *Pegram* "contains reasoning that is helpful in understanding the reaches of ERISA pre-emption, the Roarks' claim is not a type of medical malpractice cause of action that should be litigated in state court. At bottom, it is about administration of benefits, not quality of medical treatment." The decision is being appealed.

Ms. Signorille said, "The bottom line is the courts are split on this issue about how to read *Pegram*" and whether there is pre-emption where there is a mixed medical and eligibility decision. She noted that part of the problem is that ERISA—enacted in 1974—became law long before managed care was widespread. "You're basically trying to put a square peg into a round hole, and it doesn't work real well. That's the problem when you get into the broader health care issues with this," she said.

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|                            |       |          | % change     | High   |            |       |      |
| Aon Corp.                  | NYS   | 43.15    | 2.74         | 25.99  | 44.80      | 28.13 | 9118 |
| Arthur J. Gallagher & Co.  | NYS   | 35.92    | 6.12         | 12.91  | 35.98      | 21.88 | 4648 |
| Brown & Brown              | NYS   | 53.95    | 3.55         | 54.14  | 57.75      | 28.75 | 909  |
| Clark Bards Holdings       | NDQ   | 25.00    | 15.96        | 146.91 | 33.30      | 7.25  | 176  |
| E.W. Blanch Holdings Inc.  | NYS   | 13.50    | 0.00         | -22.58 | 29.50      | 6.70  | 0    |
| "Hib, Rogal & Hamilton"    | NYS   | 48.90    | 7.21         | 22.63  | 49.40      | 33.75 | 1854 |
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| BROKERS AVERAGE            |       |          | 5.29         | 33.66  |            |       |      |

### INSURERS/REINSURERS

|                              |     |          |       |        |          |          |       |
|------------------------------|-----|----------|-------|--------|----------|----------|-------|
| ACE Ltd.                     | NYS | 33.31    | 15.38 | -21.51 | 43.94    | 18.10    | 24056 |
| Accel International Corp.    | NDQ | 0.07     | 0.00  | -76.42 | 0.59     | 0.06     | 0     |
| Acceptance Insurance Cos.    | NYS | 4.85     | -4.90 | -7.62  | 6.38     | 3.70     | 122   |
| AEGON N.V.                   | NYS | 26.53    | 1.65  | -35.98 | 43.00    | 19.69    | 1113  |
| AFLAC Inc.                   | NYS | 26.50    | -1.85 | -26.58 | 37.47    | 23.00    | 17196 |
| America Financial Corp.      | NYS | 44.10    | -1.67 | -39.17 | 74.25    | 39.74    | 1412  |
| Allstate Corp.               | NYS | 36.98    | -0.99 | -15.11 | 45.90    | 30.00    | 14869 |
| Ambac Financial Group        | NYS | 54.99    | 0.51  | -5.70  | 64.00    | 42.20    | 3760  |
| American Financial Group     | NYS | 21.21    | -4.46 | -20.15 | 30.75    | 18.36    | 528   |
| American General             | NYS | 44.55    | 0.00  | 9.33   | 47.44    | 33.66    | 0     |
| American Intl Group          | NYS | 79.02    | 1.31  | -19.83 | 103.75   | 66.00    | 33647 |
| American Safety Insurance    | NYS | 9.10     | 1.68  | 48.57  | 10.36    | 3.25     | 7     |
| Argonaut                     | NDQ | 17.00    | 3.70  | -19.07 | 21.25    | 13.47    | 100   |
| AXA-UAP Group                | NYS | 21.00    | 7.14  | -41.51 | 38.09    | 15.40    | 2788  |
| Baldwin & Lyons Inc.         | NDQ | 19.30    | -0.57 | -16.99 | 28.75    | 16.50    | 112   |
| Berkley W.R. Corp.           | NDQ | 47.84    | -0.33 | 1.38   | 49.60    | 30.75    | 78    |
| Berkshire Hathaway Inc.      | NYS | 72400.00 | 3.43  | 1.97   | 74600.00 | 53600.00 | 7     |
| Capitol Transamerica Corp.   | NAS | 16.10    | -1.59 | 29.45  | 16.80    | 10.31    | 80    |
| Chubb Corp.                  | NYS | 75.05    | 5.10  | -13.24 | 90.25    | 55.55    | 9333  |
| Cincinnati Financial Corp.   | NYS | 41.01    | -1.47 | 3.66   | 42.94    | 32.56    | 3325  |
| Citigroup                    | NYS | 43.10    | 6.42  | -15.59 | 57.38    | 34.52    | 96244 |
| CNA Financial Corp.          | NYS | 27.00    | -0.15 | -30.32 | 40.24    | 23.00    | 2346  |
| CNA Surety                   | NYS | 13.90    | 3.35  | -2.46  | 14.70    | 11.00    | 52    |
| EMC Insurance Group Inc.     | NDQ | 14.53    | -6.26 | 23.66  | 16.00    | 9.25     | 3     |
| ESG Re Limited               | NDQ | 3.00     | 0.00  | 62.71  | 4.00     | 1.72     | 9     |
| Everest Reinsurance          | NYS | 71.12    | 9.92  | -0.71  | 75.50    | 44.88    | 5544  |
| Fremont General Corp.        | NYS | 5.30     | -2.93 | 88.44  | 6.97     | 1.50     | 476   |
| Gainsco Inc.                 | NYS | 1.50     | 7.14  | -42.86 | 4.19     | 1.10     | 201   |
| Harleysville Group           | NDQ | 26.30    | 9.63  | -10.09 | 30.63    | 19.11    | 107   |
| HCC Insurance Holdings       | NYS | 26.90    | 2.28  | -0.14  | 29.66    | 17.63    | 2345  |
| ING Groep N.V.               | NYS | 27.38    | 2.55  | -31.66 | 41.97    | 20.70    | 1284  |
| IPC Holdings Ltd.            | NDQ | 28.25    | 23.91 | 34.53  | 28.25    | 18.50    | 731   |
| Hatfield Financial Services  | NYS | 56.00    | -4.66 | -20.71 | 80.00    | 45.50    | 8158  |
| John Hancock Fin. Services   | NYS | 37.20    | -6.88 | -1.13  | 42.00    | 25.63    | 4504  |
| Lincoln National             | NYS | 45.64    | -2.12 | -3.54  | 52.75    | 38.00    | 3225  |
| Market Corp.                 | NYS | 210.15   | 7.77  | 16.10  | 213.25   | 133.50   | 350   |
| MBA Insurance Group          | NYS | 48.97    | -2.06 | -0.90  | 57.49    | 36.00    | 3594  |
| Meadowbrook Insur. Group     | NYS | 2.55     | 15.91 | -68.62 | 8.38     | 1.80     | 10    |
| MetLife                      | NYS | 28.77    | -3.13 | -17.80 | 36.63    | 23.38    | 8955  |
| Mutual Risk Mgmt. Ltd.       | NYS | 8.05     | 5.92  | -47.00 | 23.56    | 3.40     | 1513  |
| Navigators Group             | NDQ | 17.57    | 0.26  | 31.98  | 20.86    | 11.00    | 21    |
| NYMagic Inc.                 | NYS | 16.50    | 2.80  | -12.58 | 22.70    | 15.00    | 32    |
| Odyssey Re Holdings          | NYS | 15.97    | 15.81 | -9.26  | 18.19    | 11.08    | 714   |
| Ohio Casualty Corp.          | NDQ | 12.46    | -4.06 | 24.60  | 14.34    | 6.75     | 477   |
| Old Republic Intl            | NYS | 26.90    | 2.63  | -15.94 | 32.06    | 21.20    | 2535  |
| Partner Re Ltd.              | NYS | 48.30    | 2.55  | -20.82 | 62.50    | 32.00    | 4526  |
| Penn-America Group Inc.      | NYS | 9.48     | -2.27 | 24.33  | 10.60    | 6.69     | 5     |
| PMA Capital Corporation      | NDQ | 17.75    | -1.39 | 2.90   | 18.94    | 15.19    | 95    |
| Philadelphia Cons. Holding   | NDQ | 33.96    | -2.25 | 9.99   | 37.50    | 19.88    | 158   |
| ProAssurance                 | NYS | 14.19    | -4.77 | -14.97 | 15.25    | 11.88    | 92    |
| PXRE Corp.                   | NYS | 13.55    | 15.32 | -19.70 | 20.10    | 10.40    | 202   |
| Renaissance Re Holdings Ltd. | NYS | 97.71    | 9.90  | 24.77  | 100.00   | 58.13    | 3018  |
| RLJ Corp.                    | NYS | 41.40    | 0.93  | -7.36  | 46.16    | 37.44    | 87    |
| St. Paul Cos.                | NYS | 44.35    | 7.53  | -18.34 | 57.00    | 34.00    | 8496  |
| SCOR                         | NYS | 29.50    | -7.35 | -41.29 | 53.75    | 23.50    | 37    |
| SAFECO Corp.                 | NDQ | 30.01    | -1.05 | -8.71  | 35.88    | 21.50    | 2532  |
| SCPIE Holdings Inc.          | NYS | 16.70    | 3.73  | -29.31 | 31.40    | 15.19    | 46    |
| Seibels Bruce Group          | NDQ | 2.70     | 20.00 | 380.00 | 3.25     | 0.55     | 11    |
| Selective Ins. Group         | NDQ | 23.99    | 2.83  | -1.07  | 28.22    | 15.25    | 64    |
| Tokio Marine & Fire          | NDQ | 45.25    | 1.22  | -20.61 | 53.25    | 42.33    | 720   |
| Torchmark Corp.              | NYS | 39.20    | 0.51  | 1.98   | 43.25    | 27.06    | 1406  |
| Transatlantic Holdings       | NYS | 85.14    | 0.61  | 20.62  | 83.50    | 59.91    | 192   |
| Trenwick Group Ltd.          | NYS | 8.90     | 9.61  | -64.13 | 27.13    | 5.50     | 1873  |
| Unico American Corp.         | NDQ | 6.34     | -2.31 | 7.91   | 7.75     | 4.05     | 0     |
| United Fire & Casualty       | NDQ | 26.60    | 3.62  | 34.68  | 34.52    | 16.19    | 24    |
| Unitrin                      | NYS | 38.10    | -0.31 | -6.22  | 41.94    | 29.56    | 224   |
| UNUM Corp.                   | NYS | 24.34    | -3.60 | -9.43  | 33.75    | 22.25    | 5820  |
| Vesta Insurance Co.          | NYS | 12.75    | -2.67 | 151.85 | 13.40    | 4.25     | 705   |
| XL Capital Ltd.              | NYS | 86.50    | 9.49  | -1.00  | 89.25    | 61.50    | 12789 |
| Zenith National Ins.         | NYS | 26.20    | 6.30  | -10.81 | 30.70    | 20.00    | 85    |
| INSURERS/REINSURERS AVERAGE  |     |          | 2.47  | 1.02   |          |          |       |

### MANAGED CARE ORGANIZATIONS

|                           |     |        |       |        |        |       |       |
|---------------------------|-----|--------|-------|--------|--------|-------|-------|
| Aetna Inc.                | NYS | 29.28  | 1.35  | -28.69 | 42.69  | 23.02 | 2741  |
| CIGNA Corp.               | NYS | 84.80  | 2.23  | -35.90 | 136.75 | 75.50 | 3857  |
| Health Net Inc.           | NYS | 20.39  | 6.09  | -22.14 | 26.94  | 15.56 | 2381  |
| Humana Inc.               | NYS | 11.65  | -3.40 | -23.61 | 15.81  | 8.38  | 2800  |
| Oxford Health Plans       | NYS | 26.90  | 2.63  | -31.90 | 32.06  | 21.20 | 2535  |
| Pacificare Health Sys     | NDQ | 13.74  | 9.13  | -8.40  | 40.50  | 9.81  | 2226  |
| Sierra Health Services    | NYS | 8.18   | -1.45 | 115.26 | 11.16  | 2.75  | 474   |
| United Health Group       | NYS | 68.62  | 3.19  | 11.80  | 70.00  | 50.38 | 10315 |
| Wellpoint Health Networks | NYS | 106.79 | -2.16 | -7.34  | 121.50 | 81.66 | 3691  |
| MANAGED CARE AVERAGE      |     |        | 1.96  | -3.43  |        |       |       |
| ALL COMPANIES             |     |        | 3.24  | 10.41  |        |       |       |

Top advancing issues: IPC Holdings Ltd., Seibels Bruce Group, Clark Bards Holdings, Meadowbrook Insurance Group, Odyssey Re Holdings. Leading decliners: SCOR, John Hancock Financial Services, EMC Insurance Group, Acceptance Insurance, ProAssurance. Most active issues: American International Group, ACE Ltd., AFLAC Inc., Allstate Corp., XL Capital Ltd. The *BI* Index increased 2.78%; the Dow Jones 30 Industrials rose 3.08%; the S&P 500 rose 2.92%; and the NYSE Composite rose 1.94%. Average P/E: Brokers, 29.85; Insurers/reinsurers, 23.90; and managed care companies, 17.68.

Source: CNET Investor (investor.cnet.com) Boulder, Colo.

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