NEWSPAPER

OCTOBER 9, 1995

Business Insurance®

Reporting Weekly on Corporate Risk, Employee Benefit and Managed Health Care News / $4

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SAFETY

JOHN HALL



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Updates

New X.L. specialty unit to reinsure captives

HAMILTON, Bermuda—A new X.L. Insurance Co. Ltd. unit capitalized at $250 million will offer up to $100 million in reinsurance for captives and high-level reinsurance for property and liability risks.

Beginning Dec. 1, the subsidiary will be taking over the $100 million in gross reinsurance premiums that X.L. now writes, said Gavin Arton, senior vp of EXEL Ltd., X.L.'s parent company.

"It clearly defines the operations and it will allow us to take advantage of different

See **Updates** *on next page*

Insured losses rank Opal among costliest storms

By SALLY ROBERTS

The machinery of loss assessment and cleanup is operating at full throttle in Florida's Panhandle after the region received its second beating in two months last week when Hurricane Opal pounded the Gulf Coast, causing an estimated $1.8 billion in insured damage and at least 15 deaths in four states.

Early estimates, which are expected to rise, put Hurricane Opal as the third-largest insured hurricane loss in U.S. history, exceeded only by Hurricane Andrew and Hurricane Hugo.

The nearly $2 billion of insured damage does not include flood damage, which is covered by the National Flood Insurance Program.

Teams of insurance adjusters are in the affected areas, but they say it is too early to project the amount of insured damage. Late last week, risk managers in the area also were still assessing damage.

Residents and businesses of the Florida Panhandle braced for the second hurricane in two months to strike the area. Hurricane Erin caused $375 million in insured damage—$25 million of which occurred in the Panhandle—when it hit the area in early August (*BI*, Aug. 7).

Opal, which originated off the coast of Honduras, grew rapidly from a minimal hurricane early last week to a dangerous Category 4 storm as it swirled over the warm waters of the Gulf of Mexico. By Wednesday, Opal wavered between a Category 4 and a Category 5 hurricane, sustaining winds of more than 150 mph. Hurricane Andrew, a Category 4 hurricane, made landfall in Florida, Louisiana and Mississippi in August 1992, ultimately causing more than $16.5 billion in insured losses (*BI*, Aug. 31, 1992).

Unlike Andrew, Opal's intensity diminished as it hit land Wednesday evening and quickly became a Category 3 hurricane with winds of 135 mph as the brunt of the storm hit east of Pensacola, Fla. The storm's wrath hit hardest in Fort Walton Beach,

See **Opal** *on page 84*



The owner of Salty's Restaurant and Oyster Bar in Panama City Beach, Fla., surveys damage from Hurricane Opal, which destroyed scores of beachfront businesses.

CIGNA moves could pique buyer interest

By DAVE LENCKUS

PHILADELPHIA—CIGNA Corp.'s plan to boost its asbestos and environmental loss reserves by more than $1 billion and restructure its property/casualty insurance operations does not augur CIGNA's exodus from that business, an executive says.

Nevertheless, some anaylsts have speculated that the moves, which involve dumping most of CIGNA's financially draining asbestos and environmental liabilities into a newly created runoff operation, would make CIGNA's ongoing operations attractive to buyers.

Under the restructuring, the runoff operation also would receive a huge capital infusion from CIGNA and be further protected through reinsurance from the company's ongoing property/casualty insurance operation.

"The physical separation of the two entities does facilitate an exit strategy," said Michael A. Smith, a senior vp at Lehman Bros. in New York. "There are plenty of buyers out there for good insurance properties. There are even a few buyers for bad insurance properties."

Others also note that CIGNA is

See **CIGNA** *on page 82*

Punitive damages back before court

By MARK A. HOFMANN

WASHINGTON—Tort reform advocates hope that a dispute over a car paint job will prod the U.S. Supreme Court to finally paint a constitutional line limiting a jury's ability to award whatever amount of punitive damages it pleases

The court will hear arguments in *BMW of North America Inc. vs. Ira Gore Jr.* this Wednesday. The case involves an Alabama jury verdict that granted a disgruntled car owner $4,000 in compensatory damages and $4 million in punitive damages who was not told that the BMW 535i's finish had been slightly damaged and repainted before it was sold. BMW argues that the punitive award violates the constitutional protection of due process.

The case is regarded as the most important of several cases of interest to businesses on the Supreme Court's docket, as well as some that the court refused to hear (see story, page 71).

The jury arrived at the $4 million figure by multiplying the compensatory award by the approximately 1,000 autos that BMW had sold nationwide without revealing that it had restored paint jobs ruined by acid rain (*BI*, Jan. 30).

On appeal, the Alabama Supreme Court halved the punitive damage verdict but let the rest of the decision stand. The U.S. Supreme Court agreed to hear the case earlier this year.

Proponents of restricting punitive damage awards are monitoring the BMW case closely because it may represent the last, best chance for the high court to give clearer guidance on this issue.

The Supreme Court came tantalizingly close to doing so in one recent case involving insurance fraud, *Pacific Mutual Life Insurance Co. vs. Cleopatra Haslip et al.* (*BI*, March 11, 1991).

The Supreme Court upheld, by a 7-1 vote, a punitive damage

See **Court** *on page 70*

Massachusetts play or pay: one-time model on last legs

By JERRY GEISEL

BOSTON—Massachusetts' so-called play-or-pay universal health care law, once considered a model for state efforts to expand coverage, may only have a few months to live.

An integral part of a landmark 1988 state law, the play-or-pay plan has been on the rocks for years. It has been delayed several times and Republican Gov. William Weld has repeatedly urged that it be repealed.

But the coup de grace may have been delivered only months before a Jan. 1, 1996, effective date when the majority of a 15-member blue ribbon commission recently agreed with him.

In place of play or pay, the commission recommended measures—including tax credits to encourage employers to offer group health benefits plans to lower-income workers—to extend coverage to some of the 700,000 or so state residents who lack it. Other changes proposed by the commission include broadening eligibility for Medicaid benefits and state subsidies of health insurance premiums for employees whose gross incomes are less than 200% of the federal poverty level.

"Now there is a general expectation that it (play or pay) will be repealed," said Jerry Lanoux, a principal with Buck Consultants Inc. in Boston.

"I think repeal may well only be a matter of time," said Carolyn Boviard, state director of the Na-

See **Play or pay** *on page 74*

Massachusetts decides not to play

1988: So-called "play or pay" mandate is signed into law by then-Gov. Michael Dukakis. The law, to take effect Jan. 1, 1992, imposes a "medical security tax" that could total as much as $1,680 per employee. However, employers can offset the tax by each dollar they spend on their health care plans.

1990: Republican William Weld elected governor and announces his opposition to play or pay. State economy begins to go into a tailspin. Small business opposition to employer mandate mounts.

1992: Legislation passed delaying the mandate until Jan. 1, 1995.

1994: Legislation passed delaying the mandate until Jan. 1, 1996, and establishing a special commission to make recommendations on the future of the mandate.

1995: A majority of the special commission supports repeal of play or pay and advocates new tax credits and premium subsidies to encourage employers to offer coverage.

GRAPHIC BY JERRY PARKS

Updates

X.L. forms reinsurance unit

Continued from previous page
distribution systems as reinsurance usually comes through reinsurance brokers rather than insurance brokers," he said.

The new unit will be headed by X.L. Senior Vp K. Bruce Connell.

Separately, X.L. is changing its general liability policy form and increasing the limits for general liability coverage to take advantage of the gap left when ACE Ltd. cut back its coverage last year. X.L. is also increasing its directors and officers limits in response to demand.

X.L. is increasing its limits for some liability clients to $150 million from $100 million and for D&O clients to $50 million from $25 million.

Last year, ACE restricted its coverage for integrated occurrences—multiple claims from single policyholders over single events (*BI*, Sept. 26, 1994). Other U.S. and Bermuda insurers have taken up some of that slack already, and X.L. plans to win some of the business with its increased limits, Mr. Arton said.

Changes in the liability form are designed to "clarify" the form and reduce coverage disputes, said Mr. Arton. The new form will also eliminate X.L.'s "maintenance deductible," which it had used to avoid paying predictable claims.

Alliance to contest comp law

SCHAUMBURG, Ill.—The Alliance of American Insurers plans to challenge the constitutionality of a controversial Maine workers compensation law that seeks to pay off the state's large residual workers comp market deficit through a complex system of assessments on employers, insurers and Maine's property/casualty guaranty fund.

The Workers' Compensation Residual Market Resolution and Recovery Act, which became law this summer, seeks to retire a residual market deficit that could run as high as $300 million for the period 1988-1992 (*BI*, July 3). Maine had earlier instituted sweeping reform of its troubled workers compensation system in an effort to encourage more insurers to write workers comp in the state (*BI*, Jan. 9).

The Alliance will challenge the law on four counts: that insurers that don't write workers comp in the state should not have to pay an assessment; that a flat $50,000 assessment on "minor insurers," companies that do not do a lot of business in Maine according to premium volume, violates proportionality; that the new law incorrectly declares the residual pool an insolvent insurer when in fact it is neither insolvent nor an insurer; and that more than $23 million assessments paid to the guaranty fund as the pool ran up the deficit should not be returned, because claimants of the pool's servicing insurers are afforded guaranty fund protection.

A spokesman for the Alliance said the suit would be filed soon.

Prudential sells Pru Re stake

NEWARK, N.J.—Reacting to strong investor demand, Prudential Insurance Co. of America last week sold its entire stake in Prudential Reinsurance Holdings Inc. to the public, taking in $790 million.

Little more than a month ago, Prudential had planned an initial public offering of only 40% of Pru Re's shares at $15 to $18 per share. After being overwhelmed by investor demand, though, Prudential announced Sept. 29 that it would sell 100% of it reinsurance group.

Investors last Monday bought 50 million Pru Re shares at $16.75, raising proceeds of $837.5 million before underwriters commissions. The shares closed at $19.88 on Friday.

Market observers had been generally optimistic about the offering's prospects, pointing to Pru Re's new management team headed by Chairman Joseph V. Taranto, its revised and tightened underwriting standards and the $375 million in stop-loss protection it bought to cover adverse development in its prior business (*BI*, Sept. 18).

"They have a turnaround story to tell," noted Craig Elkind, an associate director with Standard & Poor's Insurance Rating Service in New York. "They really sold people on their story."

The IPO caps more than two years of efforts by Prudential to spin off its reinsurance operations. The insurer originally filed a proposed IPO in 1993 to sell 40% of Pru Re after failing to find a private buyer. The initial IPO was withdrawn because of poor stock market conditions and not refiled until June (*BI*, Nov. 22, 1993; June 19, 1995).

"We always intended when the time was right to sell the whole thing," a Prudential spokesman said.

Meanwhile, Pru Re will take a $12.5 million pretax charge against fourth quarter earnings to cover the cost of five million stock appreciation rights granted to Mr. Taranto as part of the IPO. Mr. Taranto invested the proceeds of the SARs in Pru Re stock at the offering price, according to Janet Burak Melchione, Pru Re's general counsel.

Briefly noted

NAC Re Corp. has acquired the rights to renew the $170 million book of reinsurance business of Western Atlantic Reinsurance Corp., a unit of Swiss Reinsurance America Corp. NAC Re, based in Greenwich, Conn., also announced that it will offer to the public $100 million in notes and 1.5 million shares of common stock. . . .**LaSalle Reinsurance Ltd.** of Hamilton, Bermuda, is registering with the Securities and Exchange Commission to conduct an initial public offering. Meanwhile, LaSalle Chairman Victor Blake will begin working full-time at the reinsurer in January when he will relinquish executive responsibilities, but remain non-executive chairman, of the reinsurance operations of CNA Financial Corp. . . .**United HealthCare Corp.** completed its acquisition of MetraHealth Cos., creating the nation's second-largest HMO (*BI*, June 26). . . An "off-the-shelf" excess liability insurance policy that is silent in **defense costs** must cover them even if the policyholder accepted less than its full primary coverage limits in a settlement with its primary insurer, a Washington Superior Court has ruled. The ruling came when the ongoing pollution liability coverage dispute between Weyerhaeuser Co. and Commercial Union Insurance Co.

Lloyd's hearings to focus on state securities laws

Arizona, Illinois officials say market mistreated investors

By GAVIN SOUTER

Securities regulators at hearings scheduled in two states will charge Lloyd's of London with violating state securities laws and withholding information on losses to U.S. investors who joined the market.

Hearings set for Dec. 19 in Illinois and one yet to be scheduled in Arizona could lead to orders for Lloyd's to reimburse the losses of members in those states. Many Lloyd's U.S. members have lost millions of dollars in the market.

The Texas Securities Board also is investigating Lloyd's, sources say. The board would not comment.

U.S. members hope that the action by the regulators will strengthen their own hands in their lawsuits against Lloyd's. The members think the more open discovery process in U.S. courts would improve their chances of recouping their losses.

So far, U.S. names have had little luck in trying to persuade federal courts to exercise jurisdiction over their suits against Lloyd's. Members have alleged that the agreements they signed when they joined Lloyd's, which require them to litigate any disputes in British courts, were partially invalid because they were obtained by fraud.

Most judges have rejected that argument, though a court in

See **Lloyd's** *on page 84*

Lloyd's delays estimating Equitas premiums ..... Page 84

Employer loses in comp suit

Employee choice of physician OK'd

By ROBERTO CENICEROS

SANTA ANA, Calif.—Injured employees in California are not limited to only one change of physician and cannot have their benefits revoked when seeking additional treatment, a California appeals court has ruled.

The ruling is not expected to have a big effect, observers say, though greater control of medical care is a key concern of employers that hope to limit their workers comp costs.

The 4th District Appellate Court in its ruling issued Sept. 25 said that an injured employee was not limited in the number of physicians she could see for treatment.

The court also found that the woman's employer erred in unilaterally terminating benefits when she stopped complying with a second physician's treatment orders.

During oral arguments made before the court, attorneys representing Compton, Calif.-based Ralphs Grocery Co. argued that the extensive 1990 and 1993 legislative changes to California's workers compensation system made it reasonable to believe that an employee was entitled to only one change of physician, even if an employee was exercising control over her own medical treatment.

Ralphs also contended that "doctor shopping" would be encouraged and the employer

See **Ralphs** *on page 80*

Settlement strategy: Alone or as group?

Companies split on mass tort approach

By MICHAEL SCHACHNER

BIRMINGHAM, Ala.—Are companies facing thousands of liability claims over a single product more likely to succeed with a mass settlement working as part of a group or going it alone?

That strategic question is being asked in corporate liability circles following two developments last week: despite court deadlines, three defendant companies in the consolidated breast implant litigation had yet to reach a settlement with injured women; and a trust fund for victims of A.H. Robins Co.'s Dalkon Shield device projected that it soon would pay off all claims and still have enough surplus to pay bonuses to the victims.

In the breast implant case, Baxter International Inc., Bristol-Myers Squibb Co. and 3M Co. late last week had yet to reach an agreement with the women on their latest settlement proposal.

The companies last week proposed paying claimants fixed amounts—often less than they would have received under an earlier global proposal that included Dow Corning Corp.—based on their medical conditions. However, unlike the earlier offer, the ultimate payout would not be capped. Under the proposed offer, all women who participate in the mass settlement would get the full value of their claims, regardless of when the claims were filed or whether the companies would have to contribute additional

See **Settle** *on page 83*

Greenberg joins M&M unit

Ex-AIG heir apparent in risk capital arm

GREENWICH, Conn.—Jeffrey W. Greenberg, who stunned the insurance industry by quitting a top job at American International Group Inc. in June, is joining Marsh & McLennan Risk Capital Corp.

Mr. Greenberg will be one of five senior members of the firm's partnership-style management team. His responsibilities will include evaluating potential investments and overseeing existing ventures, he said.

M&MRC, the insurance investment arm of New York-based Marsh & McLennan Cos. Inc., most recently sponsored the formation of Risk Capital Reinsurance Co., which went public last month.

Mr. Greenberg said last week that he was attracted by M&MRC's combination of capital resources, knowledge and successful track record.

"In the insurance operations areas, he brings a unique skill that we consider unmatchable," M&MRC Chairman Robert Clements said.

Mr. Greenberg resigned this summer as executive vp in charge of AIG's domestic property/casualty operations. He was widely considered the heir apparent to his father, AIG Chairman and CEO Maurice R. Greenberg (*BI*, June 12).

—By Douglas McLeod

Inside

- Elements of the House and Senate Superfund reform bills have merit, this week's editorial says. **PAGE 8**
- Rewarding employees for reducing their health risks is cutting one employer's health plan costs. **PAGE 73**
- Kobe, Japan, is rebuilding after its devastating earthquake in January. **PAGE 75**

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Workers Compensation



Workplace safety

Maine 200 OSHA has declared its Maine 200 program a success, but it may require fine tuning before it can be exported to the rest of the union ..... **Page 13**

Safety first Ohio is using a workplace safety program and low-interest loans to encourage employers in the state to make workplace safety a top priority ..... **Page 19**

The committee approach Congress may allow non-unionized workforces to utilize much touted joint labor/management safety committees ..... **Page 24**

Rate wars California risk managers are passing up self-insurance plans to take advantage of low rates in the ultra-competitive workers comp market ..... **Page 27**

Safety logos: American National Standards Institute.

OSHA slowly reshapes its image

Enforcement taking back seat to accident prevention

By MARK A. HOFMANN

The Occupational Safety and Health Administration—the federal agency businesses love to hate—has begun the process of re-inventing itself.

The agency has been switching its emphasis to consulting from enforcement, much to the approval of businesses. Rather than cite employers for violations of what many regard as arcane standards, OSHA now seeks to work with businesses to correct safety deficiencies.

"Becoming a partner with business to help solve problems is a more cost-effective way to reduce injuries and create a safe work environment," said Lucille Gallagher, vp-risk management for Greeley, Colo.-based Monfort Inc., and immediate past president of the Risk & Insurance Management Society Inc.

"It's cost effective and it's good business to have a safe workplace. In this day and age, employers understand that."

"If you can prevent an accident in the first place, then you don't have to worry about all the problems when someone gets into the workers compensation system," said Ms. Gallagher, referring to the variety in state workers compensation laws and inconsistencies in rulings from different judges. She added that Joseph Dear, the assistant secretary of labor who heads OSHA, recently spoke in Colorado about "The Death of Common Sense," attorney Philip Howard's best-selling critique of OSHA regulation (*BI*, July 3).

"Hopefully OSHA is taking that to heart," she said.

Part of the reason for the change in the agency's direction is political. The Republican sweep to congressional power last fall raised serious questions about the agency's future. Rep. Cass Ballenger, R-N.C., has taken the lead on OSHA reform matters by introducing a bill that would require the agency to spend at least half of its budget on consultation rather than enforcement. Critics of the proposal, including the Clinton administration, claim the measure will gut the agency, while businesses in general applaud the Ballenger approach.

In addition to earmarking at least 50% of OSHA's budget for consultation and training, Rep. Ballenger's Safety and Health Improvement and Regulatory Reform Act of 1995—H.R. 1834—would require that the agency's directives be subject to risk assessment and cost-benefit analysis. The act also would require: that the federal Mine Safety and Health Administration be merged into OSHA; that employers be allowed to participate in a voluntary compliance program with advisory health and safety reviews performed by a "certified individual"; and that fines be eliminated for many paperwork violations.

The Risk & Insurance Management Society expects to issue a position paper on OSHA reform

See **OSHA** *on page 12*

Encouraging safety not always easy

Broad commitment needed for change

By MEG FLETCHER

Helping employees work safely is easier said than done.

Top managers alone cannot make it happen. They must make working safe a companywide priority, and to do that they must participate in a comprehensive program to help employees modify their behavior.

Most employers have already taken the first step by clearly committing themselves to having safe workplaces.

At Philadelphia Newspapers Inc., "safety's got to be as much a part of our bloodstream as the ink we use to print the paper," said Luther Dowdell, workers compensation manager for the company that publishes the "Philadelphia Inquirer" and the "Philadelphia Daily News."

And there's a new safety mindset at St. Louis-based building materials company Young Sales Corp., according to Sal Briguglio, corporate safety director for several construction-related businesses. Managers now realize, "if you don't take the time and spend the money (for safety), the production will suffer," he said.

Organizational commitment to safety has been growing in recent years among leading companies because of the realization that it is both profitable and humane, employers and consultants say.

Safe companies generally have fewer workers off the job because of work-related illnesses or injuries, which translates into lower operating costs because of fewer medical and wage-loss benefits and less of a need to hire substitute workers.

Safe companies that buy workers comp coverage have lower experience-rating modification factors, which translates into lower premiums (*BI*, April 10).

"It's become a very significant factor in competition these days among employers in the same industry," said Ted Jean, director of account management for American International Group Claims Services Inc. in San Francisco.

The 10 to 15 large employers that participate in Johnson & Higgins' Safety Round Table are strongly committed to safety, said Dan Kett, the broker's Detroit-based regional manager for casualty loss control.

The group's members shared their goals when they began in July 1993 and, "without fail, there was no acceptable level for employee injuries," he said.

"Safety is now more important in organizations, and reporting relationships are at higher levels," Mr. Kett said.

As companies try to improve their safety performance, they historically have focused on improving the physical workplace and its fit with the employees.

That includes "redesigning production lines, altering plant floor

See **Safety** *on next page*

State safety role increasing

Several states mandate premium credits for safety plans

By MICHAEL SCHACHNER

As the federal government assumes a diminished role in enacting and enforcing workplace safety measures, states are taking it upon themselves to promote workplace safety.

Few states are taking radical approaches to improving workplace safety. Rather, most state activity consists of requiring workers comp insurers to offer moderate premium discounts as an incentive for employers to adopt basic safety procedures.

Other safety laws and regulations at the state level have focused on requiring labor and management to form safety committees, or requiring workers comp insurers to grant premium credits to companies that implement policies aimed at securing a drug-free workplace.

A few states also are making safety program funds available to businesses through loans or grants, so that employers can make safety-oriented improvements or purchase safer equipment.

Workers compensation experts say that with Republicans running Congress, the role of the federal Occupational Safety and Health Administration will continue to dwindle.

But some also question whether the safety incentive approach some states are taking is appropriate.

The problem with state-mandated safety programs is that states, employers and insurers cannot quantify beforehand how much a dollar spent on safety will really reduce claims costs.

"I guess the $64,000 question is whether these state programs are having an effect on workers comp costs. They are positive, but insurers are taking a lot of the initiative themselves. Most offer loss control consulting as part of the policy. We aren't sure yet what these state plans will do," said Bill Stafford, western division vp with AIG Consulting Inc. in San Francisco.

Insurers, consultants and other workers compensation experts also lament that the bulk of current legislation requiring insurers to offer up-front incentives to companies that implement specific safety procedures does not guarantee that those procedures, once implemented, will be followed.

That approach also does little to instill a true commitment to safety, they contend.

Many workers comp insurers say that because of their experience with losses and loss prevention, they are better able to help policyholders improve safety programs than would result from following state-mandated guidelines.

"The biggest problem with these programs guaranteeing up-front incentives is that you can earn them by having a safety policy on paper. Most are not performance-based programs, which most people in this industry believe is the way to go,"

See **States** *on page 18*

Safety

Continued from previous page

layouts, custom-fitting tools, tailoring workstations, analyzing tasks and developing new step-by-step processes," said Kathleen Blake McCann, manager of Liberty Mutual Insurance Co.'s Performance Technology Department in Boston.

Losses often persist, though, which leads companies to address "the last obstacle"—actual employee performance, she said.

Decades of research shows that accidents can be attributed to one or more "deficits":

- Knowledge deficit: The employee did not know how to perform the task safely or properly.
- Equipment deficit: The proper equipment to perform the task was either unavailable or faulty.
- Performance deficit: The employee knew the proper technique and had the proper equipment but failed to comply with the safety performance requirement.

When companies have a problem, their first response is to increase employee education and training budgets. But, that may not be the best solution, Ms. McCann said.

Many safety and risk managers may be surprised to know that performance deficits are responsible for about 92% of all accidents—excluding acts of God—according to 406 risk managers and safety consultants responding to a recent Liberty Mutual study (see chart).

"Employees fail to perform safely because the work environment does not usually support the safe behavior," not because they don't know what the safe behavior is, she said. For example, employees may remove machine guards because they are more concerned with being rewarded for faster production than working safely.

Encouraging safe behaviors and discouraging unsafe ones requires manipulating those factors that occur before the behavior and trigger its occurrence, as well as the consequences of employee behavior, recommend behavioral psychologists.

For example, La Crosse, Wis.-based Trane Co., which makes transportation and building products, requires its safety department to help "engineer out" problems like excessive noise and approve new machines before they begin operation, said Dan Ames, safety manager for the company, a unit of New York-based American Standard Inc.

The point is to identify the responses in the workplace that support unsafe behavior and replace them with new responses that encourage safe behavior.

For Trane, "the key was getting employees involved," said Paul Gills, loss prevention account manager for Travelers Insurance Co. in Hartford, Conn., which is Trane's workers comp insurer. That included giving employees a log book to record safety problems for immediate follow-up and raising employee safety awareness through videos, posters and a newsletter, Mr. Ames added.

"The most successful performance-change programs focus on rewarding positive behavior rather than punishing negative behavior," Liberty Mutual's Ms. McCann said.

Harnessing peer pressure can be particularly effective, she added. For example, co-workers could remind each other to wear personal protective equipment.

Determining what works best depends on corporate culture.

A manager at an automaker in Japan devised a penalty for a worker who refused to wear a hard hat, though the approach might never work in the United States. The manager punished the worker by making him stand next to the manager's desk for the rest of his shift. The manager also ordered him the next day to wear a yellow shirt that boldly contrasted with his co-workers' uniforms as a symbol of shame.

That punishment was "horrible" in a culture like Japan's, which prizes conformity, said Rich Wokutch, a professor of business management at Virginia Polytechnic Institute & State University in Blacksburg.

It is doubtful that worker representatives in the United States would accept such an unusual punishment without protesting, he said.

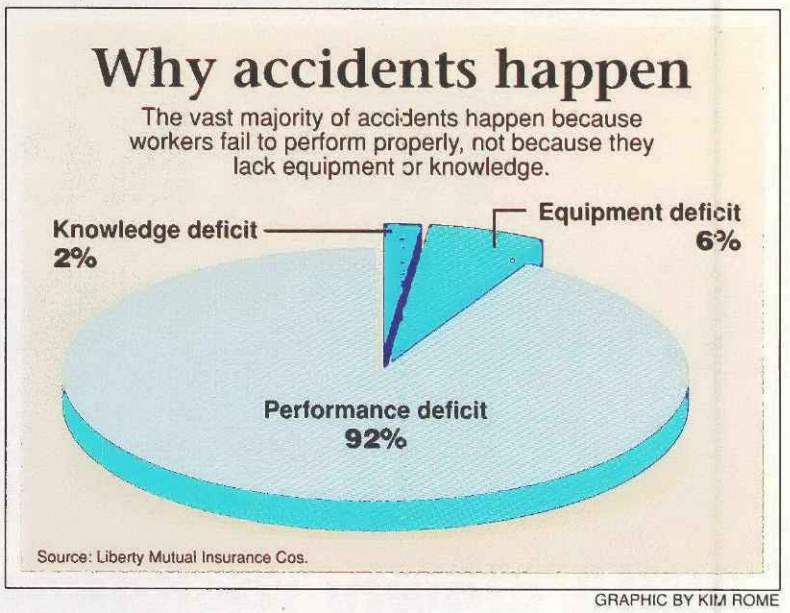
One need not travel to Asia to find cultural differences, though. They exist even among U.S. companies.

For example, companies with effective safety programs generally have similar characteristics, including a willingness on the part of managers and employees to seek out criticism about their practices so they can evaluate and improve them. They also seek out suggestions for solving a production problem from the employees who are directly affected by it, experts say.

Companies with less effective safety programs often have managers and employees who are very sensitive to criticism. They also often restrict authority for operational changes to upper managers, who may not be able to appreciate line employees' concerns or respond quickly to them.

Companies that want to improve their corporate safety culture often hire consultants to analyze them and coach them through a process that is designed to improve it.

Most programs start by surveying managers and workers on safety-related factors, including their commitment to safety and the quality of training and equipment. BI



GRAPHIC BY KIM ROME

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Incentive plans improve safety

Experts offer tips for rewarding improvement in workplace safety

By MEG FLETCHER

Incentive programs can be an important tool in encouraging employees to work safely.

A two-tiered approach is often most effective, employers and consultants say.

First, incentives should be "small, frequent and based on specific and individual safe acts," said Kathleen Blake McCann, manager of Liberty Mutual Insurance Co.'s Performance Technology Department.

Awards could range from simple items like mugs, T-shirts and hats with safety logos, to more valuable rewards like embroidered jackets, event tickets, preferred parking spots or time off.

A company may want to give periodic group awards if it achieves some major safety goals, she said.

Awards could include free pizza lunches or special dinners for work groups with good safety records.

Awards must suit a company's culture and employees' wishes, employers and consultants say.

"A modest incentive program works well for workforces where people are satisfied but passive" in their general reaction to the company, said Rebecca Shafer Bruce, a Hartford, Conn.-based senior vp in charge of workers compensation consulting for Aon Risk Services Inc., a division of Chicago-based broker Rollins Hudig Hall Group.

However, "at a poorly run construction site where it is acceptable to file a fraudulent workers comp claim, an incentive program with a toaster oven prize isn't going to do it," she added.

Liberty Mutual's Ms. McCann outlined several steps needed to create an effective incentive program:

- Involve employees in creating, selecting and delivering the awards.
- Establish ways to measure employee performance so supervisors can objectively gauge each employee's performance against the criteria.

For example, using appropriate personal protective equipment like safety goggles on a particular job.

- Reward individual safe behaviors primarily. Goals like lower accident rates and more days without injury should be recognized, though they may be outside an individual employee's control.
- Tie rewards directly to safe behaviors.

For example, avoid safety bingo-type games that reward people for being lucky, though drawings can be held for larger prizes when a group goal is reached, she said.

- Deliver rewards promptly.
- Use a variety of rewards.

Philadelphia Newspapers Inc. rewarded safe employees with canned hams, said Luther Dowdell, the company's workers comp manager. The company also awarded savings bonds to workers' children who won an essay contest on "Why I Want My Parent to Work Safely."

- Keep it simple and fun.

Launching the program with a kickoff attended by top managers will educate everyone about the rules and demonstrate top management's commitment for safety.

The main thing for companies to avoid, though, is to indirectly discourage employees from filing valid workers compensation claims consultants and employers agree.

This can be accomplished by creating an appropriate climate and keeping rewards in perspective

"People have to feel free to report real injuries," Aon's Ms. Bruce said. Otherwise, conditions may worsen and become more costly to remedy.

She also warned that companies hiring an outside manager to run their incentive programs should avoid using someone who also owns the company that provides the prizes. Such cozy arrangements can raise the cost of prizes unnecessarily and increase chances of employees not filing legitimate claims. BI

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Opinions

Reform bills come up short

THE REPUBLICANS have unveiled their long-awaited Superfund reform plans and, as far as risk managers are concerned, they fall far short of super.

Both Rep. Michael Oxley, R-Ohio, and Sen. Robert Smith, R-N.H., had earlier issued lists of principles that they wished to incorporate in their Superfund reform plans. Both lists contained at least partial repeals of retroactive liability.

Rep. Oxley wanted to repeal retroactive liability for legal acts that occurred before 1987, when the last major Superfund reauthorization took place. Sen. Smith took a more modest approach, calling for repeal of retroactive liability only for those acts that took place before Dec. 11, 1980, the date that Superfund was enacted.

Either cutoff date would have been a vast improvement over the current system, in which companies and individuals can be held liable for cleaning up toxic wastes that were legally dumped decades ago.

In fact, the liability system has always been the core problem with Superfund. A party can be held responsible for the cost of cleaning pollution that the party didn't even cause—and which may have arisen from previously legal activity—if the polluters can't be found or don't have enough money to clean up after themselves. That's called joint and several liability.

Guess what was still there when Rep. Oxley and Sen. Smith made the details of their legislative proposals public late last month?

As we reported Oct. 2, both bills left retroactive liability intact, though the lawmakers attempted to soften the blow by offering financial buffers like tax credits and some sort of rebates for cleanup.

Although certain classes of potentially responsible parties would receive deserved breaks in both bills, Superfund's onerous liability system remains basically intact. In fact, on the liability score, the bills appear to be less revolutionary overhauls of a failed system than a new, improved version of the reforms the Clinton administration peddled so unsuccessfully last year.

Rep. Oxley and Sen. Smith deserve credit for offering necessary and well-conceived changes in a number of other aspects of Superfund. Most notably, both measures call for an overhaul of the often-ludicrous remedy selection process. Both measures would require scientific risk assessment during remedy selection. Both would also require that a site's future use be taken into account before a remedy is chosen. These measures alone are definite improvements over the current system, and they deserve support.



But without any liability reform, Superfund will continue to be bogged down by litigation and, for many sites, it will be a long time before such improvements in remediation can even be applied.

Fortunately, both measures must undergo the process of hearings and amendment. There are already indications that some House Republican leaders want more, rather than less, liability reform.

There's still time to get your concerns to your representatives and senators—and to not let up until the president signs meaningful Superfund reform.

The proposed reforms may be too little, but it is definitely not too late to push for their enhancement.

Letters

Zurich urged to preserve pristine Sterling Forest

To the editor: After reading your Sept. 25 article, "Zurich CEO Denies Obligation to Home," I was reminded of the crucial regional land-use planning role that Zurich Insurance Co. will play in the final disposition of Sterling Forest, a pristine 18,000-acre tract northwest of New York City, which it purchased along with the insurance business of Home Holdings.

Home Holdings' Sterling Forest Corp. owns this land, the focal point of an eight-year bitter battle pitting local municipalities, the state of New York, local citizens groups and national, regional and local environmentalists against the development of this critical space, part of an unbroken green corridor that stretches from the Delaware River northward through New England.

Sterling Forest is part of the federally protected "view shed" of the Appalachian Trail, a wilderness foot path that stretches from Stone Mountain, Ga., to Baxter State Park in northern Maine.

Sterling Forest Corp. has applied for a permit to build 8 million square feet of shopping malls, offices and light industrial facilities, dwelling units for 35,000 people, miles of new roads with no low-polluting public transportation facilities, five new villages, police departments, firefighting services, health services and schools in this now sparsely populated area.

The only way to finance this enormous project would be to sell the rugged, unbuildable portions to the state and federal government to finance construction on the remaining buildable land. The development plan claims to solve the problems with the Appalachian Trail view shed by relocating the trail so that it no longer has any views.

If built as planned, this project would degrade the drinking water source for over a million residents of New York and New Jersey and would impose an enormous tax burden on the public to pay for water filtration plants and for the new planned infrastructure.

Vehicles that would be introduced to this area would further degrade the unacceptable ozone levels (by U.S. EPA standards), causing adverse health impacts on the residents of this region. Life insurers and health insurers would suffer the consequences.

From our first experiences with insurance education, we have learned about the importance of such planning devices as Ben Franklin's plans to lay out the city of Philadelphia in a grid of streets and to enforce a building code to prevent large fires that had plagued other large cities of his era.

In our own time, we have seen how poor land-use practices such as channelization of the Mississippi River and filling of riverine wetlands to create crop lands have contributed to catastrophic flood losses suffered by insurers in the Midwest a year ago.

I urge Rolf Hueppi and Zurich Insurance Co. to donate or sell the total 18,000-acre Sterling Forest tract to New York State or Palisades Interstate Park Commission for use as a state park or nature preserve, the highest and best use of this land.

By taking this step, Mr. Hueppi could set a forward-looking and sound policy example for the rest of the U.S. insurance industry and show Zurich's good faith as a public-minded citizen by playing the critical role insurers should play in rational regional land-use planning.

Donald C. Pachner
Conservation Co-Chairman
Sierra Club Atlantic Chapter
New York

■*Editor's note: The author also is an insurance broker with a major New York brokerage firm.*

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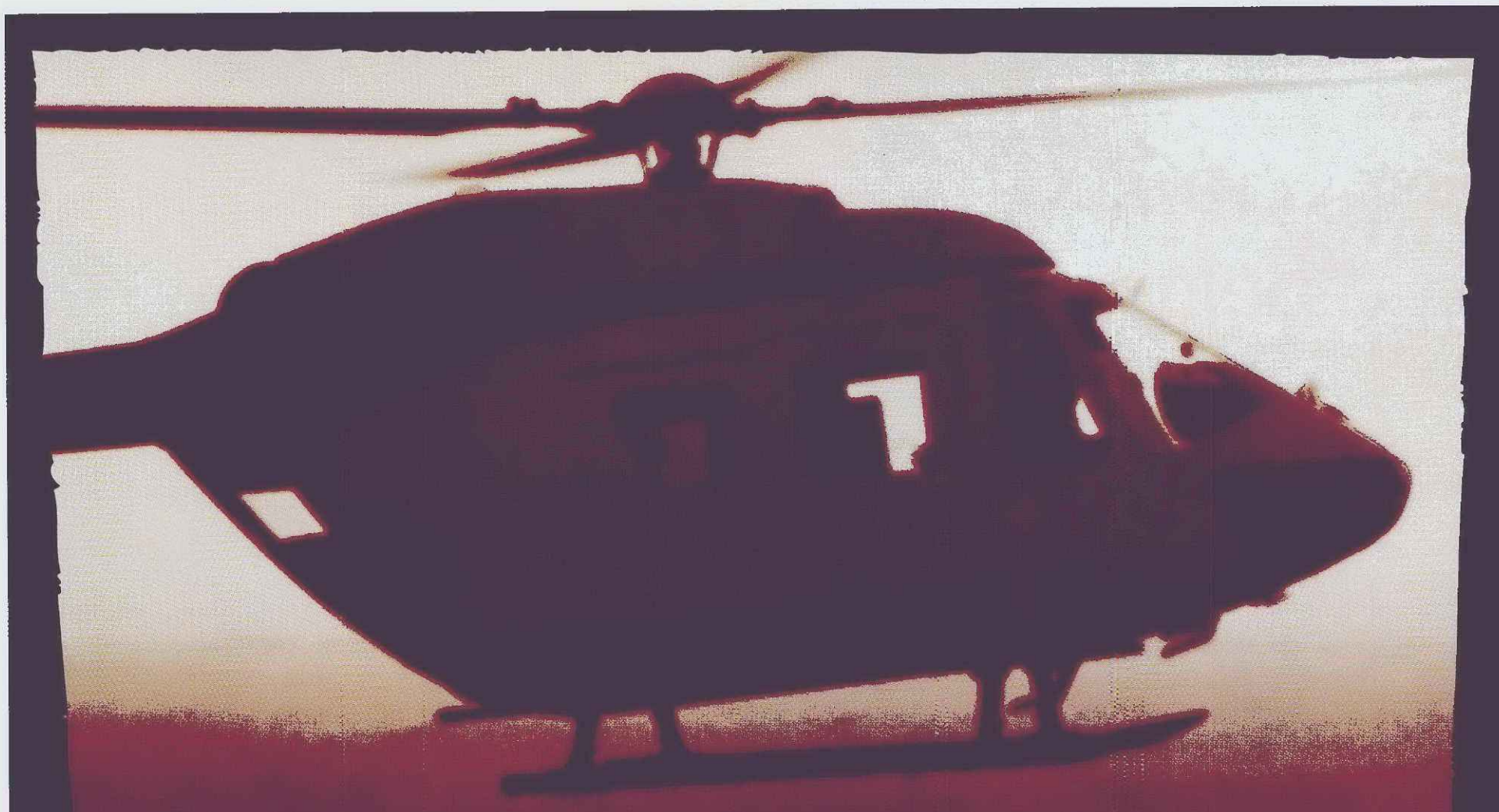
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OSHA

Continued from page 3

within the next few weeks that could mirror many of the Ballenger recommendations. Although the paper is still a draft, among the recommendations RIMS is likely to make are: redirecting OSHA's focus to consultation, training, education and compliance assistance; including risk assessments and cost-benefit analysis in developing safety standards; making those risk assessments and cost-benefit analyses industry-specific; and eliminating penalties for paperwork and posting violations.

RIMS has not endorsed any specific legislation. In fact, RIMS, like other interested parties, is waiting to see what happens in the Senate, where Labor and Human Resources Committee Chairman Nancy Kassebaum, R-Kan., is expected to unveil an OSHA reform proposal soon.

For his part, Rep. Ballenger points out that his is a relatively moderate piece of legislation. After all, Rep. Joel Hefley, R-Colo., introduced a bill that would gut OSHA by forbidding it from inspecting workplaces for safety violations.

"Ballenger is a small businessman, but he also appreciates that you need some ground rules, both for the small businessman who's trying to do a good job and for the bad guys," said Tom O'Day, associate vp in the Alliance of American Insurers' Washington office.

And no matter what approach OSHA takes, it no doubt will have to work with diminished resources—Congress slashed its appropriation by nearly one-third earlier this year.

"If you looked at what OSHA could do with current funding they would take 87 years to survey every location; with the cut in funding, it means probably 175 years," said Wayne Clifton, director-technical services, CIGNA Property & Casualty Loss Control Services in Philadelphia. "If you look at the funding levels they're going to, it's a tremendous drop in the amount of actual bodies," he said.

Some of the changes at the safety agency were made before the GOP sweep. For example, OSHA already was moving away from an emphasis on what many businesses consider heavy handed enforcement of job safety rules toward helping employers bring work sites into compliance.

A regional OSHA office in Bangor, Maine, introduced a program whereby the 200 Maine companies with the highest workers comp injury rates could avoid fines through a program of self-audits and remediation programs after an OSHA investigation exposes the problems (see story, page 13). This initiative, called the Maine 200 program, has not drawn universal acceptance.

OSHA officials, however, dismiss the possibility that enforcement standards have grown slack.

Rather than saying that the agency has switched its emphasis to consultation, James Stanley, an assistant deputy secretary of Labor Department, said, "I would say it's allowing employers to chose the relationship with their government in regards to safety and health regulation or enforcement."

Mr. Stanley added, "I think OSHA has been extremely successful in the past 24 years. I think the U.S. leads the world in safety and health. If there's going to be a regulatory presence in the next 24 years, times have changed and we're going to have to change with it."

"If you have limited resources, few people and lots of workplaces" to police, OSHA has no choice but to focus on the worst employers, he said. Safety conscious employers will still receive citations for violations, but "overall, they shouldn't have been treated the same as an employer who doesn't do anything."

"I think it's very good that OSHA is moving toward a consultative approach," said Greg Johnson, director of time-loss management consulting for Ernst & Young L.L.P. in San Francisco. "It's unfortunate it took a change in Congress for this to happen, but I think the change in direction is way overdue."

The agency's previous approach, emphasizing enforcement and sanctions, "created some unnecessary friction and resistance" between OSHA and businesses, he said.

"Keep in mind, there are many penalties that exist other than OSHA, most importantly insurance rates," said Mr. Johnson. Workers comp costs will generate interest in safety whether there's an OSHA inspector or not, he said.

Insurance companies, though, do not see themselves as fulfilling the same role as OSHA.

"Insurance people I've talked to think that what they do is very different from what OSHA does," said the Alliance's Mr. O'Day.

Whereas OSHA looks for violations, insurers look for potential sources of injury and claims and "then they want to concentrate to find solutions to mitigating or eliminating that problem area. That's one of the reasons they are cautious about using outside people as surrogate OSHA inspectors," he said.

Insurers don't want to become workplace safety policemen, said CIGNA's Mr. Clifton. Insurers try to work with companies to correct deficiencies, he said.

"OSHA says 'We know what your problems are and we're going to correct it,'" he said. "Our stick is we cancel the coverage" if they don't

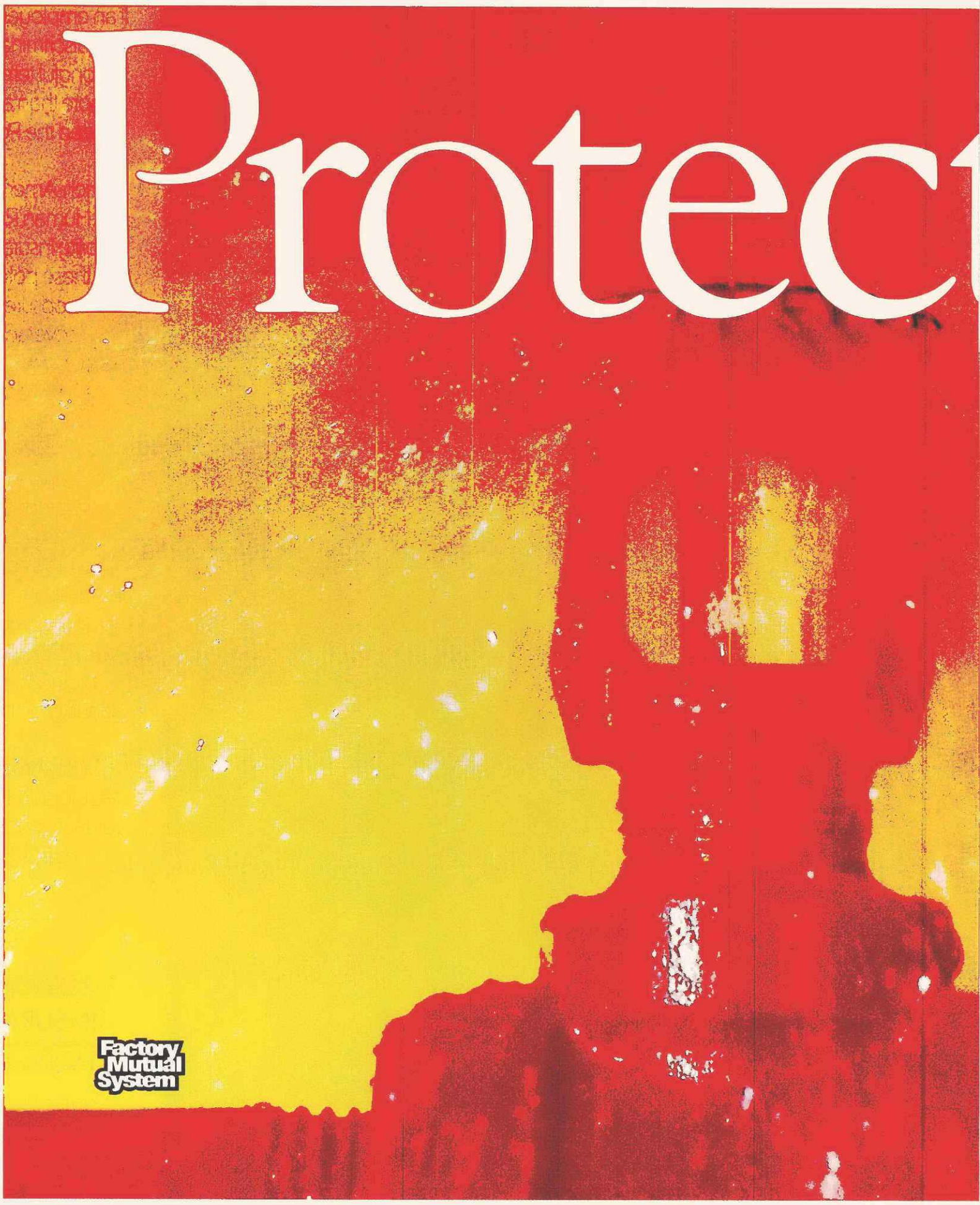
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OSHA overhaul

The more significant changes in The Safety and Health Improvement and Regulatory Reform Act of 1995 include:

- Requiring that at least half of OSHA's budget be spent on consultation, training and education rather than inspection and enforcement.
- Subjecting OSHA rules to cost/benefit and risk assessment analysis under most circumstances.
- Eliminating all penalties for certain paperwork violations.
- Creating a voluntary compliance program under which employers that have health and safety reviews performed by "certified individuals" would be exempt from random OSHA inspections for at least a year.
- Merging the Mine Safety and Health Administration with OSHA.
- Abolishing the National Institute of Occupational Safety and Health.

Source: Rep. Cass Ballenger, R-N.C.



Continued from previous page
make the changes, he added.

OSHA's apparent shift to consultation from strict enforcement does not have universal support.

"The message they send is that 'We don't take our enforcement very seriously,' " said Keith Mestrich, occupational safety and health specialist for the AFL-CIO in Washington. He said the labor federation fears that many employers will take their chances on not getting inspected and operate unsafe workplaces.

One of the examples often cited by businesses of OSHA run amok is the long-delayed ergonomics standard. The standard, which OSHA intended to issue this month, now is on indefinite hold.

In fact, Congress has specifically instructed the agency not to issue such a standard.

That sits well with OSHA critics. The draft ergonomics standard was more than 600 pages long, "so right there that would tell you that something's very wrong with it," said June D'Zurilla, associate director-employee relations for the National Assn. of Manufacturers. From NAM's perspective, there is not enough scientific evidence to validate a universal ergonomic standard.

"OSHA should be focusing its limited resources on something that's really killing workers," she said.

Not surprisingly, OSHA disagrees. "It's never been a question of whether or not there's a problem out there. We do know for sure that the draft that we circulated isn't going anywhere. If that's not going anywhere, the question is what will go somewhere?" asked OSHA's Mr. Stanley. "We're re-evaluating and I will tell you that we will have some alternative approaches."

The basic fact is the fastest growing category of workplace ailments are diseases associated with ergonomics, said the AFL-CIO's Mr. Mestrich.

OSHA has to do something to follow its own mandate, he added. "I don't think it's a dead issue."

If the Ballenger bill passes, other aspects of OSHA could become dead issues.

"We are supportive of the Ballenger bill and we are working hard to move that through Congress. They have a tight schedule this year, we are working hard to get it on the agenda," said Diane Generous, director-employee relations for the NAM.

She said NAM hopes Congress will vote on the measure by the end of year.

She predicted the Senate's Kassebaum bill will be similar.

"Perhaps the legislation has helped to heighten sensitivity in the agency. I think Joe Dear is listening a little bit more to some concerns businesses have raised over the years," said Ms. Generous. "We do very strongly believe that you need the legislation passed, you need it spelled out" what OSHA's mission is, so that a future OSHA head could not retreat into the approaches of the past at his or her discretion, she said.

"Without endorsing every dot and line of the Ballenger bill, we're in favor of the direction it's taking," said the Alliance's Mr. O'Day.

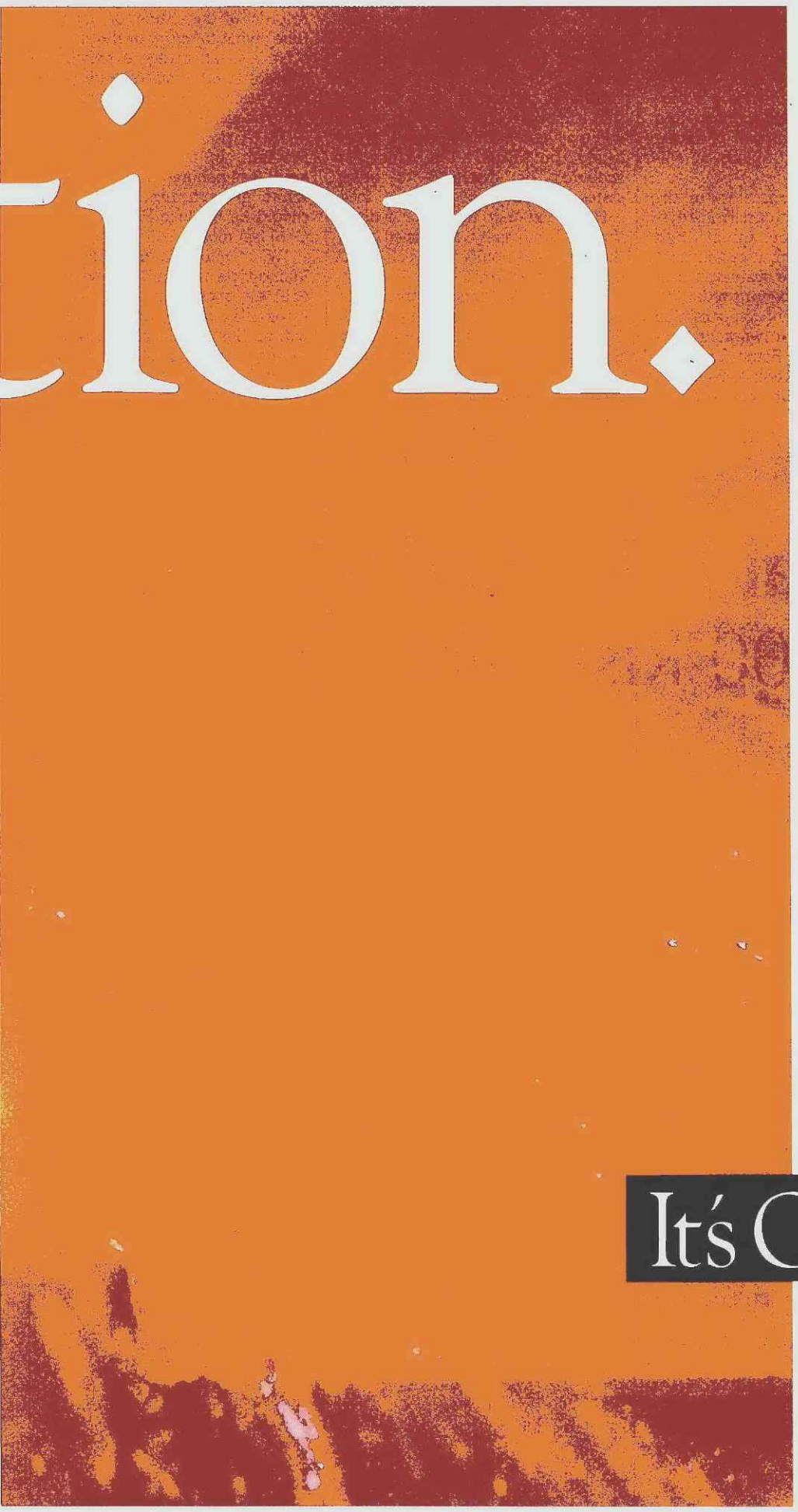
OSHA's current leadership and many employers seem to be "on much the same wavelength," he said. Of course, the Clinton administration is blasting the Ballenger bill for political reasons.

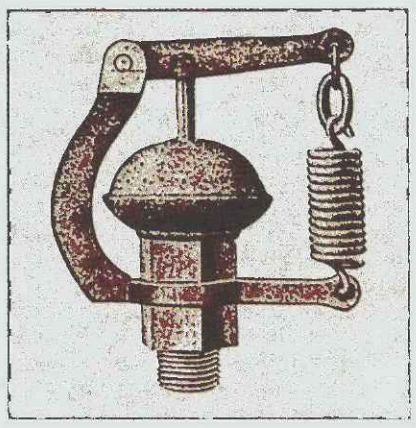
A potential problem, though, is getting it onto the House floor. The votes are there, but "what they don't want to do is mark the bill up and let it sit there for months."

"While we don't have a problem with OSHA expending extra resources on consultation," we have a major problem with the Ballenger bill, said the AFL-CIO's Mr. Mestrich. It represents an "improper shift of resources." Businesses seeking consultation probably are already in compliance or making good-faith efforts to improve safety, he said, adding that if Congress wants to shift 50% of OSHA's budget to consultation, it should double OSHA's budget.

Margaret Milsky, an attorney with the Chicago firm of Anspach & Dalton, said that if the Ballenger bill becomes law, risk managers will have to exercise care in choosing "certified individuals" to perform audits.

"It's almost tantamount to allowing companies to police themselves," she said. Risk managers need to be wary of "fly-by-nighters" who say, "You have these huge problems and you have to remediate" and then take the money and run. BI





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OSHA touts innovation in Maine

Some experts question using plan elsewhere

By MARK A. HOFMANN

Should an innovative workplace safety program join blueberries, potatoes and wood pulp as one of Maine's chief exports to the rest of the Union?

According to the Occupational Safety and Health Administration, the answer is yes.

OSHA's endorsement of the program, called Maine 200, may provide a reasonable prediction of how the agency will operate through the end of this century. But, while safety professionals give the program a qualified endorsement, many agree that the Maine program would have to undergo significant changes before it could be applied to other states.

OSHA's office in Bangor, Maine, launched the Maine 200 program in February 1993. The office told the 200 employers in the state with the largest number of workers compensation claims that they would not be hit with fines if they presented a detailed action plan outlining how they would address hazards in their workplaces.

Once OSHA accepted the plan, employers had to make sure that they met compliance targets or face the possibility of being expelled from Maine 200 and subject to a traditional inspection and enforcement regime.

Bill Freeman, OSHA's Bangor area director, said that the 200 employers with the greatest number of workers comp claims in 1991 represented only 1% of Maine's employers but employed 30% of the workforce and accounted for 45% of the workers comp claims.

These 200 companies employed workers at about 1,245 worksites around the state, he said. The employers on the list represented both service companies and manufacturers. After initially contacting the target companies, "we found that 58 of these employers had never seen OSHA in 23 years, and an additional 26 had seen OSHA once."

After OSHA contacted the com-

See **Maine** *on next page*

Maine

Continued from previous page

panies, it gave them 45 days to report back with an action plan. Mr. Freeman said OSHA identified what it would expect to find if it conducted an inspection of the workplaces. "We asked them to give us an honest assessment" of how they would get in compliance with the OSHA standards and what programs they were going to develop and implement to reduce their injuries and illnesses, he said.

The injuries and recommendations differed by industry. For example, for hospitals, back injuries were common, while grocery store chains reported problems with carpal tunnel claims, said Mr. Freeman.

The Maine 200 companies then had to develop a comprehensive safety and health program—with employee involvement—that would produce lasting safety changes. "If companies did this, we would put them on a secondary inspection list," he said. OSHA made sure companies on the list were following their plans, and as long as they remained in compliance with the program, OSHA did not issue citations.

"We've conducted about 100 monitor visits and have only had two employers who've failed to live up to their end of the agreement," said Mr. Freeman. He said that 60% of the employers in the program have experienced a reduction in injuries.

"It's a very challenging program because it asks companies to go beyond the normal compliance strategies. It really challenges them to meet all the goals of OSHA," said Chris Hall, vp and general counsel of the Maine Chamber of Commerce & Industry in Augusta.

"Obviously, it cannot help but lower injury rates and improve safety," added Mr. Hall. He noted, however, that there is no hard data yet on how the program has affected workers comp claims.

There is no way to separate the impact of the OSHA initiative from that of Maine's vaunted workers comp reforms, because they took place at about the same time, said Alison Webb, executive director of the Maine Council of Self-Insurers in Hallowell.

As a result, Maine doesn't present "a good test case" for determining the impact of Maine 200-like programs on workers comp systems in other states, she said.

Mr. Hall added that while most companies in the program are achieving their goals, many find the program frustrating because of the "very high standards of compliance."

The experience of Pioneer Plastics Corp. in Auburn demonstrates some of the frustration.

"From a reduction of physical hazard point of view, it's been very successful," said Dick Hall, the company's corporate environmental health and safety manager. But he added that many of the situations that had to be corrected "were hazards that aren't hazards."

For example, OSHA mandates that railings be 42 inches high, but those at Pioneer Plastics were 39 inches and had to be raised, Mr. Hall said.

"In my opinion, a lot of what was done doesn't improve employee safety at all," he said. "Ninety-five percent of accidents are caused by bad attitude or unsafe actions rather than physical hazards."

From an employer perspective, the program means that Pioneer Plastics is immune to fines as long as it keeps up with the program, he said. That means conducting a continuous physical hazard audit and continuously showing that the company is making progress addressing the situations found by the audit, he said.

The company also objected to an audit this summer, when OSHA inspectors "came in and said we don't have an ergonomics standard yet, but we're going to audit you as if you had one."

In the absence of a standard, OSHA used the general duty clause, which says an employer must protect employees from anything that causes harm, said Pioneer Plastics' Mr. Hall.

"As a result, the folks around here are asking, 'How many more times are they going to change the rules?' "

The Chamber's Mr. Hall said that despite some problems, he believes that "by and large" employers think they are better off for participating in the program.

He said that Maine 200 has the potential to go nationwide but cautions that the agency must first carefully evaluate what it is asking companies to do to assure compliance.

Tom O'Day, associate vp in the Alliance of American Insurers' Washington office, questioned whether the program uses the right measure by which to evaluate which workplaces should be targeted.

"There are workers compensation claims and there are workers compensation claims. Some are life-threatening, they are career-ending, we're talking about million-dollar claims."

Concentrating on workplaces with more severe injuries rather than a higher number of injuries would be a more productive use of funds, Mr. O'Day said.

"It's a pretty gross approach toward targeting. You could have a lot of injuries because you're a big employer" but have a safe workplace, he said. "There's no balancing there," there's no attempt to examine the severity of the claims or the frequency of claims in relation to the number of workers, he said.

"Would it be a good thing to go nationwide with? The people I've talked with have real reservations about taking that program nationwide," Mr. O'Day said.

Organized labor also has reservations about the program, said Keith Mestrich, occupational safety and health specialist for the AFL-CIO in Washington.

"We're talking about really getting into the worst workplaces in the state and really kind of rewarding them for being the worst workplaces by giving them a second chance," Mr. Mestrich said. As a concept, the Maine 200 program is "not bad," but suffers from the fact that it hasn't really been pilot tested and has not been evaluated rigorously, he added. Therefore, it shouldn't be extended to other states, he said.

He added that the labor federation is "also really concerned with the program's ability to inject workers into the system."

Maine 200 is going in the direction we'd like to see, in which OSHA has essentially credible data that they use to pick out essentially bad actors," said June D'Zurilla, associate director-employee relations for the National Assn. of Manufacturers in Washington. "It is something you could replicate to other states."

But, Maine 200 still depends on too much paperwork, she said. The program "should focus on how to improve safety and health," she said.

"I think it definitely can be exported," said Ms. Webb of the Maine Council of Self-Insurers. She also offered caveats, though.

Like Mr. O'Day, she questioned whether basing participation on the basis of number of claims was fair, noting that large companies with excellent safety records would be included based on sheer volume of claims. She also suggested that OSHA pay more attention to the amount of resources companies must expend to meet compliance standards.

OSHA's Mr. Freeman said the agency is no longer monitoring raw workers comp claims but rather measuring safety through company records of lost time or restricted time owing to injury or illness.

He also advocates exporting the concept to other states, adding "you don't necessarily have to do everything as we did it."

OSHA does hope to expand the program. In fact, the Maine program was honored as an example of what government reinvention should be by Vice President Albert Gore last month.

"We're going to try and have a Maine-type program in every federal enforcement program and hopefully many state programs within the next year," said James Stanley, assistant deputy secretary of labor. Mr. Stanley said the program's criteria will vary from state to state.

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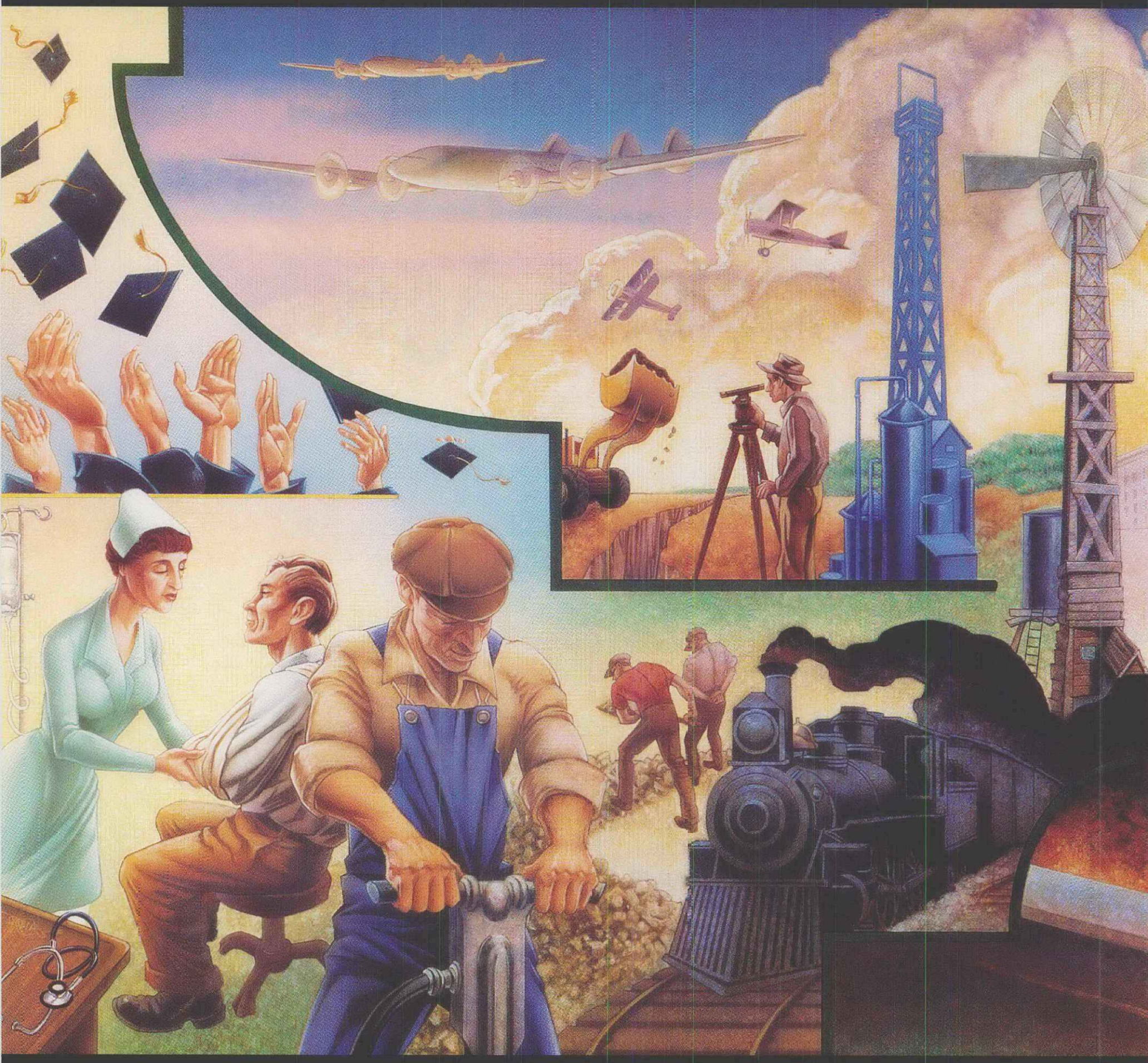
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Ohio

Continued from previous page

plans for the money. Borrowers must display an ability to repay the loan, which carries an interest rate of two points below the prime lending rate.

"We believe this is a unique program. There are no restrictions on who can borrow," said Mr. Ingalls. And, though it appears to be designed for smaller companies in need of capital for safety improvements, Mr. Ingalls said he hopes all companies in the state will look at the program.

But Mr. Butler, the risk management consultant, reiterated that state-sponsored programs will have a limited effect if employers do not embrace safety on their own.

"Most companies that would take advantage of this are already committing money to safety. For others, it won't be the kick that starts them thinking about safety," he said.

But with safety initiatives at a premium in Ohio, companies are improving their safety records, and those companies credit the state for their results.

One example in the private sector is American Spring Wire Corp., a suburban Cleveland company that processes wire for various uses.

Typical of many Ohio industrial companies, American Spring Wire up until a couple years ago was experiencing a high incidence of occupational injuries, primarily strains and lacerations, said Keith Buell, safety and environmental manager with the Bedford Heights-based company.

But then the state stepped in to help American Spring Wire with the company's ergonomic design, accident investigation and methods of getting line management and senior management supportive of safety.

As a result, the number of annual work-related back strains and hernias at American Spring Wire fell to about three from 40.

"The state urged us to bring in therapists to run a back school. They taught employees stretching exercises and other things. We had fallen behind in OSHA training and this helped us get up to speed," Mr. Buell said.

The results in terms of annual workers comp costs for the self-insured company were astounding. Mr. Buell said American Spring Wire spent about $630,000 on workers comp claims in 1992. But by 1994, costs were down to $210,000.

"It wasn't one state program that did it. It was more a matter of increased awareness of all involved," Mr. Buell said.

"Ergonomic training and state-driven training on how to investigate accidents and getting managers involved and accountable all helped. I'd say 75% to 80% of what we have achieved is due to the state's efforts to teach us awareness," he said.

In the public sector, the city of Columbus' Parks and Recreation Department has also taken a bite out of its workers compensation costs this year by encouraging employees at all levels be aware of how safety impacts injuries and claims.

Tim Gardner, the department's support services administrator, said the self-insured entity had incurred only $300 in claims costs through June of this year, compared with $30,000 for the same period a year ago.

"Our approach starting a couple years ago was to get everyone involved. The state brought us a survey to conduct which would question managers, supervisors and staff about safety. The state analyzed the results and as a result we have put together six safety teams that have then implemented their own safety measures," Mr. Gardner said.

For example, one team codified how inspections should be conducted. Another group sought training for proper in-office ergonomics.

"It takes some time before tangible results are produced, but we didn't have the money to bring in private consultants. The state did a lot for us. How much of our success is due to them is hard to say, but it has had an impact. It put us on the right track," Mr. Gardner said. BI

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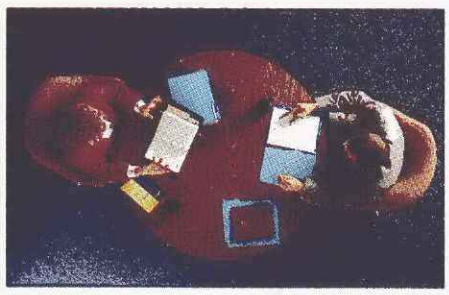
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Clearing safety committee hurdles

Proposals would clear the way for non-union panels to work

By DAVE LENCKUS

St. Louis County Water Co.'s labor/management safety committee has persuaded management to begin replacing heavy steel hatches on the company's electrical and plumbing vaults with lighter aluminum covers.

The committee also inspired management at the privately-held company, which purifies water for unincorporated St. Louis County, Mo., to offer sports drinks as well as water to field workers during this summer's searing heat waves.

The group, in which labor and management are equally represented, continues to seek other changes to guard against mishaps that could occur when employees are working near company trucks or installing gear designed to prevent trench cave-ins.

The 20-year-old committee "is something, to me, that is very important," said Tony Dicandia, safety supervisor for the St. Louis-based company, a subsidiary of Continental Water Co.

"It keeps the lines of communications open and builds trust" between management and labor.

Many employers, especially those with collective bargaining agreements with labor, have similar committees, though some are more effective than others.

But, many other employers, especially those with non-unionized workers, do not have such committees. Indeed, labor law prohibits employers with non-unionized workforces from forming such committees.

Several bills staggering through Congress but opposed by the Clinton administration are intended to unshackle employers from those constraints.

But, labor representatives fear that the bills, paradoxically, would allow management to dominate joint safety committees. Equal representation is the springboard that vaults labor/management committees to great success, labor representatives say.

The bills, some of which also would reform the Occupational Safety and Health Administration, are an outgrowth of what began a few years ago at two companies ostensibly as management efforts to improve communication with employees over working conditions and safety.

Management at Electromation Inc. of Elkhart, Ind., created so-called "action committees" of labor and management representatives to address employees' disaffection with workplace conditions created by unilateral management decisions.

Electromation's management said its goal was for the committees to facilitate bilateral solutions based on employee-initiated proposals, according to court papers. The committees, or "communication devices," were not created to engage in any collective bargaining activity, according to the company, which does not have a unionized work force.

Management at a unionized company, E.I. du Pont de Nemours & Co. in Deepwater, N.J., created six joint labor/management safety committees and a joint fitness committee to deal with issues like safety awards and recreational facilities, according to court papers. DuPont then implemented the committees' proposals, court papers say.

Both companies, though, violated federal labor law, the National Labor Relations Board ruled.

In December 1992, the NLRB determined that Electromation's action committees were labor organizations and that the company's management dominated them in violation of the National Labor Relations Act by forming and controlling them.

The 7th U.S. Circuit Court of Appeals upheld the NLRB ruling in September 1994.

In May 1993, the NLRB ruled similarly against DuPont.

But, the NLRB ruled that DuPont did not violate the NLRA when it held safety conferences, because those conference amounted to "brainstorming sessions" and the company did not hold conference attendees responsible for selecting programs designed to improve safety.

Employers perceived the rulings as being anti good-practices. The rulings ignited a great deal of concern among employers that they no longer could use "a very positive and proactive tool" to build safe workplaces, said attorney and risk management consultant William C. Bruce of Bruce & Associates of Glastonbury, Conn, who represents employers in labor and employment issues.

Several lawmakers want to return that tool to employers through a twist on legislation that died in Congress last year after Republicans gained majority status. Last year's legislation would have mandated the creation of labor/management safety committees in virtually all workplaces.

The House late last month passed one bill, the Teamwork for Employees and Managers Act, that would amend the NLRA to allow employers with non-union workplaces to create joint labor/management teams on issues of mutual interest, like safety and productivity. The bill, H.R. 743, by Steve Gunderson, R-Wis., does not establish guidelines for labor and management representation on the committees.

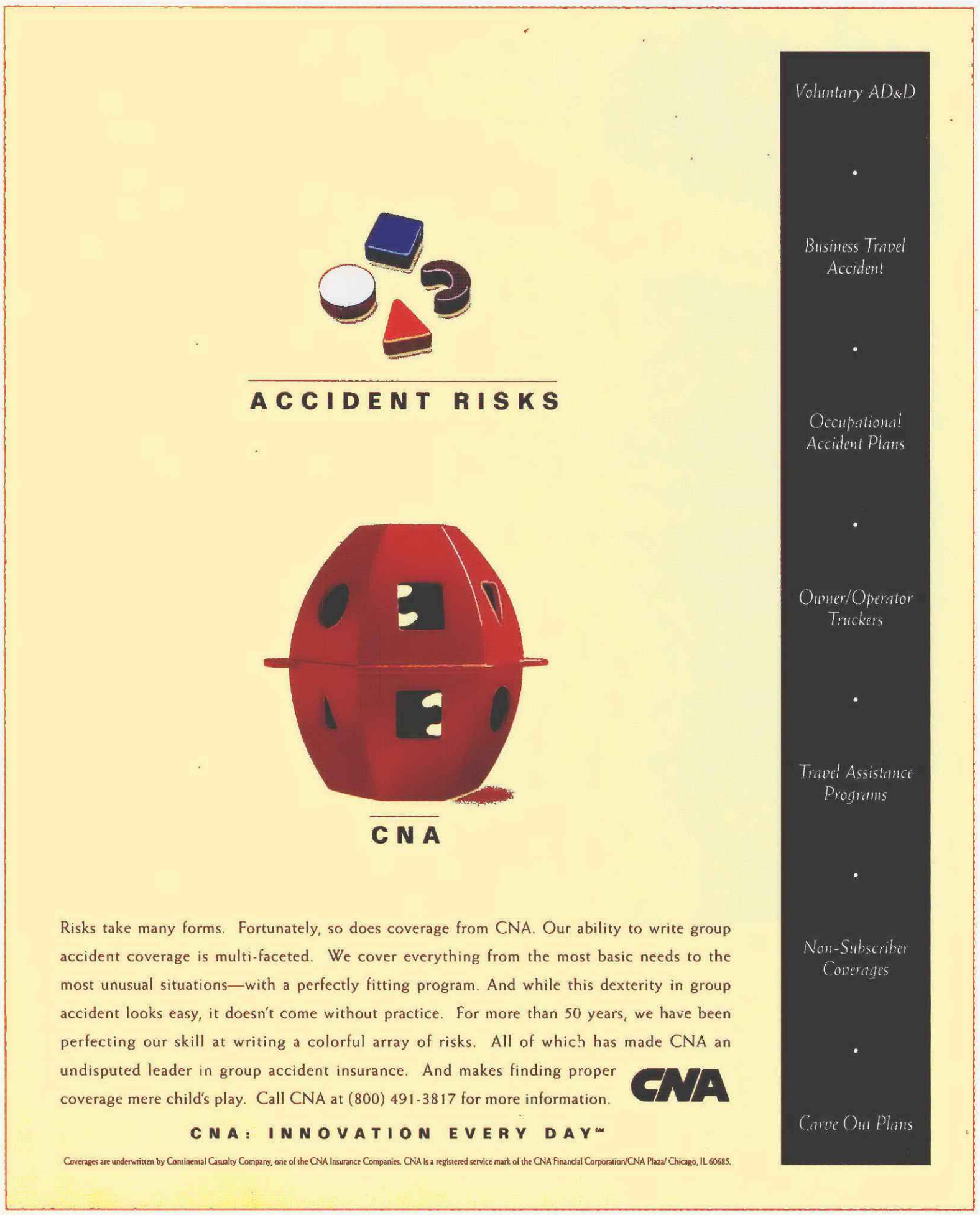
A companion bill in the Senate, S. 295 by Nancy Kassebaum, R-Kansas, has been stalled since February in the Labor and Human Resources Committee after its full committee hearings.

"Under current law, it is perfectly legal for non-union employers to dictate conditions of work to employees but illegal for them to cooperate with their employees. I think most people recognize the absurdity of this situation," Rep. Gunderson said when the House passed the measure.

Without the TEAM Act, employers and labor at 88% of the worksites in the United States "are incapable of cooperating," Mr. Gunderson's spokesman said."

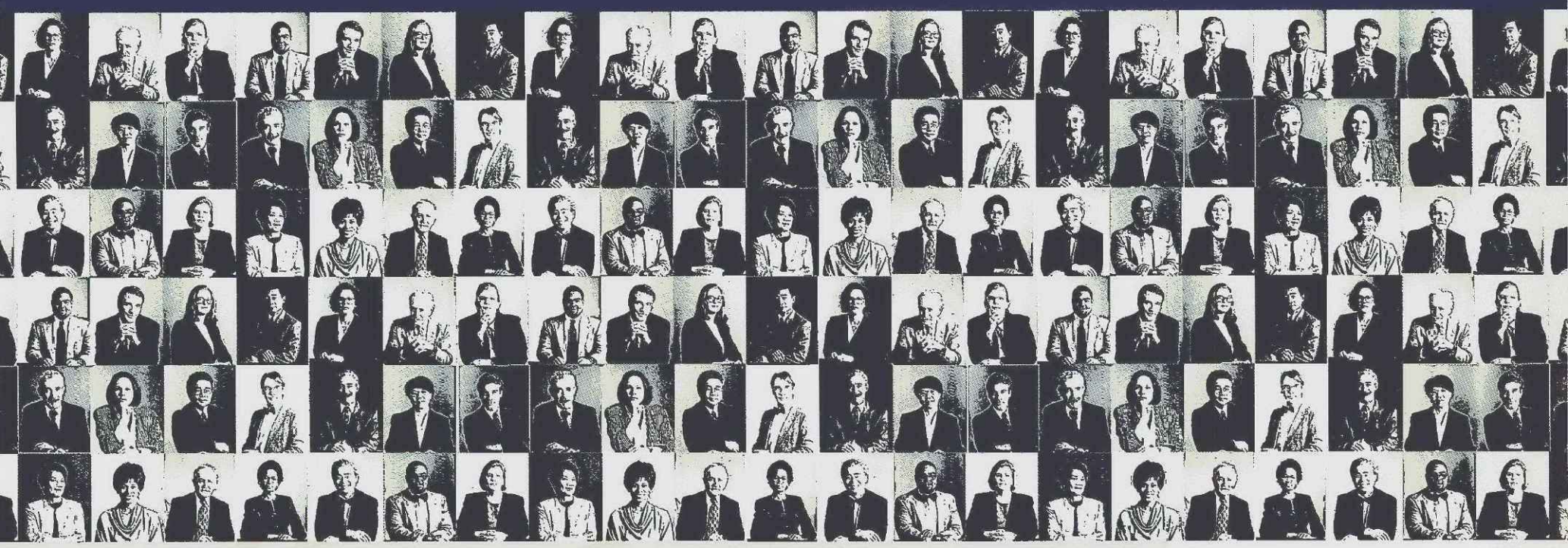
The NLRA would allow such cooperation if the workforce approached management, but "from a practical standpoint, it's easier for management to approach employees," the spokesman noted.

See **Committee** *on page 26*



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Committee

Continued from page 24

Several other bills that tackle the Electromation issue as part of larger OSHA reform efforts are stalled in the Senate and the House, including H.R. 1834, the OSHA reform bill by Cass Ballenger, R-N.C. (*BI*, June 19).

Several of those bills would apply to unionized as well as non-union workplace.

And, none of the bills establishes safety committee representation guidelines.

Labor opposes all of the bills, citing concerns about the so-called Electromation provisions as well as the OSHA reforms.

"The real concern for any of these is they would provide a way around the collective bargaining process," said Donald Elisberg, a labor attorney in Potomac, Md.

At non-unionized companies, the bills may encourage management to form and dominate de facto unions, labor leaders fear.

Additionally, if employers were allowed to create and dominate safety committees, the groups would not be effective and labor would suffer, labor representatives reason.

Rep. Gunderson dismissed criticism that the TEAM Act is anti-labor, saying it gives workers a stronger voice in creating safer and more productive workplaces while prohibiting anti-union activities by management.

His spokesman also dismissed labor concerns that the act would give management a vehicle to bulldoze their safety and health plans through labor. "If they don't want any input from labor, they just won't do it," he said.

But, Electromation and DuPont did not establish their joint committees "out of the goodness of their hearts," said Michael Wright, director of health, safety and the environment for the United Steelworkers of America in Pittsburgh, Pa.

Both companies set up the committees to try to appease labor without involving it in any meaningful way, Mr. Wright said.

For many of the unionized and non-unionized workplaces that already have labor/management safety committees, the future of the Electromation legislation is moot. Management at those companies say they will keep what has been effective for them—a system that pulls line workers into the safety process and makes them as responsible as management for maintaining a safe workplace for their co-workers.

But, if employers are empowered to take the lead in forming joint safety committees, they could reap lower workers compensation costs and greater productivity by establishing true joint safety committees, according to safety experts.

Stanton F. Long, president of AIG Claim Services Inc. of New York, likes the idea of joint safety committees because, he said, they are effective in addressing the behavioral issues that lead to the growing number of chronic injuries like low back pain, stress and carpal tunnel syndrome.

Loss prevention helps reduce the frequency of those injuries if labor and management can work well together in addressing the problem, he said.

That does not mean all safety committees are the same breed.

For example, St. Louis Water Co.'s six-member safety committee—which has equal labor and management representation—conducts its meeting once a quarter. The meeting is open, and the company issues an agenda and other supporting material at least a week earlier, according to Mr. Dicandia.

But few of the company's 500 employees attend the meetings, he said. Those who are working when the meetings are held cannot be pulled off their jobs.

The atmosphere in the safety committee meetings at Tropicana Products Inc. of Bradenton, Fla., is somewhat more clamorous. The monthly meetings of the eight-member group—which also has equal labor and management representation—sometimes draw as many as 40 attendees.

The committee typically focuses only on items that would require a significant cash outlay, according to Keith Romines, an industrial electrician at the company and a vp of Teamsters Local #173. Other safety issues are handled by the 80 labor-dominated departmental safety committees, he explained.

Tropicana is among the more than 200 members of the Voluntary Protection Programs, an OSHA- and Department of Energy-administered program that recognizes companies with safety and health programs that exceed OSHA's standards. VPP members also must demonstrate a high level of management commitment and employee involvement in workplace safety and health programs.

Tropicana's Bradenton facility is a VPP Merit site, the second of three program designations.

Despite the differences from one joint committee to another, effective groups generally share many characteristics, experts say.

Those similarities include equal labor and management representation, a rotation in labor membership to generate widespread employee participation, and a management commitment that is reflected by providing committee members the training and the tools to conduct safety inspections and accident investigations.



GRAPHIC BY MIKE GARVEY

"The thing that sets the functioning safety committee apart form those that are mere window dressing is an attitude" that not just management can make changes in the plant, said Debbie Berkowitz, director of safety and health for the United Food and Commercial Workers International Union of Washington.

Without that attitude, "nothing happens," she said.

"Front-line workers need a real voice and not management bouncing ideas off them. You need a real give and take," agreed Keith Mastrich, occupational safety and health specialist with OSHA in

See **Committee** *on next page*

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HAVE

Committee

Continued from previous page
Washington.

But, gearing up a joint safety committee may be tricky.

Especially in situations where labor/management relations are cool, the process may necessitate surveying workers and management or conducting focus group interviews, said Fred Muldoon, vp and regional manager for Aon Risk Services in St. Louis.

That will help management identify the safety issues that most concern workers and the employee opinion leaders whose presence on the committee would establish its credibility among workers, he said.

But the AFL-CIO's Mr. Wright said that taking that approach could produce the opposite effect.

Management members should be drawn from various disciplines, like engineering and production, suggested Carl McGahee, a senior technical consultant with the Human Factors Team at ITT Hartford Insurance Group of Hartford, Conn.

"If you don't have a good representation, they'll say, 'We'll have to run that by engineering,' or whoever," he said.

Besides lower workers compensation costs and greater productivity, joint safety committees can pay other dividends, according to Cathy Whitehead, plant safety administrator for Tropicana's Bradenton, Fla., facility.

"The grievance process from the union has gone down significantly," she said. "We've eliminated a lot of situations where they didn't even give management a chance." BI

Workers comp rates plummet amid California competition

Prices spur firms to shelve self-insurance

By ROBERTO CENICEROS

With a price war raging in California's workers compensation market, some risk managers say insurers are handing them rates below their anticipated losses and giving them a chance to leave retrospective rating plans for guaranteed rates.

The workers comp rates are so enticing that, in some instances, plans to self-insure or assume large deductibles are being abandoned.

Smaller employers have gained the most from reforms and open rating and—at least for now—have even lost interest in the integration of managed care practices with workers comp benefits, observers say.

Insurers' conduct in the current competitive workers comp market is generating concern that some insurance companies may be jeopardizing their solvency.

Many observers agree that California's workers comp market is still digesting the introduction of open rating in January, major reforms in 1993 and the national trend toward integrating workers comp and disability medical benefits with managed health care.

One positive result of these events is greater insurer flexibility to develop products tailored to individual policyholders, said Patrick W. Donnelly, division underwriting manager for Kemper National Insurance Cos. in Folsom, Calif.

"You have the largest market undergoing the most dynamic changes the system can endure," he said. "It's a real goulash of what is going on. It really gets down to the carrier, the relationship with brokers and the needs of the client."

For now, the state's risk managers are basking in rates estimated to have dropped 30% to 40% on average.

"We got a quote way below expected losses," said Elaine Richards, insurance manager for St. Joseph Health System in Orange, Calif. "We were just blown away. The rates we had budgeted for workers comp were more than that."

St. Joseph operates eight hospitals in California and several smaller facilities such as surgery centers. All but a newly purchased hospital in Mission Viejo are self-insured for their workers comp exposures, Ms. Richards said. She originally planned to self-insure that hospital as well. But favorable rates in the current market persuaded her buy coverage and wait until the market hardens to self-insure the new facility.

St. Joseph purchased a single policy in August from New York-based American International Group Inc. that includes coverage for the new hospital and six smaller facilities. In the past, the hospital and the facilities all had separate contracts. But, she combined them for leverage, presenting AIG the opportunity to insure about $60 million in payroll.

That is "a large chunk, and I think that they took that into consideration," she said.

The result was a guaranteed-cost policy for $975,000, compared with the $1.7 million the individual facilities paid in premiums the previous year. Ms. Richards said an exact rate-to-rate comparison is difficult. But the Mission Viejo hospital alone saw its premium drop to $650,000 from $1.1 million last year.

St. Joseph's risk is a bit different from other California employers because injured employees visit the hospital chain's own physicians. Nevertheless, it is not the only company to see rates drop significantly.

Robert E. Kuntz, senior vp of Sedgwick of California Risk Finance Services in Irvine, said he has often seen rates below expected losses.

"I do a fairly quantitative, discounted, aftertax comparison of these quotes that are coming in from carriers," he said. "And it's very surprising, almost amazing, that we can do a loss projection with a fairly high degree of credibility and project losses, say, at $2 million, just pure losses. You won't see a quote come in (as high as) that figure, and you wonder how can the carriers provide services, handle the claims and pay all the losses.

"I mean, interest rates just aren't that high that they are going to generate that kind of income. And you

See **California** *on next page*

OUR ATTENTION.

Royal Insurance

California

Continued from previous page

hear, 'Well they want market share.' But you know it doesn't help you if you have a huge share of the market and you are still sustaining underwriting losses," Mr. Kuntz said.

Many workers comp insurers that are offering very competitively priced, guaranteed-rate programs for workers comp are putting their clients into managed care, said Catherine L. Cather, vp of integrated benefits for Alexander & Alexander Services Inc. in Costa Mesa, Calif. They also manage claims aggressively.

"To my mind, the employer is getting the low cost, but the carrier is also making sure the losses are consistent," Ms. Cather said. "The client is projecting without managed care and the underwriter is projecting the impact of managed care."

Still, Ms. Cather agrees a price war is having an impact on the California market.

Clients that historically preferred large self-insured retentions—$250,000 per claim, for example—are now purchasing coverage, many under guaranteed-cost programs, she said. Some are only doing so temporarily, while the market is favorable.

In those cases, Ms. Cather advises clients to make sure they place the business with an insurer that has integrated benefit capability so the client can learn the best techniques for managing their own claims.

"Two years from now, when the frenzy stops, you're going to have a problem if you're not managing your claims well," she said. "None of the A&A clients I am personally familiar with, which would be in the California book, are buying them from anyone who is not demonstrating and committing contractually to managed care."

In the midst of a price war, embracing managed care is not a requirement for discounted rates.

"It clearly was a price year," said a risk manager for a fast-food restaurant chain, who asked not to be identified. She switched insurers in June and ended up with about a 40% rate decrease on a paid-loss retrospectively rated program without managed care. The company has about 4,000 employees, mostly in California. "Clearly, we as the employers and the buyers are on the winning side, because the price cheapened and companies my size are going for price right now," she said. "The question is, 'What kind of service are you getting for that price?' Well, my perspective is the bigger the company, the more service they are going to offer right now. They may be losing money on me now, but they know I will be with them for three years."

C.J. Segerstrom & Sons saved 66% over last year on its workers comp premium for its 325 employees, said Anita Percaccio, risk manager for the Costa Mesa-based property management and ownership company.

C.J. Segerstrom switched insurers to UniCARE Insurance Co. during renewals in January. Like other risk managers, Ms. Percaccio said she had plenty of insurers bidding for her business. She will not receive any dividends under her new policy. But, with such low rates, she is not complaining. Besides, in the past she had trouble collecting promised dividends under retro plans.

"We're much happier just having lower rates going in," she said. "Never mind those non-happening dividends they pay at the end."

"Most carriers are writing nonparticipatory policies," said Frank Floyd, communication and education center manager for State Compensation Insurance Fund in San Francisco. "They are telling their policyholders right up front there is not going to be a dividend. You're getting it up front in the rate."

Some insurers are even "pocketing" money that would otherwise have been paid out as dividends for policies that are now a couple of years old, Mr. Floyd said. By doing this, they can make up for some of the low rates they are now offering.

Given the rate war, Mr. Floyd is among those in California who feel insurer insolvency is more likely because workers comp is being written at a loss.

"I think that's a given," he said. "Nobody is willing to publicly state it yet, but I would be very, very surprised given the rates (if no solvency problems arise) unless the carriers overnight change their direction."

The California Department of Insurance is preparing a report on the potential for insurer insolvency given the workers comp climate. But the report is not expected to be made public.

Meanwhile, the San Francisco-based Workers Compensation Insurance Rating Bureau of California has advised the insurance department that "pure premium" is on average 18.7% below losses. Pure premium does not factor in insurers' administrative costs.

Like others in California, Mr. Floyd attributes the low rates to a grab for market share.

"The health maintenance organizations that have bought workers comp carriers are offering workers comp, literally at a loss, to get their foot in the door and try to sell their group health insurance," he said. "That is where all the money is made. Workers comp carriers account for about 7% of the medical dollar in California.

"Then you have a lot of carriers who are offering ridiculously low rates, by everybody's analysis but who are not owned by an HMO," Mr. Floyd explained. "They are just trying to survive."

The low rates will weaken some companies and lead to buyouts and market consolidation, predicted Bernie Nadel, former senior product manager for Kaiser Permanente in Pasadena. He recently left Kaiser to join Fremont Compensation Insurance Co. in Glendale, Calif., where he will help develop managed care products.

"The small players are going to get eaten by the big ones," he said.

To survive, insurers will need to implement managed care, Mr. Nadel said. In California, the medical component constitutes 40% to 50% of the cost of workers comp.

"So those carriers that don't have a way to contain or at least impede the cost of the medical part of that are going to be vulnerable," he said.

"The rush to managed care—which is taking place and has been taking place—I think is likely to be accentuated by open rating. Because (carriers) are going to need an answer to this," he said.

The integration of benefits is a national trend. But some observers say more strategic alliances are being formed in California than elsewhere.

"It is the most mature managed care market in the country, head and shoulders over anywhere else, so that is where the networks are and that's where employers are sophisticated about these programs," said Darrell DeMoss, vp of managed care programs for Philadelphia-based CIGNA Property & Casualty Insurance Co.

In September, in conjunction with Community Care Network, CIGNA launched a new workers comp program for the California market. It is

See **California** *on page 30*

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Risk Management Planning and Support

California

Continued from page 28
one of the latest alliances aimed at delivering managed care.

While the insurers form their alliances, other California players are also betting on the growth of integrated benefits. Two former California Workers' Compensation Institute staffers—Thomas Parry and William Molmen—have announced the creation of an Integrated Benefits Institute in San Francisco. Mr. Parry is president of the institute and Mr. Molmen serves as general counsel.

"Integrated benefits, including 24-hour coverage programs, are poised for explosive growth," Mr. Parry said. "Integration is already under way in various forms such as blended workers compensation and group health medical care, coordinated management of various disability programs, and more closely linked group health and group disability plans.

"However, companies using such new programs will be managing their benefits with no history," he said. The new organization will develop data and analysis to help members project and measure the effectiveness of their programs and provide a forum for discussion, he said.

Public entities are also making changes or considering them as a result of the low rates and reforms.

Before the 1993 reforms, their only options were to self-insure or buy coverage from SCIF. Now all insurers can bid for their business.

The San Diego County Schools Risk Management Joint Powers Authority had been self-insured for workers comp since 1977. But, since July 1, the JPA has been insured by Fireman's Fund Insurance Co., said Tom Osborne, director of risk management.

Under state law, entities with similar interests can form a JPA. They are similar to risk retention groups in the private sector, Mr. Osborne explained.

The San Diego JPA has 46 members, including school districts, insured for workers comp. The members represent $1.1 billion in payroll, Mr. Osborne said. The three-year, guaranteed-cost program purchased from Fireman's Fund will cost about $2.5 million less annually than continuing to self-insure.

Over the three years, the program has an 8.5% cap on rate-based loss experience, he said.

In California, it will be easier for public rather than private entities to return to self-insurance, Mr. Osborne said. Among other factors, they do not have to meet state bonding requirements as do private-sector employers. Given the current climate, several JPAs are considering purchasing insurance only until rates harden, said risk management consultant Mel Griffin of Mel Griffin & Associates in Rio Linda, Calif.

"They are full well expecting and realizing the insurers will want to raise rates once they realize what the actual claims costs are," he said. "They will have to do an analysis to see if they should go back to self-insurance again."

Several of Mr. Griffin's clients are public entities. He advises cautious analysis before leaving self-insurance. It may not be the right decision for everyone. Some insurers have been quick to offer them low rates, but they may not have adequately accounted for the types of losses unique to public entities, such as those caused by fire and police departments, he said. BI

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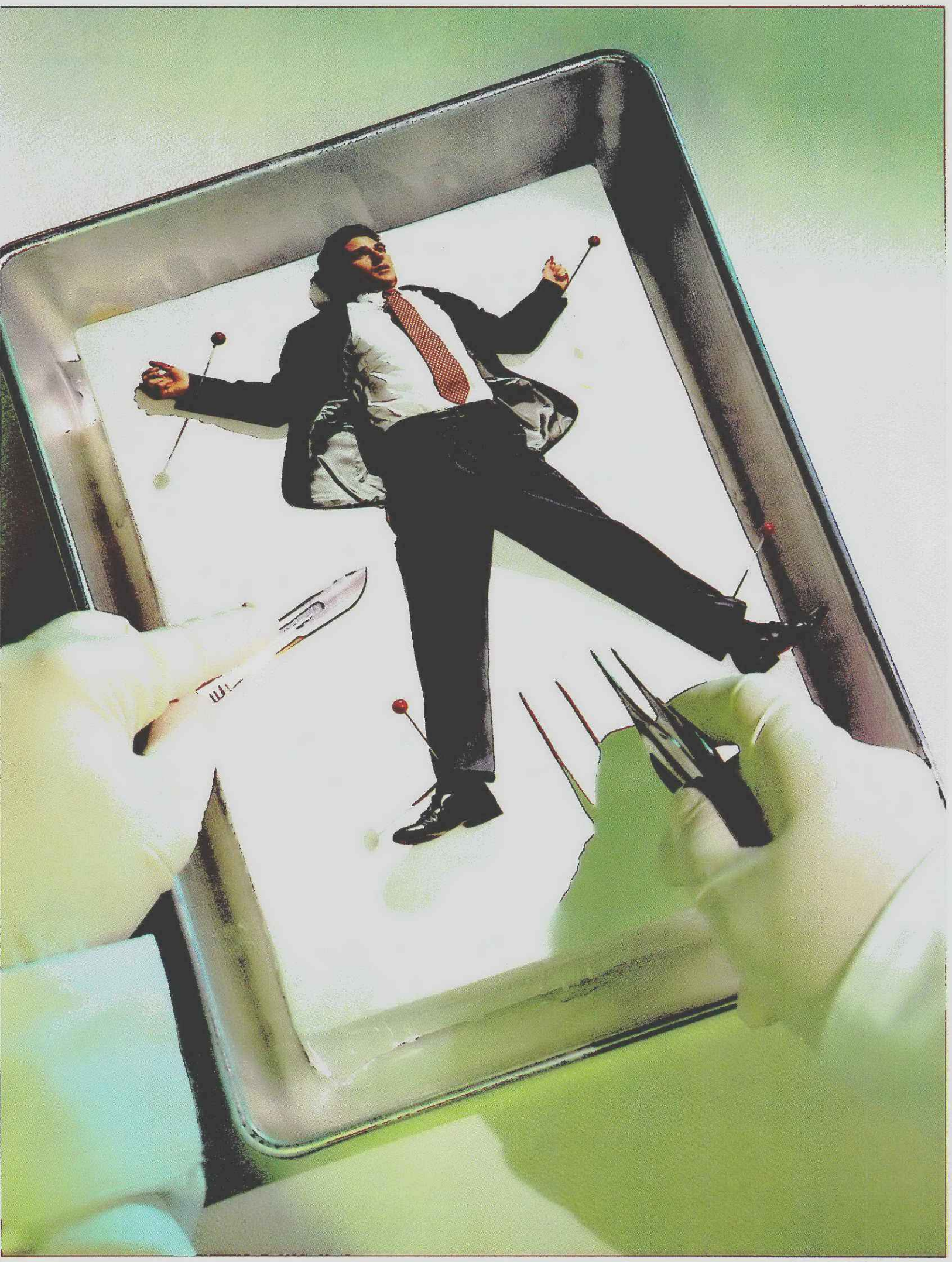
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Acordia/RAUH

1014 Vine St., Suite 1100, Cincinnati, Ohio 45202-1195; 513-333-0909; fax: 513-333-2018

Staff	
Total	3
Safety consultants	3
Occupational health consultants	3
Industrial hygiene consultants	3
ASSE members	2
Clients	
Corporate/institutional clients	40
1994 revenues	
Safety consulting	$250,000

Founded: 1878.
Parent: Acordia.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and industrial hygiene program assistance; onsite and offsite training classes or seminars; amusement ride safety inspections; Americans with Disabilities Act; job safety analysis; fire protection/prevention design.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, ergonomics and product liability; fire protection engineering; building and life safety code consulting; security system reviews or needs assessments.
Specialties: Large amusement parks, manufacturing, construction, broadcasting, hospitals, large habitational, printing and publishing, selected chemical risks.
Service area: Nationwide.
Officers: David Eslick, president/CEO; Tom Schaefer, Peter Dowd, senior vps; Michael Fishel, Robert Stone, vps.
Contact: Robert J. (Bob) Stone, 513-333-2055.



Advanced Safety Consulting Services Inc.

P.O. Box 16150, Fort Worth, Texas 76162; 800-990-1002; fax: 214-623-0037

Staff	
Total	2
Safety consultants	2
Occupational health consultants	2
Industrial hygiene consultants	2
ASSE members	2
Clients	
Total	250
Corporate/institutional clients	150
1994 revenues	
Safety consulting	$300,000

Founded: 1992.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, noise and vibration; industrial hygiene laboratory*.
Specialties: Manufacturing and construction.
Service area: Nationwide.
Officers: Joe D. Shepherd, president; Steve S. Poore, vp.
Contact: Joe D. Shepherd.
** Industrial hygiene testing by independent labs.*

J.H. Albert International Insurance Advisors Inc.

72 River Park, Needham, Mass. 02194; 617-449-2866; fax: 617-449-5340

Staff	
Total	2
Safety consultants	2
ASSE members	2
Clients	
Total	200
1994 revenues	
Safety consulting	$500,000

Founded: 1967.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving ergonomics and product liability.
Specialties: Workers compensation, fleet safety.
Service area: Nationwide.
Officers: Joseph H. Albert, president; Michael A. Rodman, executive vp; George W. West, vp.
Contact: Joseph H. Albert.

/ Alexander & Alexander Inc.

100 S. Ashley Drive, Suite 1260, Tampa, Fla. 33602; 813-273-5538; fax: 813-273-5539

Staff	
Total	68
Safety consultants	64
Occupational health consultants	2
Industrial hygiene consultants	2
ASSE members	64
Clients	
Total	1,900
Corporate/institutional clients	1,000
1994 revenues	
Safety consulting	$12,000,000*

** BI estimate.*

Founded: 1899.
Parent: Alexander & Alexander Services.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; total risk needs analysis.
Other services: Development of training materials; OSHA compliance; research involving industrial hygiene, ergonomics, product liability and noise and vibration; fire protection engineering.
Offices: 40 locations nationwide.
Service area: Nationwide.

Continued on next page

Continued from previous page

Officers: Tommy M. Ascherman, practice leader-national risk control; Bob Smith Jr., specialty director.
Contact: Tommy M. Ascherman.

Applied Risk Control Corp.

15 N. Mill St., Nyack, N.Y. 10960; 914-365-2444; fax: 914-365-2478

Staff	
Total	10
Safety consultants	9
Occupational health consultants	1
Industrial hygiene consultants	1
ASSE members	10
Clients	
Total	95
Corporate/institutional clients	95
1994 revenues	
Safety consulting	$500,000

Founded: 1985.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering, industrial hygiene laboratory*.
Specialties: Warehouse, dealerships, manufacturing, supermarkets, retail, nursing homes, non-profit organizations, employee leasing companies, training development.
Offices: Los Angeles; Atlanta; Chicago; Kansas City, Kan.
Service area: Nationwide.
Officers: Harry P. Mirijanian, president.
** Industrial hygiene testing by independent labs.*

Axia Services Inc.

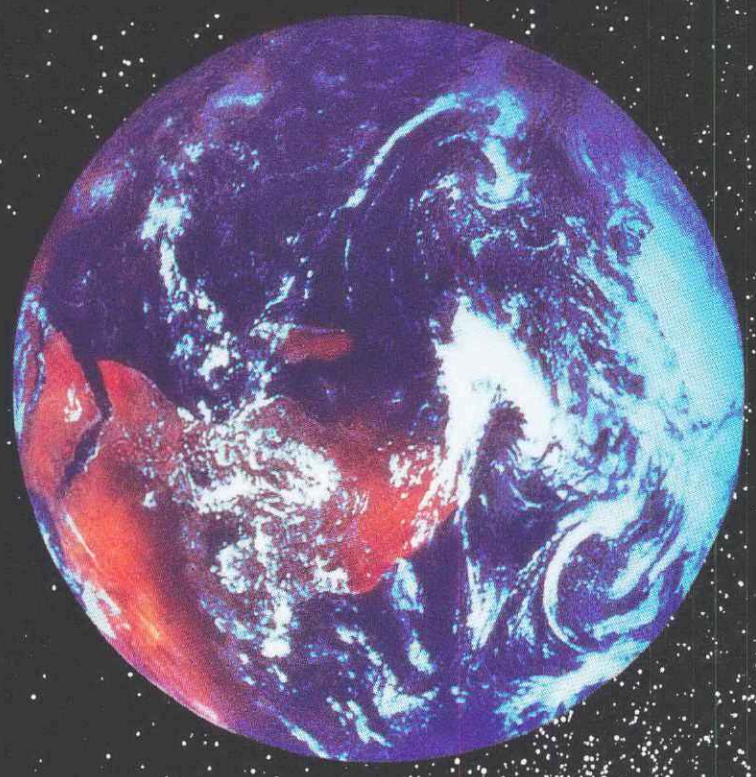
151 Farmington Ave. Suite W101, Hartford, Conn. 06156; 203-683-3624; fax: 203-683-3746

Staff	
Total	375
Safety consultants	345
Occupational health consultants	12
Industrial hygiene consultants	18
ASSE members	250
Clients	
Total	135
Corporate/institutional clients	50
1994 revenues	
Safety consulting	$3,500,000

Founded: 1972.
Parent: Aetna Life & Casualty Co.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars, laboratory analytical services, HPR staff/fire protection services.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration fire protection engineering; industrial hygiene laboratory.
Offices: 40 locations nationwide.
Service area: Nationwide.
Officers: Stephen M. Mulready, president; Ramon X. Padron, vp; Joseph Labetti, assistant vp-sales.
Contact: Joseph Labetti or Anthony Maleski.

Continued on page 34

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OREGON
JBL&K Insurance, Inc.
PENNSYLVANIA
Clair Odell Group
Engle-Hambright & Davies, Inc.
The HDH Group, Inc.
RHODE ISLAND
Starkweather & Shepley, Inc.
SOUTH CAROLINA
Boyle-Vaughan Associates, Inc.
TENNESSEE
Polk & Sullivan Group, Inc.
Treadwell & Harry Insurance Agency, Inc.
TEXAS
Roach Howard Smith & Hunter
John L. Wortham & Son, L.L.P.
UTAH
Fred A. Moreton & Company
VERMONT
Kinney, Pike, Bell & Conner, Inc.
VIRGINIA
DeJarnette & Paul, Inc.
Henderson & Phillips, Inc.
WASHINGTON
Parker, Smith & Feek, Inc.
WISCONSIN
Laub Group Inc.

CANADA

BRITISH COLUMBIA
Parsons Brown & Company Ltd.
MANITOBA
Ryan Gateway Insurance Brokers Inc.
MONTREAL
Roger Viau & Fils Inc.
NEW BRUNSWICK
Wilson Insurance Ltd.
NEWFOUNDLAND
Anthony Insurance Inc.
NOVA SCOTIA
Fraser & Hoyt Insurance Ltd.
ONTARIO
Stevenson & Hunt Insurance Brokers Ltd.
Tower-Chisholm Ferguson Limited

INTERNATIONAL

ARGENTINA
Herzfeld & Levy S.A.
AUSTRALIA
J.M.D. Ross Insurance Brokers Pty. Ltd.
Western United Insurance Brokers Pty. Ltd.
BERMUDA
Harnett and Richardson Limited
BRAZIL
Adams & Porter Ltda.
CHINA
New World Insurance Services Limited
ENGLAND
Robert Fleming Insurance Brokers Limited
FRANCE
SGAP
GERMANY
Wesselhoeft Ahlers & Schües
HONG KONG
New World Insurance Services Limited
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Coyle Hamilton Limited
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Lorant Martínez Salas y Cía
NETHERLANDS
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Assurex INTERNATIONAL

Community Corporate Center
445 Hutchinson Ave.
Columbus OH 43235
614-888-4869

For additional information contact your local Assurex representative or call our corporate headquarters.

Directory of safety consultants

The eighth annual directory of safety consultants lists companies that provide services such as advice on employee safety, assistance in developing safety programs, safety audits and evaluations, employee training classes and safety research.

Information for the directory was gathered from responses to a *Business Insurance* questionnaire. The directory is published as an editorial service; there is no charge to be included. However, to be listed consultants must offer their services directly to employers on an unbundled basis; companies that offer safety consulting only in conjunction with other products and services are not included.

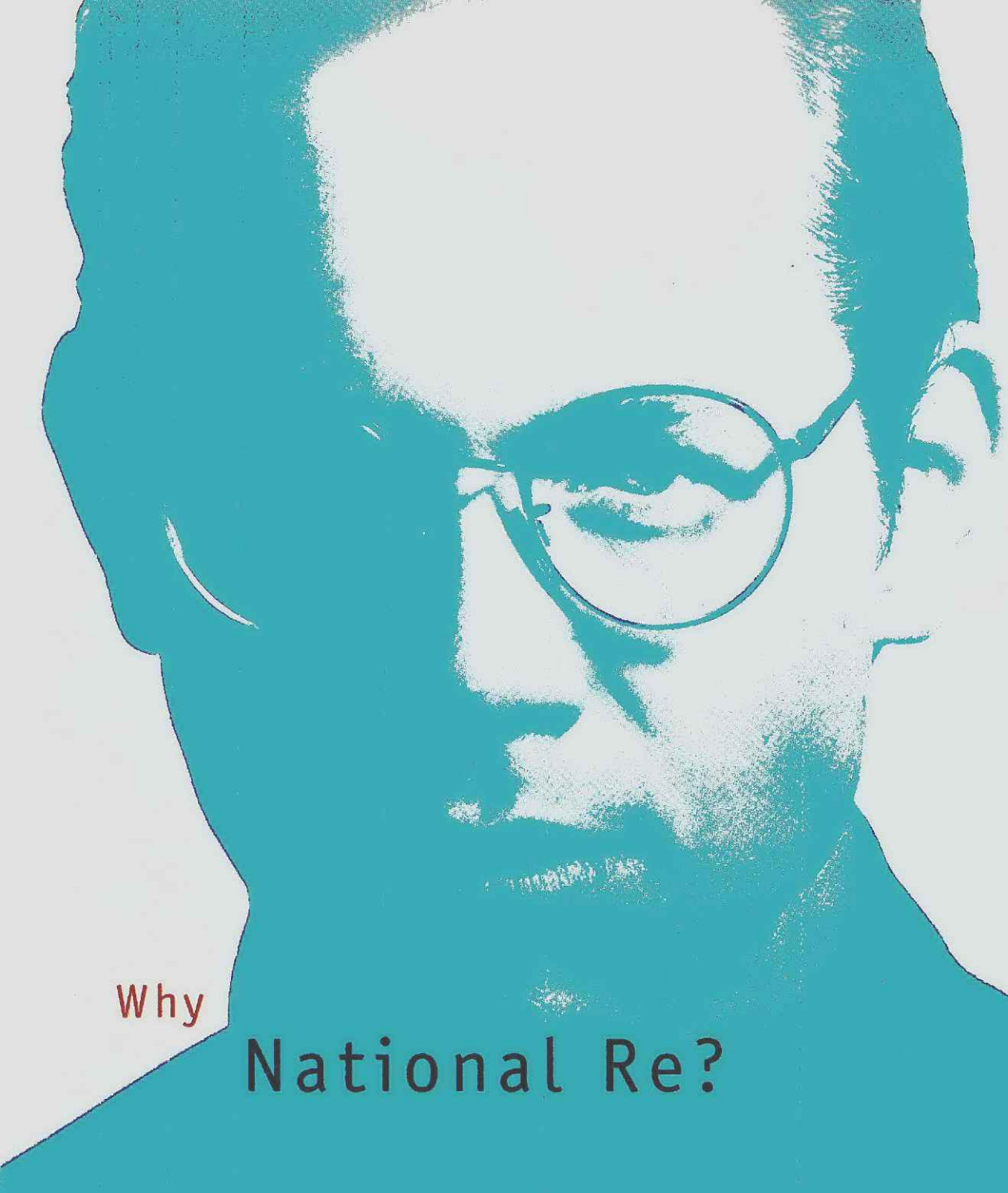
Listings begin with the name, phone and fax numbers of the company. Following is 1994 **staff** information, including total staff; professionals assigned to safety, occupational health and industrial hygiene consulting; and number members of the American Society of Safety Engineers (ASSE). All staff figures are all reported in full-time equivalents.

Under the **clients** heading are the total number of safety clients along with the number of corporate and institutional safety consulting clients in 1994. Listed next is the company's 1994 gross **revenues** from safety consulting services directly to corporate or institutional employers excluding third-party vendors. To be included companies were required to provide gross revenues; only firms that generate $200,000 or more in revenues from safety consulting are listed.

The text section of the listing contains the **year founded** and **parent** company, if any. Also detailed are the safety consulting **services** and **other services** related to safety, such as research, that the company provides.

If the company specializes in consulting to a particular type of business or industry, it is listed under the **specialties** heading. Locations of branch **offices** providing safety consulting services follow. **Service area** gives the states or regions serviced. **Officers** and a **contact** name conclude the listing.

Although every effort is made to publish complete and accurate listings, *Business Insurance* is unable to verify all information provided by the companies.



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Continued from previous page

B

Back School of Atlanta

1465 Northside Drive N.W. Suite 217,
Atlanta, Ga. 30318-4225;
404-355-7756; fax: 404-355-3907

Staff	
Total	2
Occupational health consultants	2
ASSE members	1
Clients	
Total	250
Corporate/institutional clients	25
1994 revenues	
Safety consulting	$250,000

Founded: 1979.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.
Service area: Nationwide.
Officers: Ronald W. Porter, director/owner.

Baldwin & Lyons Inc.

1099 N. Meridian St., Indianapolis,
Ind. 46204; 317-636-9800;
fax: 317-632-9444

Staff	
Total	4
Safety consultants	3
Occupational health consultants	1
ASSE members	4
Clients	
Total	30
Corporate/institutional clients	30
1994 revenues	
Safety consulting	$275,000

Founded: 1930.
Services: Safety audits/reviews, evaluations or inspections; safety and occupational health program assistance; onsite and offsite training classes or seminars; D.O.T. regulatory compliance.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving occupational health, safety management software.
Specialties: Motor carriers.
Service area: Nationwide.
Contact: Dennis L. Shinault, manager-loss prevention.

Biehl Engineering Inc.

N66 W12659 Ravine Drive,
Menomonee Falls, Wis. 53051-5260;
414-251-8251; fax: 414-251-8251

Staff	
Total	2
Safety consultants	2
ASSE members	1
Clients	
Total	50
Corporate/institutional clients	25
1994 revenues	
Safety consulting	$200,000

Founded: 1960.
Services: Safety audits/reviews, evaluations or inspections; forensic engineering; casualty loss investigations; accident reconstruction; building failure.
Other services: OSHA compliance; research involving product liability; fire protection engineering.
Specialties: Insurance industry, attorneys.
Service area: Nationwide.
Officers: Clara Biehl, secretary; Steven Biehl, president; Francis Biehl, vp.

David W. Bogart Associates Inc.

5 Beech St., Nanuet N.Y. 10954;
914-627-2731; fax: 914-623-8311

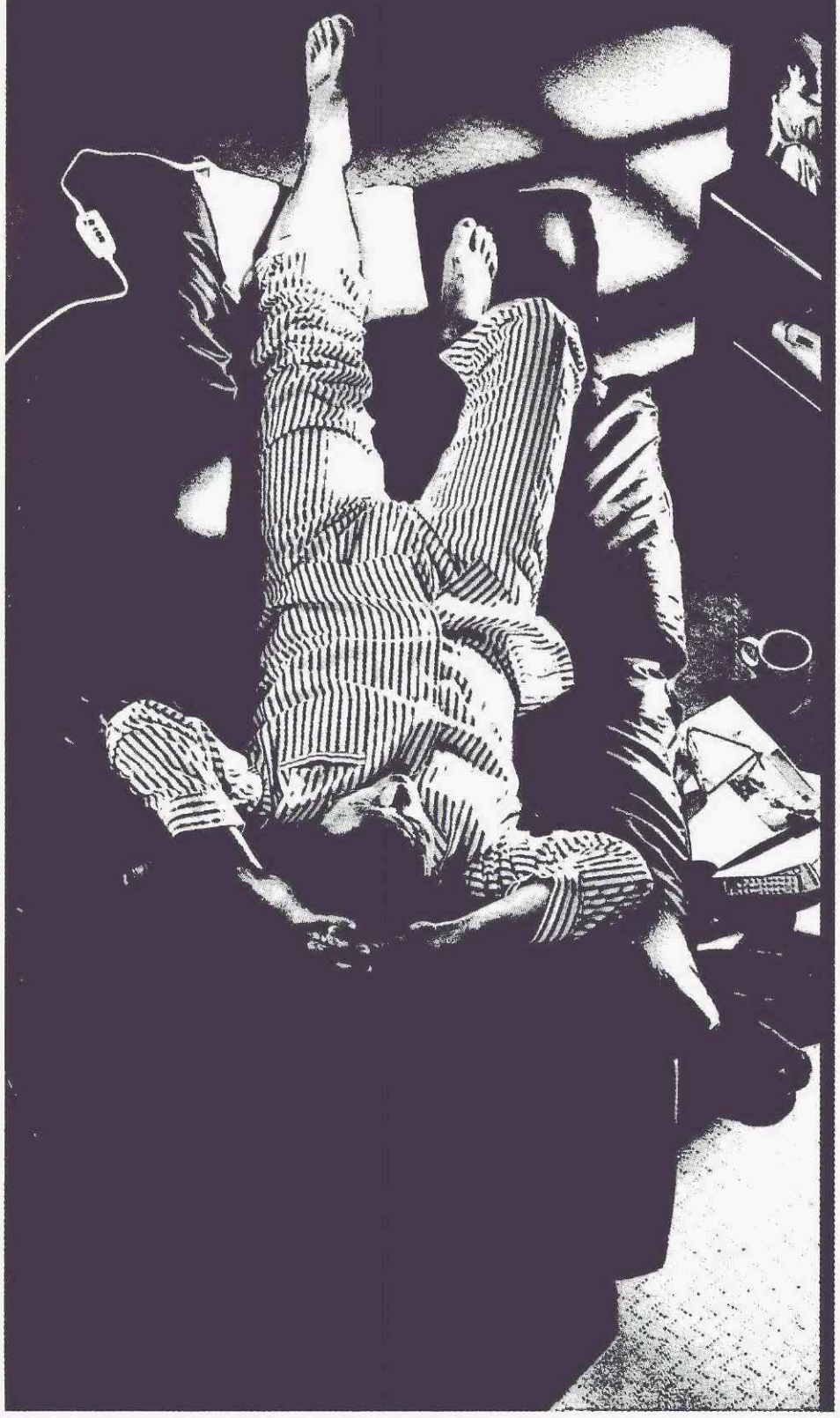
Staff	
Total	4
Safety consultants	2
Occupational health consultants	1
Industrial hygiene consultants	1
ASSE members	3
Clients	
Total	15
Corporate/institutional clients	15
1994 revenues	
Safety consulting	$400,000

Founded: 1988.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics and product liability; fire protection engineering.
Service area: Nationwide.
Officers: David W. Bogart.
Contact: David W. Bogart or Barbara Stahl.

Continued on page 36

If your company would like to be listed in the directory of international insurers and benefit networks and you have not yet received a questionnaire, please request one by calling Assistant Directory Editor Rich Trout at 312-649-5483.

He might be back to work already if your health insurance had specified a licensed physical therapist.



He might be a lot more productive right now if his physical therapy had been in the hands of a licensed physical therapist. They're the people who know, more than any other health care professionals, how the musculoskeletal system functions.

And their knowledge of how muscles, bones, joints, and nerves work together can mean a better, faster recovery.

What you're most likely to appreciate is the cost-effectiveness of that kind of care. When employees and their dependents have direct access to physical therapists, their insurers can save 123% on each person's care, according to a recent study from Georgetown University. That works out to an average savings of $1,200 per case.

Get the most for your health care dollar. Make sure your plan specifies direct access to a licensed physical therapist for your employees.

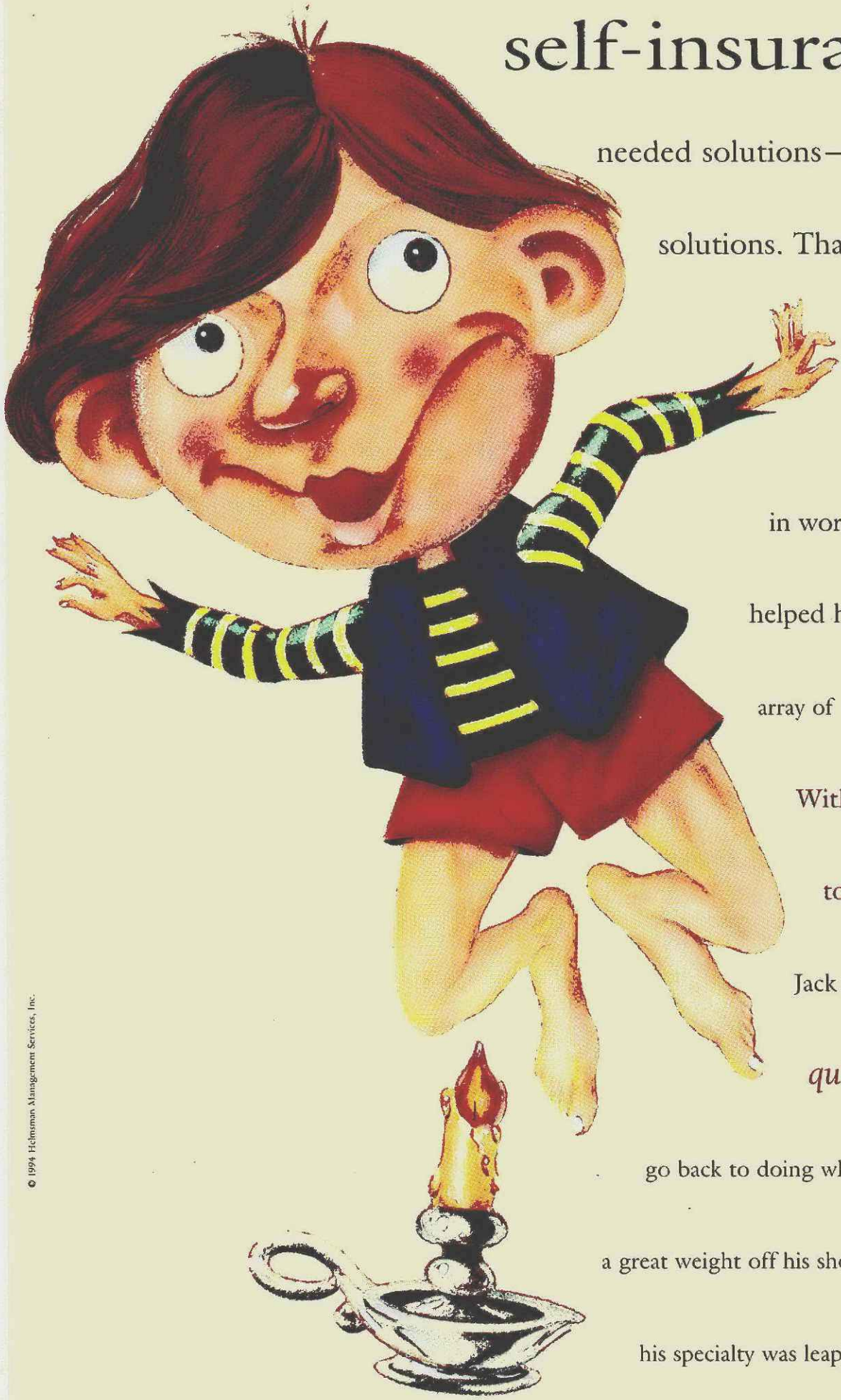
For more information, call Jim Nugent at the American Physical Therapy Association, 1-800-999-2782, ext. 3175.

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Helmsman Management Services, Inc.

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Continued from page 34

Gregory B. Bragg & Associates Inc.

1 Sierra Gate Plaza, Suite B250, Roseville, Calif. 95678; 916-783-0100; fax: 916-783-0338

Staff	
Total	4
Safety consultants	3
ASSE members	3
Clients	
Total	65
Corporate/institutional clients	65
1994 revenues	
Safety consulting	$400,000

Founded: 1987.
Services: Safety audits/reviews, evaluations or inspections; safety and ergonomic program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering.
Officers: Greg Bragg, president; Lee Collins, senior vp; Jack Kastorff, risk control manager.
Contact: Jack Kastorff.

Morley Brickman & Associates Ltd.

9221 Drake Ave., Evanston, Ill. 60203-1626; 708-674-2664; fax: 708-674-0096

Staff	
Total	1
Safety consultants	1
ASSE members	1
1994 revenues	
Safety consulting	$200,000

Founded: 1986.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic program assistance; onsite and offsite training classes or seminars.
Specialties: Construction, manufacturing.
Service area: Nationwide.
Officers: Morley Brickman, president.

Brooks Laboratories Inc.

9 Isaac St., Norwalk, Conn. 06850; 203-853-9792; fax: 203-853-0273

Staff	
Safety consultants	2
Occupational health consultants	3
Industrial hygiene consultants	3
ASSE members	1
Clients	
Total	6
Corporate/institutional clients	5
1994 revenues	
Safety consulting	$210,000

Founded: 1971.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; indoor air quality.
Other services: OSHA compliance; industrial hygiene laboratory.
Specialties: Municipalities, manufacturing.
Service area: Nationwide.
Officers: Margaret Brooks, president; Keith Brooks, CSP chairman; Mark Granville, senior consultant; Michael Zubarev, laboratory director.
Contact: Kalonji Diyoka.

C-A-B Consultants Inc.

4921 Butterfield Road, Hillside, Ill. 60162-1413; 708-449-2221; fax: 708-449-2223

Staff	
Total	5
Safety consultants	2
Occupational health consultants	3
ASSE members	2
Clients	
Total	75
Corporate/institutional clients	50
1994 revenues	
Safety consulting	$225,425

Founded: 1985.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, and occupational health program assistance; onsite and offsite training classes or seminars; safety videos; OSHA voluntary compliance instructor courses.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.
Specialties: Manufacturing.
Service area: Nationwide.
Officers: Carol Bacon, president; Dr. Steven K. White, board member; Christine Irwin, CFO.

C&S Inc. dba Safety Consulting Inc.

1403 S.W. Topeka Blvd., P.O. Box 2789, Topeka, Kan. 66601-2789; 913-232-3887; fax: 913-233-1746

Staff	
Total	4
Safety consultants	3
Occupational health consultants	1
ASSE members	3
Clients	
Total	150
Corporate/institutional clients	50
1994 revenues	
Safety consulting	$300,000

Founded: 1971.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration.
Specialties: Construction, manufacturing.
Service area: Nationwide.
Officers: Denzell B. Ekey, president; Craig S. Stromgren, Bryan E. Christensen, John Parkin, senior vps.
Contact: Craig Stromgren.

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that many a day his very first catch
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Fax (617) 631-2165 / Underwriting: Tel (617) 639-4055 • Fax (617) 631-2119

Chubb Services Corp.

25 Independence Blvd., Warren, N.J. 07059; 800-543-4580; fax: 908-903-7187

Staff	
Total	52
Safety consultants	50
Industrial hygiene consultants	2
ASSE members	45
Clients	
Total	72
Corporate/institutional clients	6
1994 revenues	
Safety consulting	$600,000

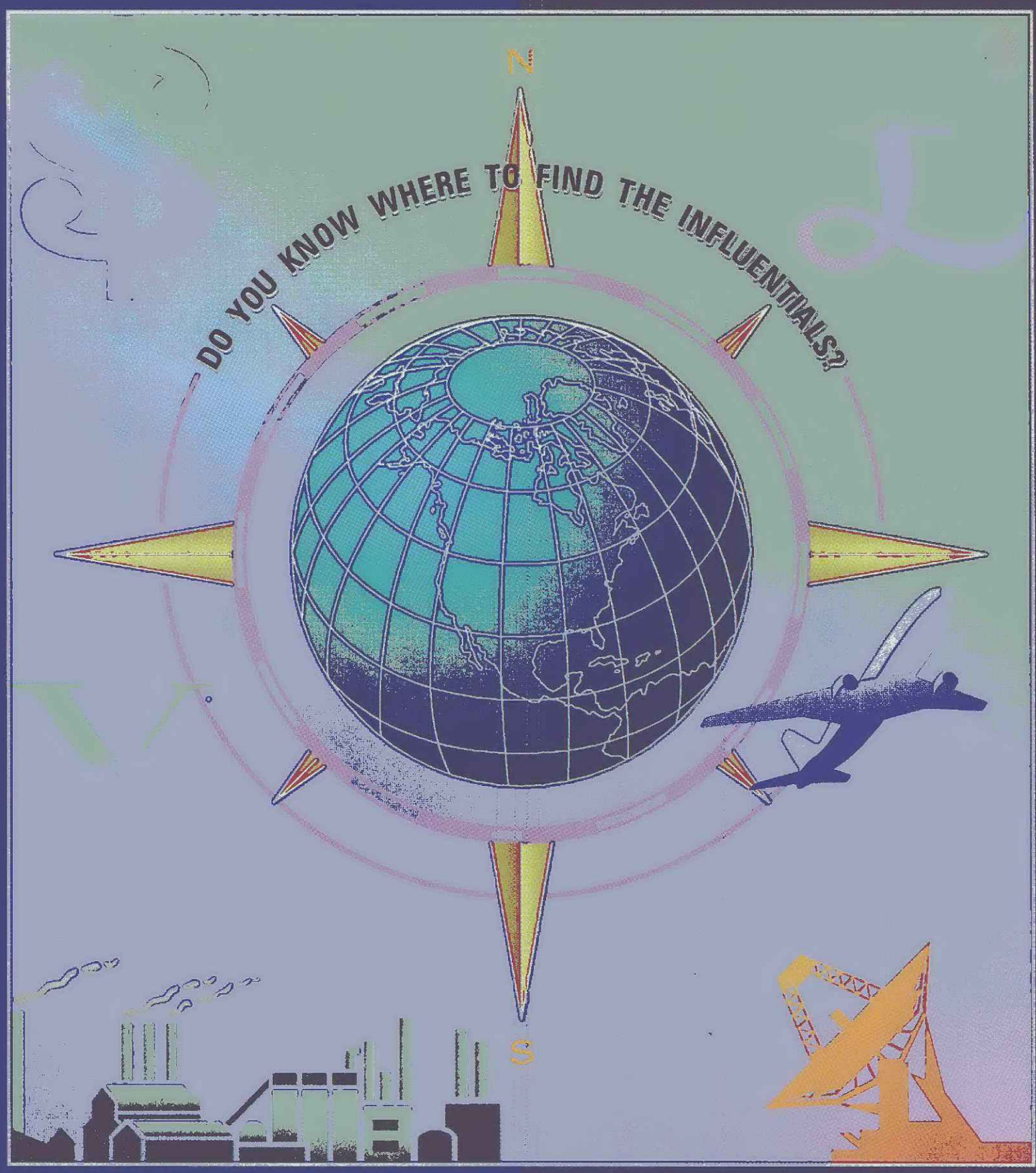
Founded: 1991.
Parent: Chubb & Son Inc.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite training classes or seminars.
Other services: OSHA compliance; fire protection engineering; industrial hygiene laboratory.
Specialties: Health care, electronics, biotechnology, manufacturers, municipalities, country clubs.
Offices: Los Angeles; Atlanta; Louisville, Ky.; Boston; Murray Hill, N.J.; Harrisburg, Pa.
Service area: Nationwide.
Officers: Robert Felch, president; Sam Lee, vp-risk management services; Art Billington, vp-loss control services.
Contact: Ronni Zimmerman, marketing manager.

Claims Administrative Services Inc.

P.O. Box 7500, Tyler, Texas 75711; 903-509-8484; fax: 903-509-1888

Staff	
Total	6
Safety consultants	5
Occupational health consultants	1
Industrial hygiene consultants	1
ASSE members	2

Continued on page 38



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Continued from page 36

Clients

Total 325
Corporate/institutional clients 325

1994 revenues

Safety consulting $325,000

Founded: 1934.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; fire protection engineering.

Specialties: Schools, colleges, public risks.

Offices: Amarillo, Dallas and Longview, Texas.

Service area: Nationwide.

Officers: Barry L. Jones, president; Wesley W. Slade, vp-loss control.

Contact: Wesley Slade.

Clayton Environmental Consultants

41650 Gardenbrook Road, Suite 155, Novi, Mich. 48375-1319; 810-344-8550; fax: 810-344-0229

Staff

Total 250
Safety consultants 7
Industrial hygiene consultants 80
ASSE members 6

Clients

Total 450
Corporate/institutional clients 300

1994 revenues

Safety consulting $9,000,000

Founded: 1954.

Parent: Kidd-Kamm Equity Partnership.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and industrial hygiene program assistance; onsite and offsite training classes or seminars; system safety evaluations; software and robotics; litigation assistance.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, ergonomics, product liability; industrial hygiene laboratory.

Specialties: Automotive, electronics/high tech manufacturing, food production, bulk commodities, warehouse/distribution, retail, trade associations.

Offices: Los Angeles; San Francisco; Atlanta; Chicago; Detroit; Minneapolis; New York; Cleveland; Seattle.

Service area: Nationwide.

Officers: Thomas Kowalski, president; Mark Schumacher, vp/CFO; Jaswant Singh, senior vp.

Contact: William E. Phillips.

Compliance Consulting Group Inc.

5995 Greenwood Plaza Blvd., Suite 220, Englewood, Colo. 80111-4714; 303-779-1152; fax: 303-741-0222

Staff

Total 4
Safety consultants 4
ASSE members 1

Clients

Total 120
Corporate/institutional clients 18

1994 revenues

Safety consulting $220,000

Founded: 1988.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene program assistance; onsite training classes or seminars; safety and health program development.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving occupational health, ergonomics, noise and vibration; industrial hygiene laboratory.*

Specialties: Manufacturing, construction.

Service area: Nationwide.

Officers: Ken Roberts, president; Scott Roberts, vp/director-environmental services; Brennan Mendus, safety/health specialist.

Contact: Ken Roberts or Brennan Mendus.

** Industrial hygiene testing by independent lab.*

Comprehensive Risk Management Inc.

P.O. Box 3878, Peabody, Mass. 01961-3878; 508-535-9779; fax: 508-535-3636

Staff

Total 2
Safety consultants 2
ASSE members 2

Clients

Total 20
Corporate/institutional clients 12

1994 revenues

Safety consulting $230,000

Founded: 1991.

Services: Safety audits/reviews, evaluations or inspections; safety and ergonomic program assistance; onsite and offsite training classes or seminars; risk management audits; risk management program assistance.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.

Specialties: Manufacturing, service companies, associations.

Service area: Nationwide.

Officers: Philip E. Goldsmith, president.

Corporate Safety & Health Consultants Inc.

161 William St., New York, N.Y. 11691; 212-964-1335; fax: 212-732-2639

Staff

Total 8
Safety consultants 8
Industrial hygiene consultants 2
ASSE members 6

Clients

Total 40
Corporate/institutional clients 30

1994 revenues

Safety consulting $750,000

Founded: 1985.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; policy development; expert witness.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics and noise and vibration.

Specialties: Construction, general industry, health care.

Service area: Nationwide.

Officers: Susan R. Geier, president; Theodore J. Mellard, Richard F. Andree, executive vps.

Contact: Susan R. Geier.

E.L.B. & Associates Inc.

605 Eastowne Drive, Chapel Hill, N.C. 27514; 919-967-2228; fax: 919-493-2263

Staff

Total 14
Safety consultants 5
Occupational health consultants 4
Industrial hygiene consultants 5
ASSE members 11

Clients

Total 300
Corporate/institutional clients 500

1994 revenues

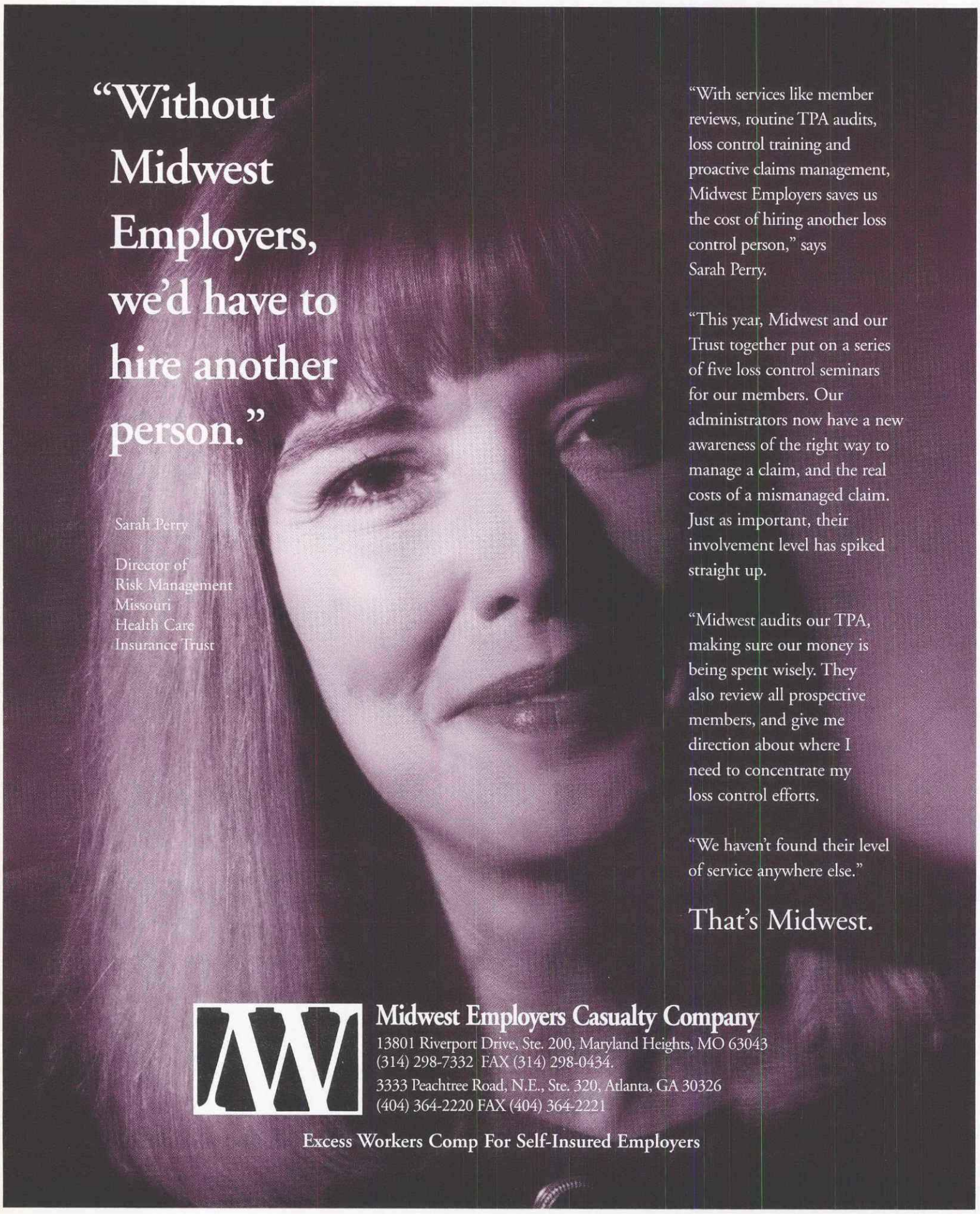
Safety consulting $4,100,000

Founded: 1967.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene,

Continued on page 42



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It's as if the sun came up one morning and shone down on a world it had never known. That's how quickly it seemed to happen.

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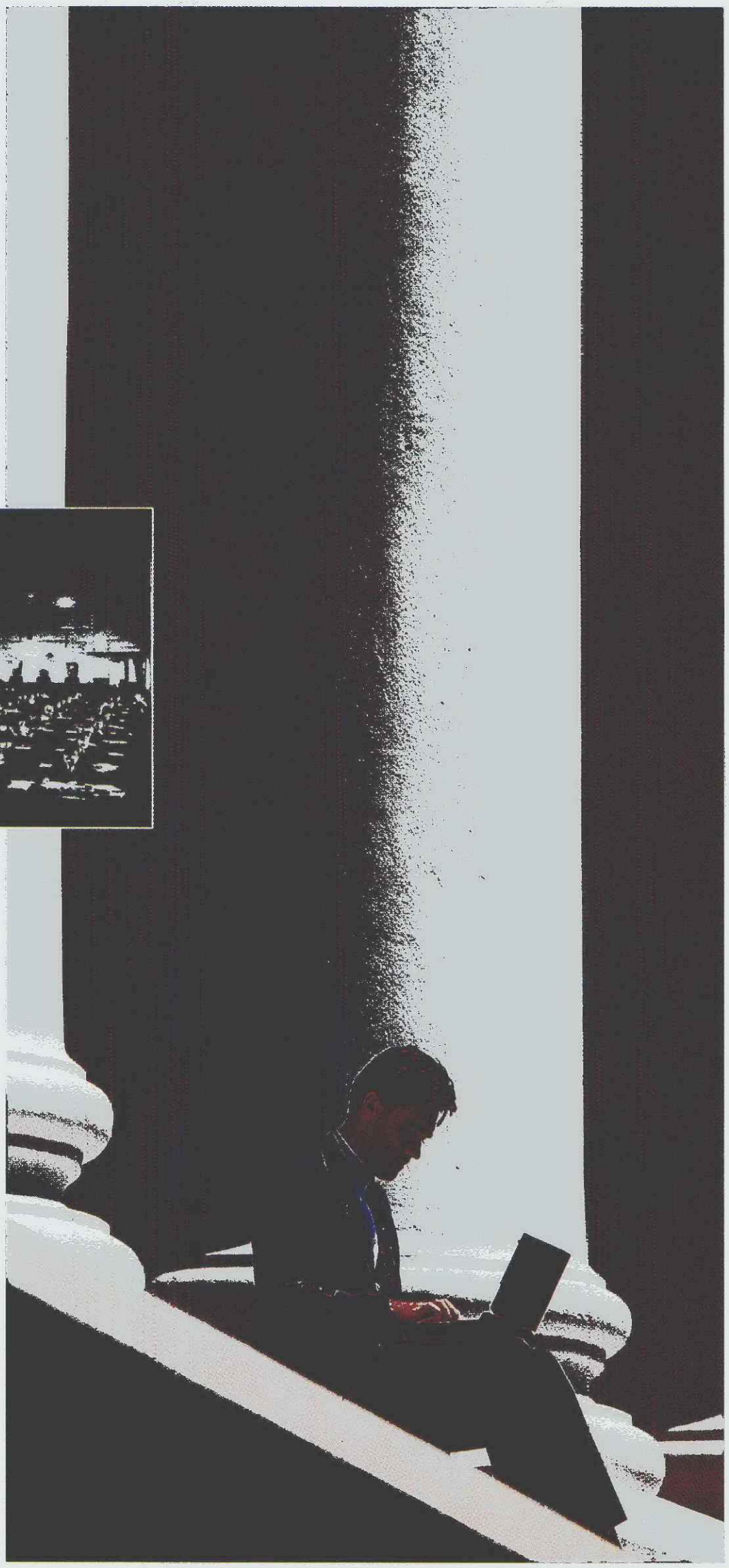


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Spotlight report

Continued from page 38

occupational health and ergonomics; industrial hygiene laboratory.

Service area: Nationwide.

Officers: Roy W. Davenport, president/CEO; David Coble, vp-safety; George Elderbaum, vp-information services; Ronnie Kreidt, vp-finance.

Contact: Ken Kaufner, national sales manager.

EOS Environmental Inc.

507 Mission St., South Pasadena, Calif. 91030; 818-441-7050; fax: 818-441-0016

Staff	
Total	4
Safety consultants	1
Occupational health consultants	4
Industrial hygiene consultants	4
ASSE members	1
Clients	
Total	100
Corporate/institutional clients	100
1994 revenues	
Safety consulting	$250,000

Founded: 1990.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.

Other services: Development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics and noise and vibration; industrial hygiene laboratory*.

Service area: Arizona, California, Nevada, Oregon, Washington.

Officers: Eugene A. Port, president; Anthony Kolk, CFO.

Contact: Eugene A. Port or Todd C. Wilson.

** Industrial hygiene testing by independent labs.*

Eagle Risk Management Group Inc.

P.O. Box 292428, Lewisville, Texas 75029; 214-355-0296; fax: 214-355-0396

Staff	
Total	7
Safety consultants	5
Industrial hygiene consultants	2
ASSE members	7
Clients	
Total	31
Corporate/institutional clients	31
1994 revenues	
Safety consulting	$234,000

Founded: 1993.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene program assistance; onsite training classes or seminars; regulatory compliance; insurance underwriting surveys and reports.

Other services: Publication of safety materials or videos; OSHA compliance; research involving ergonomics and noise and vibration; fire protection engineering; industrial hygiene laboratory*, accident and injury analysis.

Offices: Dallas.

Service area: Nationwide.

Officers: O.J. Johnson, president.

** Industrial hygiene testing by independent labs.*

Empire Risk Management

300 W. Coleman Blvd., Suite 207, Mount Pleasant, S.C. 29464; 803-849-7475; fax: 803-849-7104

Staff	
Total	6
Safety consultants	6
Clients	
Total	22
Corporate/institutional clients	9
1994 revenues	
Safety consulting	$535,635

Founded: 1991.

Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite and offsite training classes or seminars; defensive driving course seminars; underwriting loss surveys, Dept. of Transportation compliance check; safety training.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.

Specialties: Transportation.

Service area: Nationwide.

Officers: D.W. Speer, president.

Employers National Risk Management Services Inc.

P.O. Box 219010, Dallas, Texas 75221-9010; 214-665-6229; fax: 214-665-6180

Staff	
Total	29
Safety consultants	29
ASSE members	11
Clients	
Total	150
Corporate/institutional clients	150
1994 revenues	
Safety consulting	$2,000,000

Founded: 1992.

Parent: Employers General Insurance Group Inc.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; worker's compensation; general liability; fleet exposure; product liability and property risk exposures.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; fire protection engineering; industrial hygiene laboratory*; ASME code pressure vessel inspection.

Specialties: Public sector risks, pressure vessel manufacturers.

Offices: Arlington, Austin, Corpus Christi, Houston, Midland, San Antonio and Tyler, Texas.

Service area: Nationwide.

Officers: H. Wayne Dortch, president/CEO; Robert Ramsower, executive vp; Tom P. Vick, Kevin Uzzle, Robert B. Johnson, vps.

Contact: Richard R. Bourlon, project engineer, 800-657-9543 ext. 6229.

** Industrial hygiene testing by independent labs.*

Terms and methodology for the directory of firms providing safety consulting services are explained on page 32. A list of terms and a guide to using the directory of rehabilitation management service providers is located on page 60.

F

FIRECON

P.O. Box 231, East Earl, Pa. 17519; 717-354-2411; fax: 717-354-7233

Staff	
Safety consultants	1
ASSE members	1
Clients	
Total	200
Corporate/institutional clients	200
1994 revenues	
Safety consulting	$200,000

Founded: 1980.

Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite and offsite training classes or seminars, emergency preparedness consulting.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.

Service area: Worldwide.

Officers: R. Craig Schroll, presiden:.

G

Gallagher Basset Services Inc.

The Gallagher Centre, 2 Pierce Place, Itasca, Ill. 60143-3141; 708-773-3800; fax: 708-285-4000

Staff	
Total	64
Safety consultants	53
Occupational health consultants	3
Industrial hygiene consultants	3
ASSE members	42
Clients	
Total	370
Corporate/institutional clients	370

Continued on next page

The Alexsis philosophy – No. 5 in a series

Vis

The ability to perceive.

Continued from previous page

1994 revenues

Safety consulting $6,500,000

Founded: 1962.
Parent: Arthur J. Gallagher & Co.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory.
Specialties: Manufacturing, food services, printing, municipal, institutional, commercial, retail, educational, religion, hotels.
Offices: Los Angeles; Atlanta; Miami; Schaumburg, Ill.; St. Louis; Middleburg, Va.
Service area: Nationwide, Asia, Canada, Europe, South America.

Officers: John G. Campbell, chairman; Peter J. Durkalski, president; Richard McKenna, Richard Rothman, Fred Potenza, executive vps.
Contact: Tracy Mock, area vp-marketing, 708-285-3593.

General Health & Safety Services Corp.

742 Market St., Oregon, Wis. 53575; 800-236-0063; fax: 608-835-8863

Staff

Total 10
Safety consultants 4
Occupational health consultants 3
Industrial hygiene consultants 3
ASSE members 3

Clients

Total 132
Corporate/institutional clients 186

1994 revenues

Safety consulting $500,000

Founded: 1978.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; program evaluation/development; accident reduction programs; emergency planning.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; industrial hygiene laboratory; noise and contaminant testing.
Service area: Nationwide.
Officers: Diane E. Hartwig, owner/CEO; Daniel J. Hartwig, president.
Contact: Daniel L. Holcomb.

Gow Management Services Inc.

344 Delaware Ave., Buffalo, N.Y. 14202-1876; 716-856-6148; fax: 716-856-6179

Staff

Total 21
Safety consultants 3
Occupational health consultants 3
Industrial hygiene consultants 1

Clients

Total 110

1994 revenues

Safety consulting $1,050,000

Founded: 1982.
Parent: S.H. Gow & Co. Inc.
Services: Safety audits/reviews, evaluations or inspections; safety, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars, contract risk management.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene and noise and vibration; fire protection engineering; statistical injury/causal relationship reviews.
Specialties: Municipalities, construction, educational, manufacturing, commercial real estate/development, institutional, health care.
Offices: Rochester and Syracuse, N.Y.
Service area: Nationwide.
Officers: Jeffrey J. Gow, president; Michael S. Gow, executive vp; Richard K. Mason, senior vp.
Contact: Richard K. Mason.

H

C.R. Haines & Associates Inc.

825 Wheelwright Drive, Manchester, Mo. 63011; 314-227-3959; fax: 314-227-3959

Staff

Total 2
Safety consultants 2
ASSE members 1

Clients

Total 30
Corporate/institutional clients 15

1994 revenues

Safety consulting $200,000

Founded: 1984.
Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite and offsite training classes or seminars; litigation defense; expert witness.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving product liability; arbitration between companies and unions.
Specialties: Construction, manufacturing, theme/water parks.
Service area: Nationwide.
Officers: Charles R. Haines, president.

Helmsman Management Services Inc.

Riverside Office Park, 9 Riverside Road, Weston, Mass. 02193-2290; 617-243-7985; fax: 617-736-0256

Staff

Total 650
Safety consultants 565
Occupational health consultants 30
Industrial hygiene consultants 32

Clients

Total 300
Corporate/institutional clients 280

1994 revenues

Safety consulting $4,500,000

Founded: 1983.
Parent: Liberty Mutual Insurance Group.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; construction safety services; drive training; system safety services; performance management.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory; software applications for materials handling analysis; accident analysis; benchmark audits to compare plant facilities' safety and health practices.
Specialties: Manufacturing, construction, transportation services, retail, health care, warehousing/distribution.
Offices: 125 locations nationwide; Canada; Mexico; United Kingdom.
Service area: Nationwide.
Officers: Gary L. Countryman, chairman; Edmund F. Kelly, president; Stephen Zielinski, COO; Kenneth D. Brock, vp; Amy J. Leddy, vp/manager.
Contact: Joe McMorrow, director-loss prevention service.

Hewitt, Coleman & Associates Inc.

2717 Poinsett Highway, Greenville, S.C. 29609; 803-235-8115; fax: 803-232-8824

Staff

Total 8
Safety consultants 8
ASSE members 7

Clients

Total 80
Corporate/institutional clients 80

1994 revenues

Safety consulting $825,000

Continued on page 49

ion.

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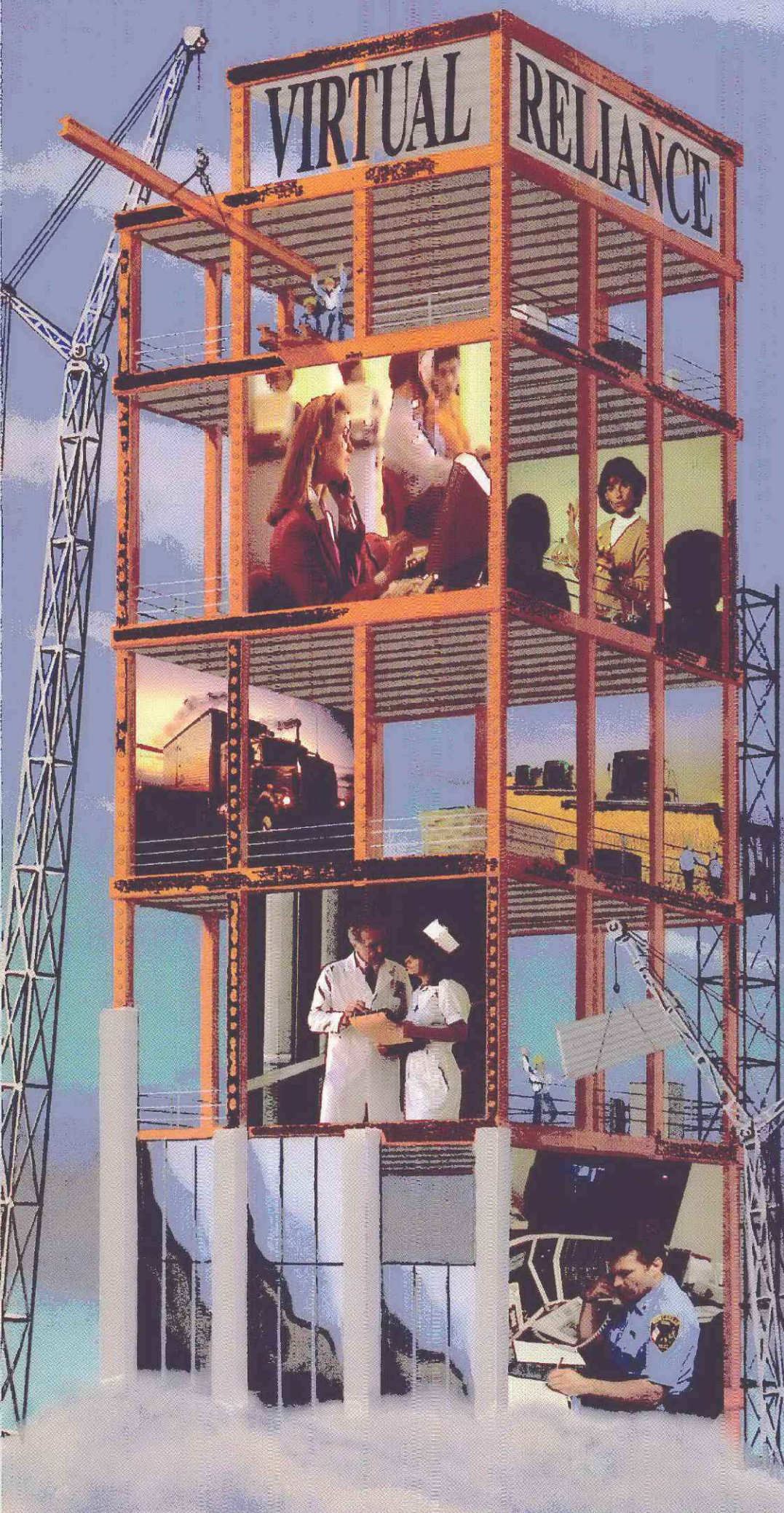
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Assessing environmental risks

By Teresa Brienen

When acquiring property, specialized site evaluations help identify potential risks associated with any location

In the past, it was common practice to acquire a property without considering potential environmental impairments associated with the site. A piece of real estate located at a busy intersection with easy access was considered a good investment for a small retail business or restaurant. But, those locations have been favored for the same reasons by gasoline stations and dry cleaners. Indications of such uses are not always apparent. To assist in evaluating a property, Phase I environmental site assessments were developed to assess current and historical conditions.

ESAs are a means of obtaining facts about a property to help financial institutions, real estate firms, insurance companies and the manufacturing industry, among others, make informed decisions when considering the acquisition of property. ESAs are also performed in conjunction with refinancing and in preparation of divestiture of a property. The parties contracting ESAs are conducting them for industrial, commercial and residential properties. Increasing awareness of the potential for hidden environmental impairments associated with what would have otherwise been considered pristine property has resulted in ESAs even on farmland, undeveloped parcels and apartment buildings.

The intent of ESAs is to identify a site's potential environmental risks. Ultimately, the ESA should provide a summary of issues of environmental concern pertaining to a property and an opinion of their potential for environmental impairment. Quantification of the potential risks is not always possible as there are limitations to the information collected during the course of an ESA. Additional measures may be necessary to fully assess the potential environmental risks associated with an identified concern. The recommendations may include actions as simple as collecting additional information from government agencies to completing a Phase II Assessment.

To determine potential environmental impairments, an ESA involves assessment of current site conditions, historical usage and use of surrounding facilities. This process involves: assessment of the current site conditions; reference of publications; interviews with individuals knowledgeable of the site; contact with local agencies; and review of government databases and files. The sequence of events may vary. If possible, it is beneficial to complete the search of government databases prior to the site reconnaissance to allow for location and assessment of sites posing a potential environmental risk.

ESAs involve assessment of current site conditions, historical usage and use of facilities surrounding the site.

Assessment of current site conditions is completed through a site reconnaissance. This activity is completed to observe current operations and search for indications of past use which may have environmentally impacted the site. The visit typically requires the presence of an individual who has been associated with the site and is familiar with current and historical operations at the subject facility. During the course of the visit, interviews will be conducted with individuals familiar with the site. The inspection will cover the entire building, grounds and adjacent properties. The site will be assessed for the presence of underground storage tanks, above-ground storage tanks, chemical storage, equipment containing polychlorinated biphenyls, stains, stressed vegetation, dumping and other indications of potential environmental impairment.

Historical information pertaining to the property is often the most difficult to obtain. The historical review is completed with the use of several sources, including historical aerial photographs, historical topographic maps, directories, title records, fire insurance maps, tax records, local agencies and interviews. The availability and accessibility of these sources will depend on the location of the subject site.

The search of government databases is completed for the property and for a given search distance from the property for offsite facilities. Several databases are reviewed for: registered underground storage tank facilities; leaking UST facilities; facilities involved in the generation, treatment, storage or disposal of hazardous waste; landfills; and Superfund sites. This information is reviewed and the potential impact of the facilities on the subject property is evaluated based on the type of facility, distance from the subject site and the potential for ground water flow to be directed from the facility toward the subject site. Additional information at state and federal agencies pertaining to the subject property or an offsite facility may be obtained through a request to the agencies under the Freedom of Information Act.

The three elements of the ESA—the site reconnaissance, records review and interviews—are evaluated and incorporated into a report of findings. A complete report will provide: the scope of work; details of the site visit, including items that were searched for but not found at the property; historical information with all the sources identified, including those at which no information was available; discussion of sites identified in government databases and an evaluation of their potential environmental impact on the subject site; and conclusions of the assessment. Recommendations are often provided within the text of the report or under separate cover depending on the end users' purpose and requirements.

To avoid confusion created by variations of the term ESA, the American Society for Testing and Materials developed the E 1527 Standard Practice for Environmental Site Assessments: Phase I Environmental Site Assessment Process. Financial institutions, real estate management firms and law firms have recognized this standard and adopted it as either the basis or sole set of requirements for their ESAs.

E 1527 provides an outline for conducting environmental site assessments and sets standards for the four components of an ESA: a records review, site reconnaissance, interviews and report. The records review section of ASTM E 1527 establishes minimum search distances for review of government records. The standard recognizes the limitations of the government records and the feasibility of obtaining the information. The records review section also suggests the inclusion of additional state and local sources, such as the Fire Department, Building Department and Department of Health. Use of USGS 7.5 Minute Topographic Maps, among other sources, is required for review of the physical setting, provided it is reasonably ascertainable.

Establishment of the historical uses is addressed in the records review section of ASTM E 1527. The standard provides historical sources for reference in determining the obvious uses of the property. The number of sources referenced is left to the discretion of the environmental professional to adequately establish the history of the property. One of the listed sources, recorded land title records, may not be used as the sole historical source and must be accompanied by another standard historical source.

The historical use of a property should be established to at least 1940 or the first developed use of the property, whichever was earlier. Developed use includes agricultural use and placement of fill material. Furthermore, the historical use of the property should be reviewed at five-year intervals unless the use of the property did not change over a period of several years. The historical uses of the properties in the surrounding area should also be established, if possible, during the course of researching the history of the subject site.

The site reconnaissance portion of E 1527 provides the issues to be reviewed during the site walk-through, which ensures that the items will be assessed. Any limitations, such as locked rooms or weather conditions, should be noted during the visit and indicated in the report. For large properties, the inspection methodology should be provided.

A property's historical use should be traced to at least 1940 or the first developed use of the property, whichever was earlier.

The interview segment of E 1527 provides assistance as to appropriate individuals to interview at the property and local agencies. It also establishes the appropriate number and types of occupants to interview when assessing a multi-tenant property. The content of the interviews is largely left to the professional; however, the questions should focus on current and past operations and uses of the property and surrounding area. The interviews should attempt to identify areas of environmental concern not easily identified through the site reconnaissance or government records review. The environmental professional should inquire about the existence of prior environmental reports, audits, permits, violations, plans and registrations. If available, the professional should review the documentation, which may provide insight into additional environmentally significant issues.

ASTM E 1527 provides a suggested report format, which includes the credentials of the professionals completing the ESA and corporate qualifications, if they have not been previously provided, and descriptions of environmental conditions. Any deviations, deletions or additions to the E 1527 standard should be provided.

Additional issues not included in the ASTM E 1527 standard practice are those that do not pose an environmental risk to the soil or ground water at the site but have a potential financial impact or health risk, like asbestos-containing materials, radon, lead-based paint and lead in drinking water. All of these issues can have an impact of the value of a property; intended use; and construction, renovation or demolition activities.

As an example, a property with ACM in good condition does not necessarily present an imminent risk to human health or necessitate removal. However, as the materials age, repair, maintenance and removal may be necessary, which will result in expenditures not foreseen at the time of the acquisition.

The same potential exists for the issue of wetlands. For example, the presence of a wetland on a property could complicate matters if an existing building must be expanded.

In determining if one or all of these issues should be included in an ESA, the user should consider the properties' location and intended use. All the issues are commonly included in ESAs dependent on the user's purpose and requirements. Furthermore, collection of samples for suspect ACM, lead-based paints, radon and lead in water is occasionally completed within an ESA.

In the last few years, the environmental arena has become more competitive with certain types of

See **Assessments** *on next page*

ASK A CASUALTY ACTUARY

Number of casualty actuaries continues to grow steadily

Q **Are most casualty actuaries still employed by insurance companies? How has the proportion of actuaries by type of employment changed over time? What proportion of consulting actuaries are employed by major firms?**

A Over the past 20 years, the number of members of the Casualty Actuarial Society has increased by 277%, to 2,299 last year from 610 in 1974. The clear majority of them continue to be employed by insurance companies—59% in 1994 compared with 64% in 1974. That's only a slight decline. In terms of individuals, the number of casualty actuaries employed by insurance companies actually increased by 249% to 1,366 in 1994 from 391 in 1974.

While the proportion working for rating bureaus and associations has declined to 4% in 1994 from 6% in 1974, the proportion serving as consultants has increased substantially—to 24% last year from 8% in 1974.

The actual number of consulting casualty actuaries has grown 1,042% over the past 20 years, to 548 from 48. These numbers include consulting actuaries employed by brokers and agents as well as those who work for consulting firms.

Categories of actuaries that have seen declines over the past 20 years are: retired, to 7% in 1994 from 13% in 1974; government, to 2% from 4%; miscellaneous other, to 3% from 4%; and bureaus and associations, to 4% from 6%.

Currently, about 60% of consulting casualty actuaries are employed by one of the 10 largest consulting firms (see chart). The remaining 40% are employed by firms with fewer than 10 casualty actuaries.

For information on these consultants, the best source is the Casualty Actuarial Society yearbook. It can be obtained for $40 from the Society, 110 N. Glebe Road, Suite 600, Arlington, Va. 22201; 703-276-3100. The yearbook provides names, addresses and phone numbers for all CAS members. BI

Largest casualty actuarial consulting firms

By number of Casualty Actuarial Society members

Firm	Number of CAS members (5/9/94)	Number of CAS members (6/1/95)	Offices (CAS members) (Ranked by number of Casualty Actuarial Society members as of June 1, 1995)
Tillinghast/Towers Perrin	91	91	Weatogue, Conn. (17); Atlanta (11); Philadelphia (9); Arlington, Va. (8); St. Louis (6); Boston (5); Dallas (4); Irvine, Calif. (3); Montreal (3); New York (3); Toronto (3); Chicago (2); Denver (2); Jacksonville, Fla. (2); London (2); Minneapolis (2); Parsippany, N.J. (2); San Antonio (2); Hamilton, Bermuda (1); Hong Kong (1); Cologne, Germany (1); Paris (1); San Francisco (1).
Milliman & Robertson Inc.	60	61	Brookfield, Wis. (10); Wakefield, Mass. (9); New York (7); Pasadena, Calif. (7); West Paterson, N.J. (7); Radnor, Pa. (5); Denver (3); Irvine, Calif. (3); Minneapolis (3); Dallas (2); Atlanta (1); Chicago (1); Hamilton, Bermuda (1); San Francisco (1); Seattle (1).
Coopers & Lybrand L.L.P.	39	39	New York (9); Atlanta (7); Chicago (7); Parsippany, N.J. (4); Toronto (4); Dallas (2); Los Angeles (2); Philadelphia (2); San Francisco (1); Seattle (1).
Ernst & Young L.L.P.	30	35	Philadelphia (11); Atlanta (5); Chicago (5); New York (4); Montreal (3); Boston (2); Los Angeles (2); Seattle (2); Hamilton, Bermuda (1).
Mercer/Marsh & McLennan Cos. Inc. and Affiliates	30	35	New York (13); Columbus, Ohio (5); Philadelphia (4); Chicago/Deerfield, Ill. (3); Atlanta (2); Irvine, Calif. (2); Minneapolis (2); Washington (2); Montreal (1); Ottawa (1).
Aon/Rollins Hudig Hall	7	15	Chicago (7); New York (4); Hamilton, Bermuda (1); London (1); San Francisco (1); Washington (1).
KPMG Peat Marwick L.L.P.	16	15	Radnor, Pa. (6); Chicago (2); Dallas (2); New York (2); Atlanta (1); Hamilton, Bermuda (1); Hartford, Conn. (1).
Watson Wyatt Worldwide	11	15	San Francisco (3); Toronto (3); Chicago (2); Dallas (2); Wellesley Hills, Mass. (2); San Diego (1); Southfield, Mich. (1); Washington (1).
Deloitte & Touche L.L.P.	13	14	Hartford, Conn. (6); Washington (4); Chicago (3); Los Angeles (1)
Arthur Andersen L.L.P.	12	13	Philadelphia (4); Hartford, Conn. (3); Atlanta (2); New York (2); Milwaukee (1); San Francisco (1).

Source: Casualty Actuarial Society

GRAPHIC BY JERRY PARKS

Would you like advice from an experienced colleague on a risk management, benefit management or actuarial problem? Four quarterly features in the Perspective section of Business Insurance can give you some answers.

Ask A Casualty Actuary, Ask A Benefit Actuary, Ask A Benefit Manager and Ask A Risk Manager answer written questions from readers on risk and benefit management issues and actuarial problems.

This month's column on actuarial issues in the casualty field is written by Richard E. Sherman, president of Richard E. Sherman & Associates Inc. in Ashland, Ore. William J. Miner, an actuary with Watson Wyatt Worldwide in Chicago, answers actuarial questions in the benefits field.

Susan M. Werner, director of risk management at Hardee's Food Systems Inc. in Rocky Mount, N.C., answers risk management questions. And Dennis J. Nirtaut, managing director of compensation and benefits for Arthur Andersen & Co. S.C. in Chicago, answers questions on employee benefit plans.

Address your questions to ASK, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611. Please give us your name, title and employer; however, Business Insurance will consider unsigned letters.



Mr. Sherman

Assessments

Continued from previous page

services viewed as commodities. One such service is the performance of ESAs. One of the challenges facing individuals responsible for determining environmental liability associated with properties is conducting or contracting an ESA that will meet industry standards and provide a basis for the "innocent landowner's defense."

In contracting an environmental professional to perform an ESA, an established detailed scope of work should be agreed on prior to initiating the project. If certain items are needed, like a chain of title, ensure they are included in the scope of services. Furthermore, request the qualifications of the firm and the individual completing the ESA. If possible, also require an example of the firm's work to determine if the format and quality are acceptable.

The introduction of E 1527 has helped eliminate some of the mystery to the term ESA. The E 1527 standard practice provides assistance in obtaining a complete ESA, but the most difficult part is identifying a firm that will provide a high-caliber ESA at a reasonable cost.

As the level of environmental awareness increases among lenders, real estate management firms and private industry, the need will increase for high-quality, thorough ESAs to protect companies from large, unforeseen expenditures. BI



Teresa Brienen is a project scientist in Environmental Science & Engineering Inc.'s Chicago office.

Additional injuries from hospital stay not compensable

An injury sustained during a hospital stay for a compensable workplace injury is not compensable under the Workers Compensation Act, according to the Court of Appeals of Ohio.

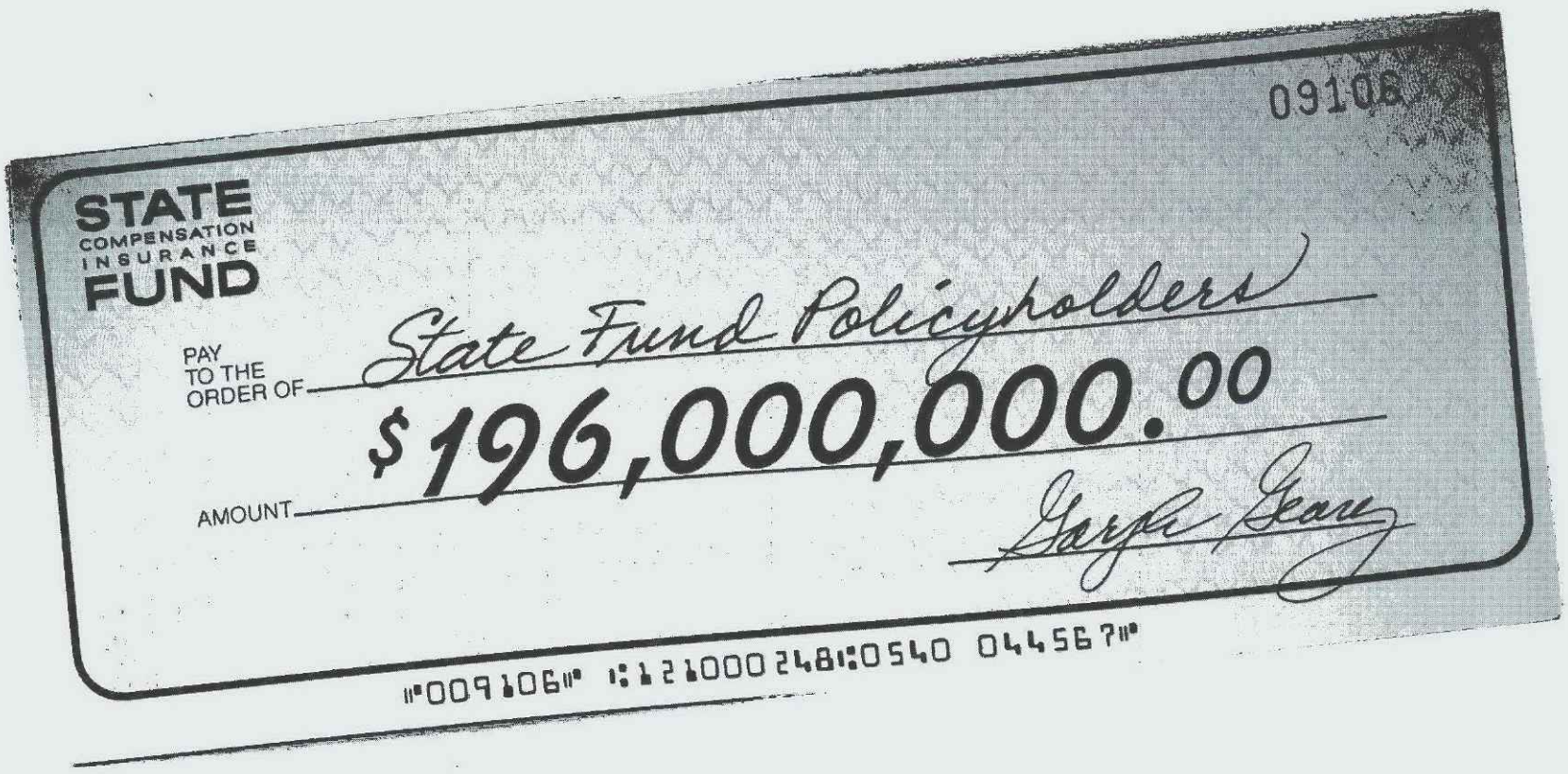
Sandra Iiams was injured on the job in March 1991, sustaining contusions to her sacrum and right elbow and a herniated disc. She was awarded workers comp for those injuries. In August 1991, while Ms. Iiams was in the hospital recuperating from surgery to correct the back problem, the side of her bed collapsed, causing her to suffer a "cervical strain." She sought an additional award as compensation for the neck injury. Her claim was granted by the Industrial Commission. On appeal the trial court denied further compensation.

The appellate court agreed with the trial court that Ms. Iiams previous injury was not the principal cause of the cervical strain, since the neck injury did not arise in a natural and continuous sequence, unbroken by any new independent cause. According to the court, the collapse of the hospital bed was an intervening act sufficient to break the chain of causation. Additional compensation was denied.

Legal Briefs

Iiams vs. Corporate Support Inc., Court of Appeals of Ohio, Nov. 10, 1994 (*BI*/01/Au.-$10). BI

These abstracts were prepared by Mayo H. Stiegler. Copies of these decisions are available by sending a $10 check payable to Mayo H. Stiegler, to Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590. List the number for each opinion.

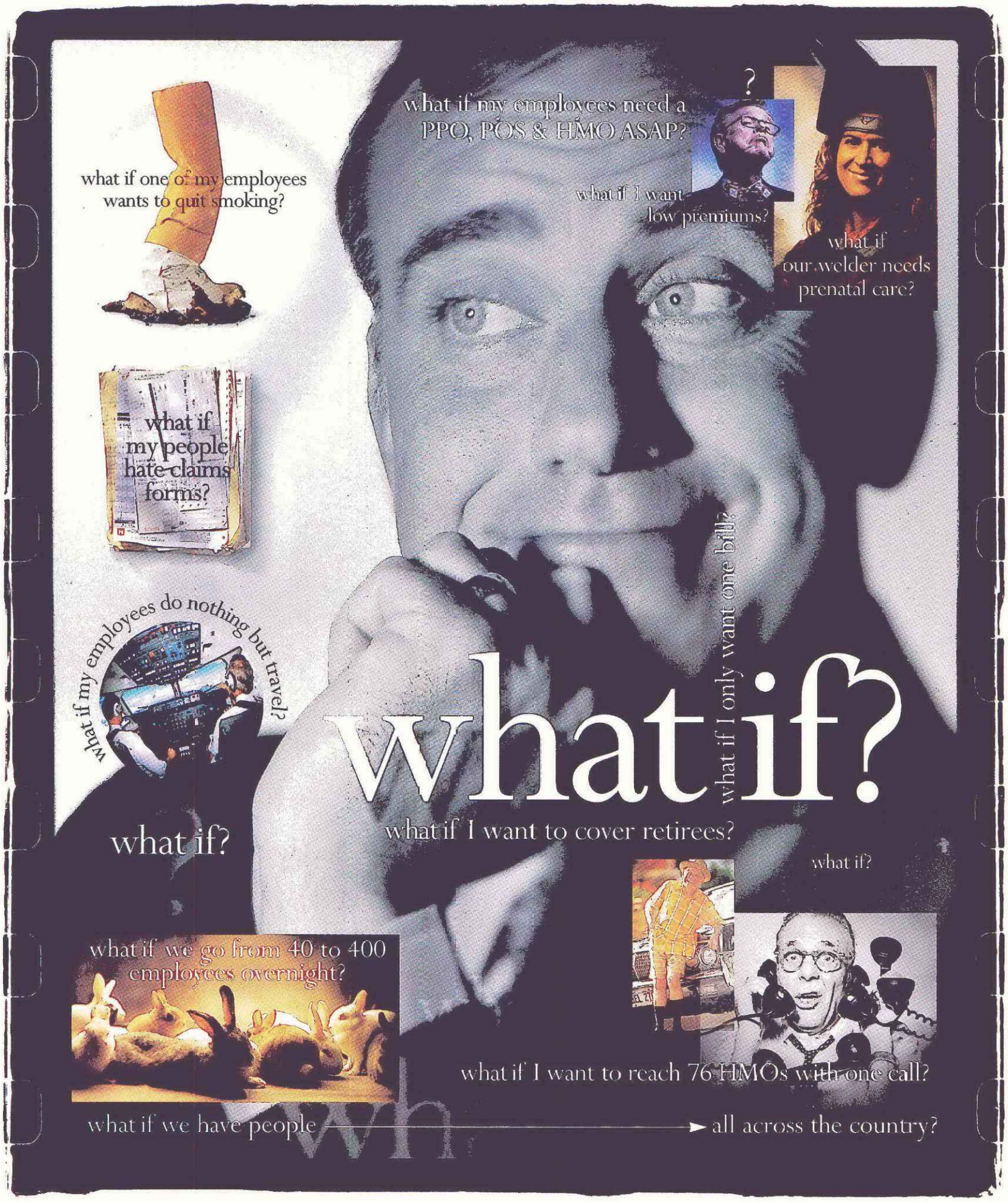


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Founded: 1923.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; injury and risk analysis; culture assessments; strategic planning; root cause analysis software.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health and ergonomics; fire protection engineering; early return-to-work programs.
Specialties: Transportation, manufacturing, health care.
Offices: Birmingham, Ala.; Little Rock, Ark.; Denver; Orlando; Atlanta; Indianapolis; Jackson, Miss.; Raleigh, N.C.
Service area: Mid-Atlantic, Midwestern, Southern, Southeastern and Rocky Mountain states.
Officers: Charles R. Warne, president/CEO; David Cantrell, executive vp; Ronald J. Graves, senior vp-loss control; Randy Chapman, senior vp-marketing; J. Jay Franks, senior vp-claims administration.
Contact: Ronald J. Graves.

Holdsworth & Associates Inc.

1224 Mill St., East Berlin, Conn. 06023-1140; 800-437-8347; fax: 203-828-2002

Staff	
Total	12
Safety consultants	12
Clients	
Total	1,400
Corporate/institutional clients	1,300
1994 revenues	
Safety consulting	$250,000

Founded: 1988.
Services: Safety audits/reviews, evaluations or inspections; safety and occupational health program assistance; onsite and offsite training classes or seminars; management safety training.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.
Specialties: Health care, emergency services.
Service area: Nationwide.
Officers: Robert C. Holdsworth, president/CEO; Chip Darius, vp.

I

Inservco Safety Management Services

3461 Market St., Suite 201, Camp Hill, Pa. 17011; 717-761-8018; fax: 717-763-5732

Staff	
Total	12
Safety consultants	10
Occupational health consultants	2
ASSE members	7
Clients	
Total	116
Corporate/institutional clients	82
1994 revenues	
Safety consulting	$630,000

Founded: 1980.
Parent: Penn National Insurance Cos.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, occupational health program assistance; onsite and offsite training classes or seminars; property insurance rate audits; property valuations; workers compensation rate analysis.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving occupational health and ergonomics; fire protection engineering; industrial hygiene laboratory*.
Specialties: Governmental, educational, health care, commercial agricultural businesses.
Offices: Trenton, N.J.; Greensboro, N.C.; Camp Hill and Pittsburgh, Pa.
Service area: Delaware, District of Columbia, Maryland, New Jersey, North Carolina, Pennsylvania and Virginia; Canada.
Officers: Robert Conrad, executive vp; Michael Scheib, vp-operations; Pam Mitchell, controller; Joseph Boslet, vp-safety management.
Contact: Joseph M. Boslet.
** Industrial hygiene testing by independent vendors.*

Insurance Control Systems Inc.

1118 N. La Brea Ave., Inglewood, Colo. 90302; 213-678-7115; fax: 310-673-3350

Staff	
Total	7
Safety consultants	3
Clients	
Total	45
Corporate/institutional clients	13
1994 revenues	
Safety consulting	$1,040,000

Founded: 1989.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory*.
Offices: Atlanta; Reno, Nev.; Dallas.
Service area: Nationwide.
Officers: A.D. Kirkpatrick, president; L. Patten, vp-operations; V. Paganelli, vp; Velda Heitkamp, controller; P. Traber, service director.
Contact: V. Paganelli.
** Industrial hygiene testing by independent labs.*

Insurance & Risk Management

3811 Illinois Road, P.O. Box 1705, Fort Wayne, Ind. 46801; 219-436-1616; fax: 219-432-4083

Staff	
Total	4
Safety consultants	4
ASSE members	3
Clients	
Total	135
1994 revenues	
Safety consulting	$275,000

Founded: 1963.
Services: Safety audtis/reviews, evaluations or inspections; safety, ergonomic; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving ergonomics.
Specialties: Manufacturing.
Offices: Indianapolis and Muncie, Ind.; Defiance and Toledo, Ohio.
Service area: Nationwide.
Officers: Bart E. Bircheff, COO; Dewey Tagtmeyer, James Van Dyck, Leonard Koeller, Harold Everett, managing partners/account executives.
Contact: James E. Krouse.

J

Jacobs Consulting Ltd.

P.O. Box 11779, St. Paul, Minn. 55111; 612-699-7938

Staff	
Total	1
Safety consultants	1
ASSE members	1
Clients	
Total	100
1994 revenues	
Safety consulting	$200,000

Founded: 1990.
Services: Ergonomic program assistance; onsite and offsite training classes or seminars; job analysis; engineering recommendations.
Other services: OSHA compliance; research involving ergonomics; practical/applied ergonomics services to reduce risk of occupational injuries.
Service area: Nationwide.
Officers: Philip Jacobs, president.

William L. Jacobs Enterprises Inc.

1231 Tall Pines Drive, Osteen, Fla. 32764; 407-324-9245; fax: 407-324-9245

Staff	
Total	2
Safety consultants	2
ASSE members	1
Clients	
Total	60
Corporate/institutional clients	3
1994 revenues	
Safety consulting	$200,000

Founded: 1987.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic; onsite and offsite training classes or seminars; floor/walkway safety testing.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving ergonomics, product liability and noise and vibration.
Specialties: Construction, retail.
Offices: Fort Lauderdale, Fla.
Service area: Southeast.
Officers: William L. Jacobs, president.

Johnson & Higgins

125 Broad St., New York, N.Y. 10004-2424; 212-574-7000; fax: 212-574-7373

Staff	
Total	72
Safety consultants	64
Occupational health consultants	2
Industrial hygiene consultants	6
ASSE members	60

Continued on next page

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Continued from previous page

1994 revenues

Safety consulting.....$7,200,000*
**BI estimate.*

Founded: 1845.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; product liability consulting, environmental management consulting; vehicle fleet safety consulting; construction survey.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; disaster recovery planning.
Specialties: Construction, health care, governmental, financial, educational.
Offices: 40 offices nationwide.
Service area: Worldwide.
Officers: John V. Deitchman, director/senior vp; Joseph T. Mullahey, senior vp; Robert F. Satterfield, Dan Kett, vps.
Contact: Joseph T. Mullahey.

K

K&T Safety Service Inc.

800 Wilcrest, Suite 205, Houston, Texas 77042-1360; 713-974-4394; fax: 713-974-4396

Staff

Total.....4
Safety consultants.....1
Industrial hygiene consultants.....3
ASSE members.....1

Clients

Total.....50
Corporate/institutional clients.....50

1994 revenues

Safety consulting.....$200,000

Founded: 1981.
Services: Safety audits/reviews, evaluations or inspections; safety and industrial hygiene program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; industrial hygiene research; fire protection engineering; industrial hygiene laboratory*.
Specialties: Construction, manufacturing, chemical, institutions.
Service area: Colorado, Louisiana, New Mexico, Texas.
Officers: Henry G. Kana, president; Suellyn H. Kana, vp; W.C. Higdon, executive vp.
Contact: Henry G. Kana or Suellyn H. Kana.
** Industrial hygiene testing by independent labs.*

Kemper Risk Management Services

1 Kemper Drive, Suite K-4, Long Grove, Ill. 60049; 800-323-9585; fax: 708-320-4330

Staff

Total.....146
Safety consultants.....75
Occupational health consultants.....6
Industrial hygiene consultants.....65
ASSE members.....85

Clients

Total.....400
Corporate/institutional clients.....100

1994 revenues

Safety consulting.....$18,000,000

Founded: 1968.
Parent: Kemper National Insurance Cos.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; environmental services; laboratory services.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory; machine guarding audits; fleet safety; behavior-based programs; perception surveys; indoor air quality; emergency response plans; process safety management; job assessment.
Specialties: Manufacturing, retail, service industry, health care.
Offices: Los Angeles; Chicago; Baltimore; Summit, N.J.; Portland, Ore; Dallas.
Service area: Worldwide.
Officers: C.D. Sullivan, chairman/CEO; F.G. Minchk, president/COO; E.M. Lindner, executive vp; A.D. Odom, vp-technical services; G.J. Krafcisin, vp-analytical services.
Contact: Larry Toepper, manager-technical sales/marketing, 708-320-3525.

L

Law Engineering & Environmental Services Inc.

112 Townpark Drive, Kennesaw, Ga. 30144; 404-421-3400; fax: 404-421-3486

Staff

Total.....12
Safety consultants.....2
Industrial hygiene consultants.....10
ASSE members.....2

Clients

Total.....200
Corporate/institutional clients.....100

1994 revenues

Safety consulting.....$500,000

Founded: 1948.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and industrial hygiene program assistance; onsite and offsite training classes or seminars.
Other services: Development of training materials; OSHA compliance; industrial hygiene laboratory*; expert witness and litigation support.
Offices: Los Angeles and Sacramento, Calif.; Atlanta; Charlotte and Raleigh, N.C.
Service area: Worldwide.
Officers: Bruce Coles, CEO; Jim Dangar, president; Andy Young, vice chairman; Fred Steinbrenner, executive vp; Clarence Zimmerman, senior vp.
Contact: David T. Matthews.
** Industrial hygiene testing by independent labs.*

Liberty Northwest Cos.

825 N.E. Multnomah Blvd., Portland, Ore. 97232; 503-239-5800; fax: 503-239-0101

Staff

Total.....33
Safety consultants.....29
Industrial hygiene consultants.....4
ASSE members.....20

1994 revenues

Safety consulting.....$1 600,000

Founded: 1983.
Parent: Liberty Mutual Cos.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and industrial hygiene program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, ergonomics and noise and vibration; industrial hygiene laboratory*.
Specialties: Construction, transportation, manufacturing, electrical.
Offices: Boise, Idaho; Billings and Missoula, Mont.; Baker City, Bend, Eugene, Medford, Roseburg and Salem, Ore.; Bellevue, Wash.
Service area: Idaho, Montana, Oregon, Washington.
Officers: Stu Hall, CEO; John Galbraith, CFO; Dave Davidson, executive vp; Daryl Nelson, Frank Lemma, senior vps.
** Industrial hygiene testing by parent company.*

Loss Control Associates Inc.

172 Middletown Blvd., Suite 204-B, Langhorne, Pa. 19047; 215-750-6841; fax: 215-750-6845

Staff

Total.....6
Safety consultants.....6

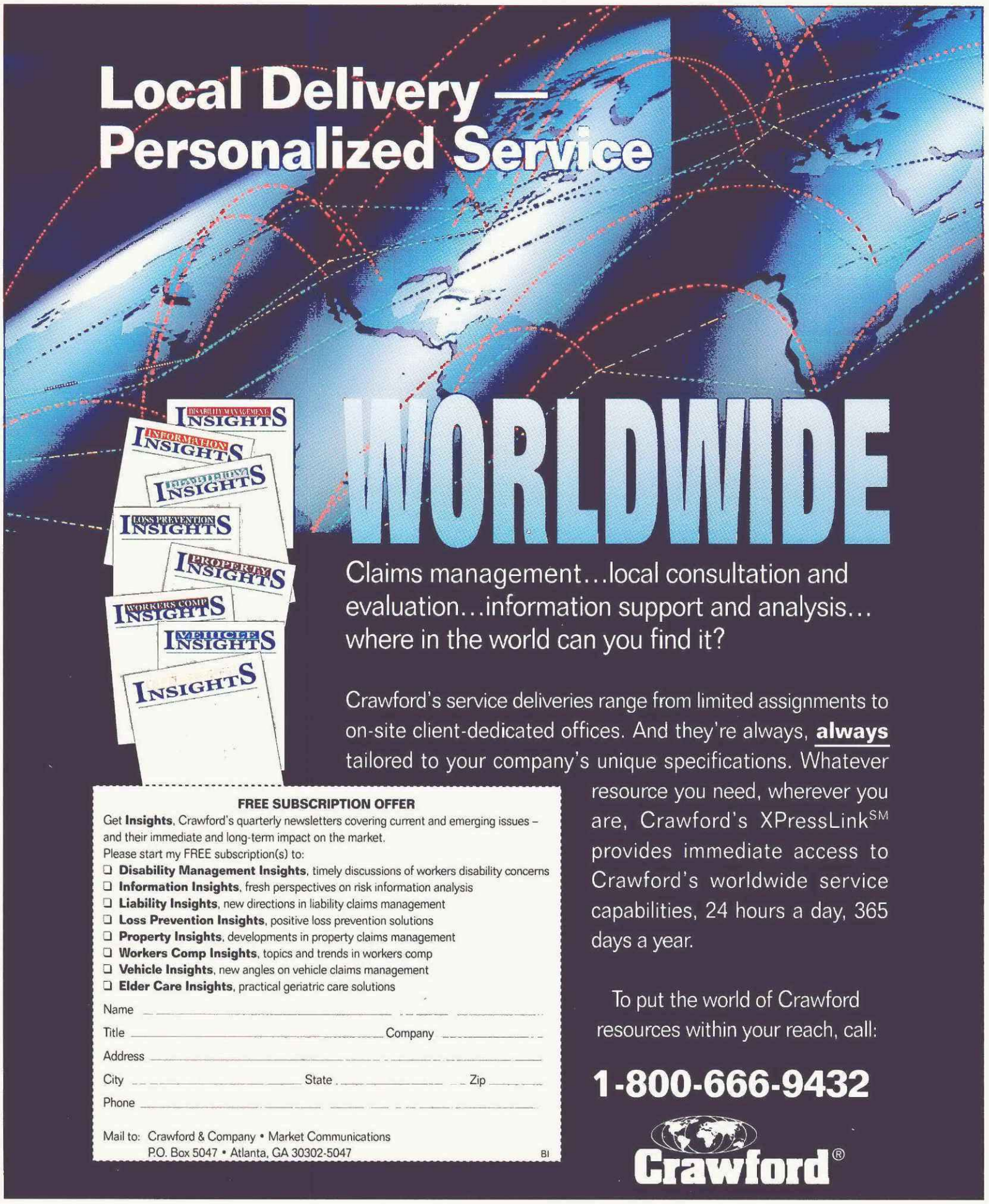
Clients

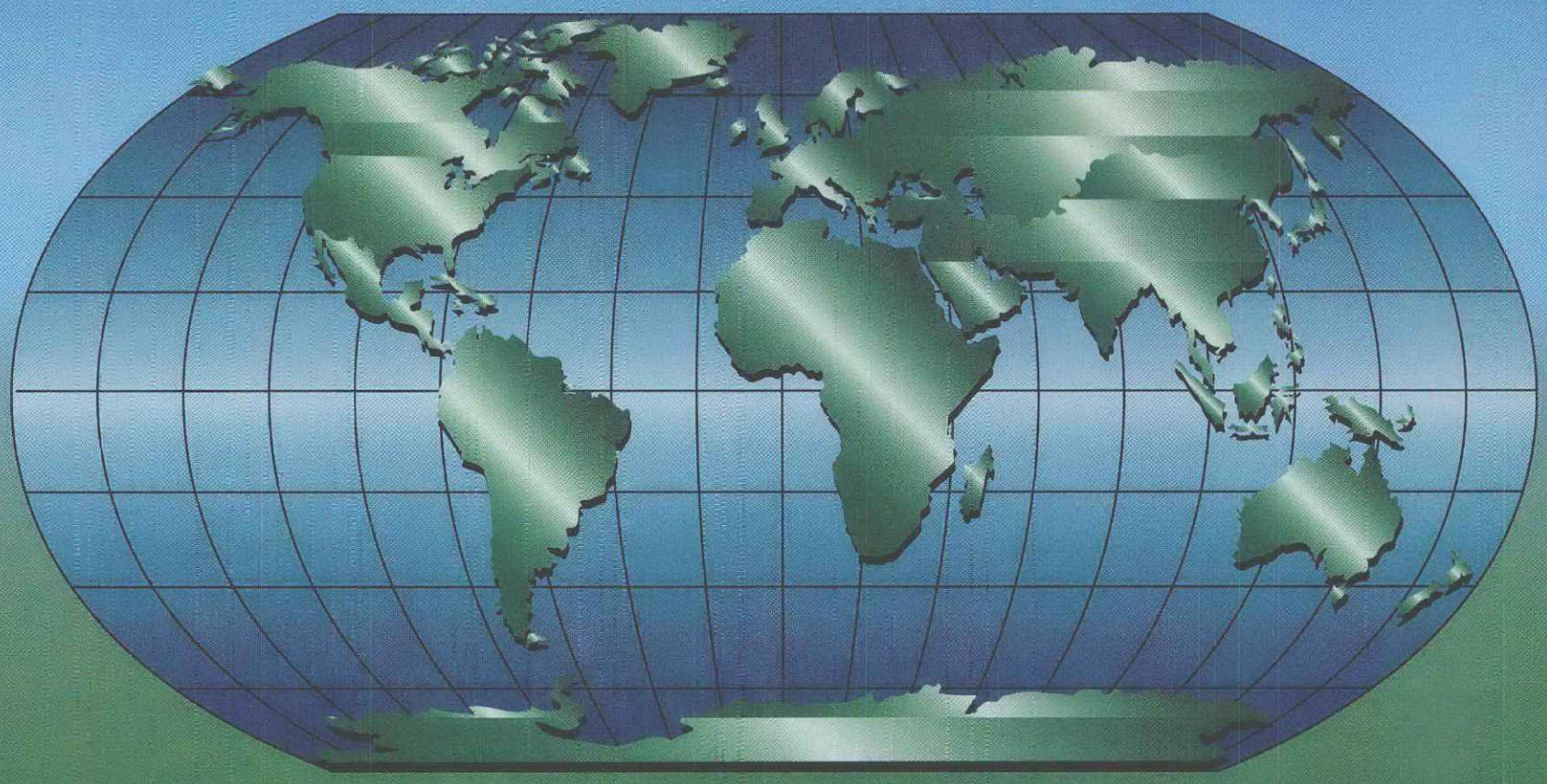
Total.....40
Corporate/institutional clients.....35

1994 revenues

Safety consulting.....$850,000

Continued on page 52





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Founded: 1986.
Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite and offsite training classes or seminars; fire protection engineering; loss prevention engineering; process safety management.
Other services: Publication of safety materials or videos; OSHA compliance; fire protection engineering.
Specialties: Chemical, petrochemical, manufacturing, oil refining.
Service area: Nationwide.
Officers: Orville M. Slye Jr., president; David W. Owen, consulting engineer.
Contact: O.M. Slye Jr.

Loss Prevention Consultants Inc.

P.O. Box 54012, Jackson, Miss. 39288-4012; 601-878-2138; fax: 601-878-2394

Staff	
Total	3
ASSE members	1

Clients	
Total	50
Corporate/institutional clients	40

1994 revenues	
Safety consulting	$217,000*

** Company estimate.*

Founded: 1982.
Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite and offsite training classes or seminars; accident reconstruction; expert testimony.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; product liability research; fire protection engineering.
Specialties: Transportation.
Service area: Nationwide.
Officers: John R. Eubanks Jr., president.

The new criteria for the directory of safety consultants and rehabilitation management service providers is explained on page 59.

M

Management Services Inc.

2 E. Main St., Danville, Ill. 61832; 800-252-5059; fax: 217-443-0927

Staff	
Total	29
Safety consultants	25
Occupational health consultants	3
Industrial hygiene consultants	1
ASSE members	25

Clients	
Total	2,500
Corporate/institutional clients	1,000

1994 revenues	
Safety consulting	$4,700,000

Founded: 1979.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health and ergonomics; industrial hygiene laboratory*.
Offices: Torrance, Calif.; Marco Island, Fla.; Oak Brook, Ill.; Indianapolis; Des Moines, Iowa; Kansas City and St. Louis, Mo.
Service area: Midwest.
Officers: Samuel P. Cannon, CEO; Robert L. Cowgill, president; Jacqueline J. Cannon, vp; Gary Schirmer, director.
Contact: Michael Reed, 800-252-5059, ext. 182.
** Industrial hygiene testing by independent labs.*

Michigan Health & Hospital Assn. Service Corp.

6215 W. St. Joseph Highway, Lansing, Mich. 48917; 517-323-3443; fax: 517-323-0913

Staff	
Total	6
Safety consultants	2
Occupational health consultants	1
Industrial hygiene consultants	3
ASSE members	1

Clients	
Total	160

1994 revenues	
Safety consulting	$700,000

Founded: 1980.
Parent: Michigan Health & Hospital Assn.
Services: Safety audits/reviews, evaluations or inspections; ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics and noise and vibration; industrial hygiene laboratory*.
Specialties: Health care facilities.
Offices: Southfield, Mich.
Service area: Indiana, Michigan, Wisconsin.
Officers: Fritz Kellermann, COO; Kathy Dickenson, vp.
Contact: Pier-George Zanoni, director-occupational health/environmental safety.
** Industrial hygiene testing by independent labs.*

Dr. Donald P. Milione

7012 18th Ave., Brooklyn, N.Y. 11204; 718-232-9595; fax: 718-232-6800

Staff	
Total	2
Occupational health consultants	1

1994 revenues	
Safety consulting	$200,300*

** BI estimate.*

Founded: 1990.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Development of training materials; rehabilitation.
Specialties: Construction, manufacturing.
Service area: New York.
Officers: Donald Milione, occupational health consultant.

N

National Safety Council

1121 Spring Lake Drive, Itasca, Ill. 60143-3201; 708-775-2341; fax: 708-775-2185

Staff	
Total	22
Safety consultants	15
Occupational health consultants	5
Industrial hygiene consultants	2
ASSE members	10

Clients	
Total	75
Corporate/institutional clients	20

1994 revenues	
Safety consulting	$2,700,000

Founded: 1911.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; fleet safety management.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance
Offices: Redwood City, Calif.; Washington; Atlanta; Des Moines, Iowa; Syracuse, N.Y.; Richmond, Va.
Service area: Nationwide.
Officers: Gerard Scannell, president; Alan McMillan, Michael Meersman, vps.
Contact: Don Ostrander, manager-consulting services.

Network Safety Consultants Inc.

14400 John Humphrey Drive, Suite A, Orland Park, Ill. 60462; 708-873-3325; fax: 708-873-0120

Staff	
Total	3

Continued on page 54

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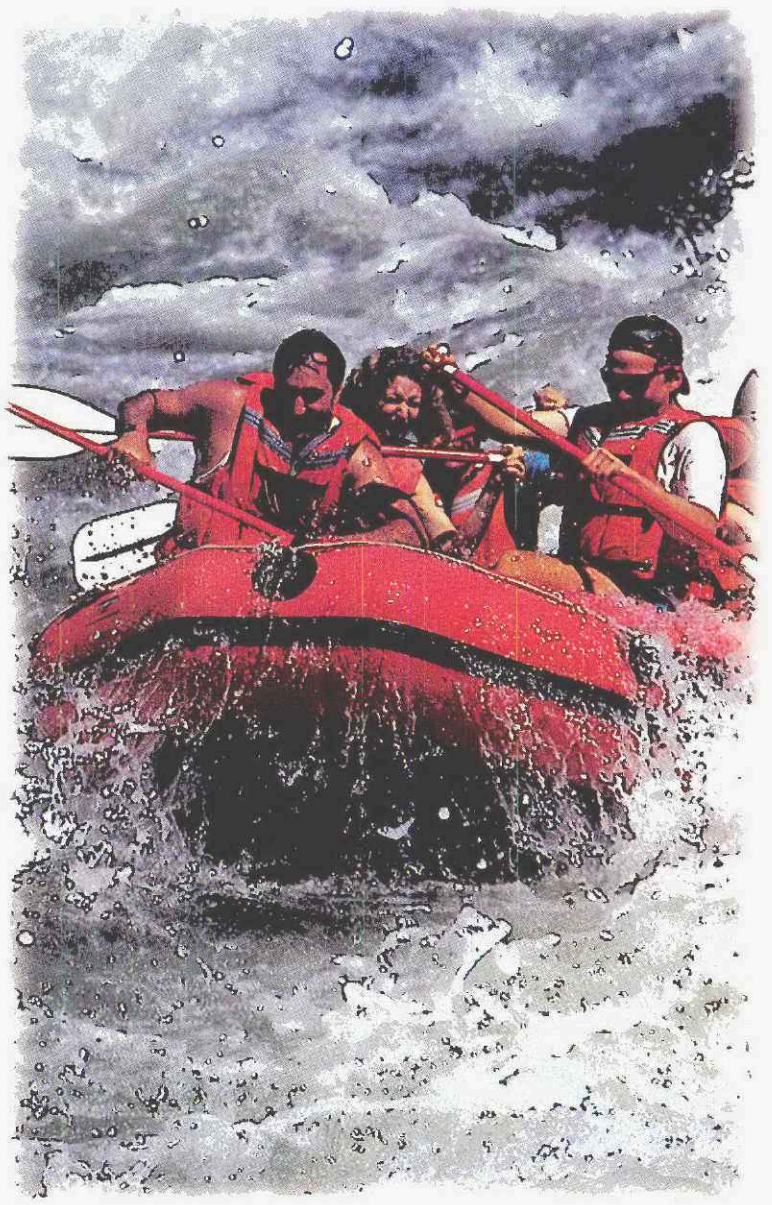
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Continued from page 52

Safety consultants	2
Industrial hygiene consultants	1
ASSE members	1
Clients	
Total	50
1994 revenues	
Safety consulting	$500,000

Founded: 1993.
Parent: Horton Insurance Agency Inc.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; lead compliance and inspections.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.
Specialties: Construction, manufacturing, service industry.
Service area: Midwest.
Officers: Gary Glader, president; Steve Lafkas, director-training services.
Contact: Anne Jelinek, 708-873-3312.

O

Occupational Safety & Health Advisors Inc.

16167 Elmwood Station, Minneapolis, Minn. 55416; 612-444-4775; fax: 612-444-4775

Staff	
Total	1
Safety consultants	1
ASSE members	1
Clients	
Total	40
Corporate/institutional clients	10
1994 revenues	
Safety consulting	$200,000

Founded: 1989.
Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite training classes or seminars; forensic safety engineering; expert witness.
Other services: OSHA compliance.
Service area: Nationwide.
Officers: Ivan Russell, president.

Occupational Safety & Health Consultants

183 Grand Ave., Lafayette, La. 70503-4636; 318-988-3490; fax: 318-988-3490

Staff	
Total	4
Safety consultants	2
Occupational health consultants	1
Industrial hygiene consultants	1
ASSE members	3
Clients	
Total	8
Corporate/institutional clients	2
1994 revenues	
Safety consulting	$248,000

Founded: 1984.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and industrial hygiene program assistance; onsite and offsite training classes or seminars; expert witness.
Other services: Development of training materials; OSHA compliance; industrial hygiene research; fire protection engineering.
Specialties: Maritime, oil and gas, industrial.
Offices: Houma and New Orleans, La.
Service area: Alabama, Florida, Louisiana, Mississippi, Texas.
Officers: Donald G. Broussard Sr., president/owner; Renee Darsey Broussard, Joe McKillip, Mike Hampy.

R

R.E.C. Inc.

12900 Silver Crest Road, Chester, Va. 23831-4328; 804-748-8003; fax: 804-748-2384

Staff	
Total	4
Safety consultants	2
Occupational health consultants	2
Industrial hygiene consultants	1
ASSE members	1
Clients	
Total	24
Corporate/institutional clients	10
1994 revenues	
Safety consulting	$200,000

Founded: 1976.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics and noise and vibration; industrial hygiene laboratory*.
Service area: Nationwide.
Officers: Henry M. Taylor.
Contact: Frank F. Feeney.
** Industrial hygiene testing by independent labs.*

R.P.F. Associates

20 LeRoy St., Dix Hills, N.Y. 11746; 516-586-0778; fax: 516-586-5164

Staff	
Total	3
Safety consultants	3
ASSE members	2
Clients	
Total	35
Corporate/institutional clients	10
1994 revenues	
Safety consulting	$220,000

Founded: 1984.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and occupational health program assistance; onsite training classes or seminars; consulting on DOT, National Fire Protection Assn. codes, New York city life safety codes and Joint Commission for the Accreditation of Hospitals standards; expert testimony.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; back injury prevention; road-e-o's for fleet drivers; training programs for lifting; blood borne pathogens; right to know; lab safety; fall protection; supervisor safety training; accident investigation.
Specialties: Painting, retail, hotels, hospitals, nursing homes, construction, legal profession.
Service area: Nationwide.
Officers: Robert P. Firmbach, president.

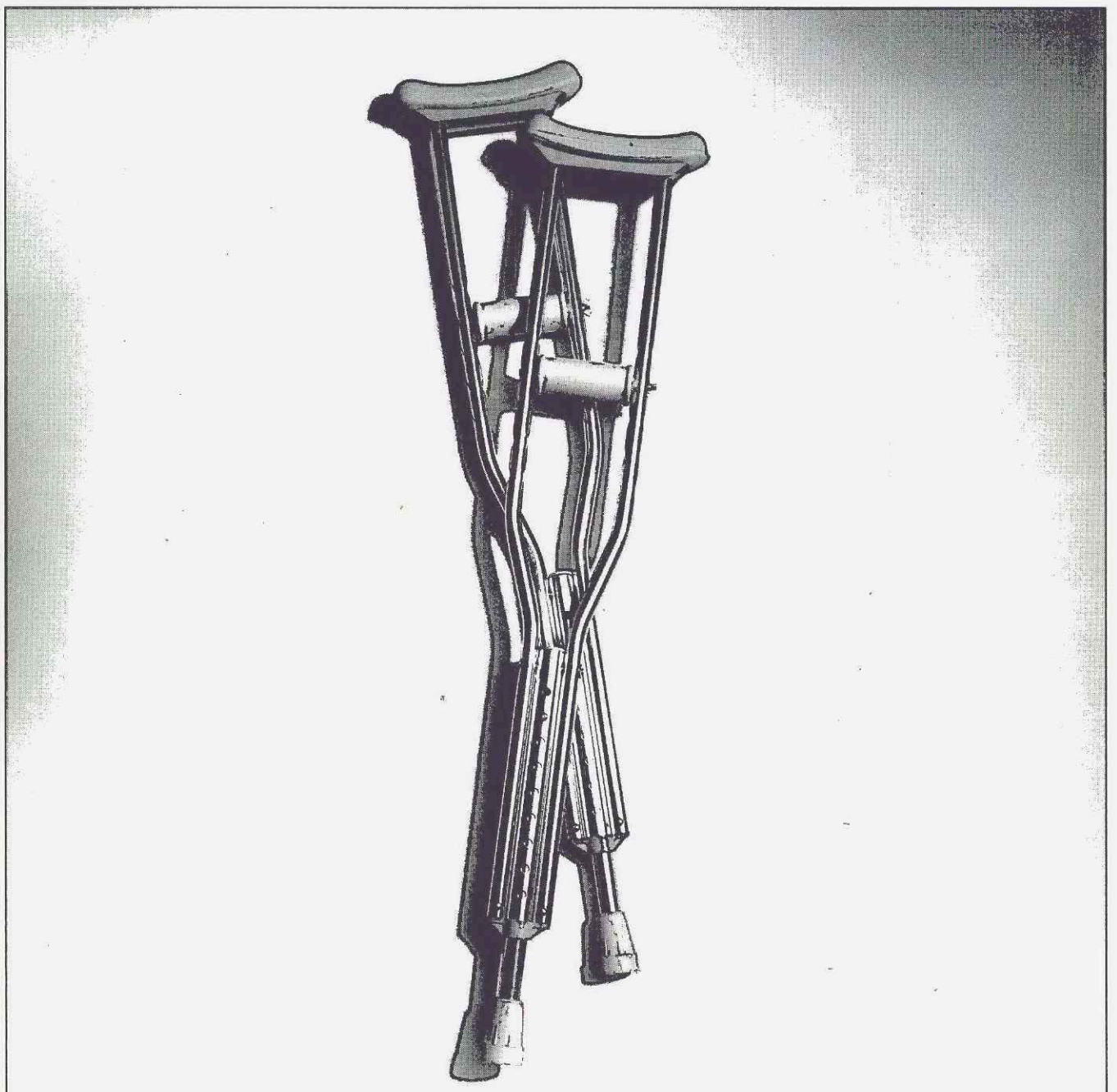
Risk Analysts Inc.

24 Greenway Plaza, Suite 1100, Houston, Texas 77046; 713-507-5400; fax: 713-507-9433

Staff	
Total	4
Safety consultants	3
ASSE members	3
Clients	
Total	150
Corporate/institutional clients	80
1994 revenues	
Safety consulting	$650,000

Parent: Wisenberg Insurance & Risk Management.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and occupational health program assistance; onsite and offsite training classes or seminars; focus safety groups.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; provide management, supervisor and employee customized safety training.
Specialties: Manufacturing, health care, wholesale, retail, distribution hospitality, automotive dealerships and parts sales, real estate, fleet, oil and gas, entertainment, motor sports, construction.
Service area: Nationwide.
Officers: Irving Pozmantier, chairman; Joe Williams, president/CEO; Tom Fran

Continued on next page



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Continued from previous page

cis, Jay Williams, executive vps; Nicholas P. Dalby, vp/director-risk control.
Contact: Nicholas P. Dalby, 713-507-4792.

J.D. Roberts, CSP-Professional Safety Consultant

P.O. Box 1344, Folsom, La. 70437-1344; 504-796-0332; fax: 504-796-0332

Staff

Safety consultants 1

Clients

Total 25
Corporate/institutional clients 10

1994 revenues

Safety consulting $200,000

Founded: 1989.
Services: Safety audits/reviews, evaluations or inspections; safety and ergonomic program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving ergonomics, product liability and maritime safety.
Specialties: Shipbuilding.
Service area: Southeast.
Officers: J.D. Roberts.

S

Safety Management Services Inc.

200 Travis St., Suite 104, Lafayette, La. 70503; 318-235-6524; fax: 318-233-9772

Staff

Total 4
Safety consultants 2
Occupational health consultants 1
Industrial hygiene consultants 1
ASSE members 4

Clients

Corporate/institutional clients 38

1994 revenues

Safety consulting $200,000

Founded: 1981.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; quantitative evaluation of safety/health programs.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving noise and vibration; fire protection engineering; evaluation of contractors.
Specialties: Maritime, oil and gas, construction.
Service area: Worldwide.
Officers: Jack R. Barnidge, president.

Safety & Risk Control Services Inc.

395 Main St., Suite 4, Metuchen, N.J. 08840-1806; 800-466-4025; fax: 908-906-2045

Staff

Total 16
Safety consultants 16
ASSE members 13

Clients

Total 50
Corporate/institutional clients 40

1994 revenues

Safety consulting $500,000

Founded: 1989.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; offsite training classes or seminars; coordination and auditing of insurance company services; statistical analysis; development of loss control service specifications; development of association safety programs and management training programs.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health and product liability; fire protection engineering; industrial hygiene laboratory*; supervision and technical review of safety publications, video and film presentations.
Specialties: Transportation, heavy manufacturing, real estate.
Service area: Nationwide.
Officers: Harvey S. Staple, president.
** Industrial hygiene testing by independent labs.*

Sandler Occupational Medicine Associates Inc.

275 Broadhollow Road, Melville, N.Y. 11757; 516-756-2204; fax: 516-756-2213

Staff

Total 35
Safety consultants 2
Occupational health consultants 28
Industrial hygiene consultants 5
ASSE members 3

Clients

Total 200
Corporate/institutional clients 75

1994 revenues

Safety consulting $200,000

Continued on next page

SELLS *What was sold.*

DELIVERS *What was promised.*

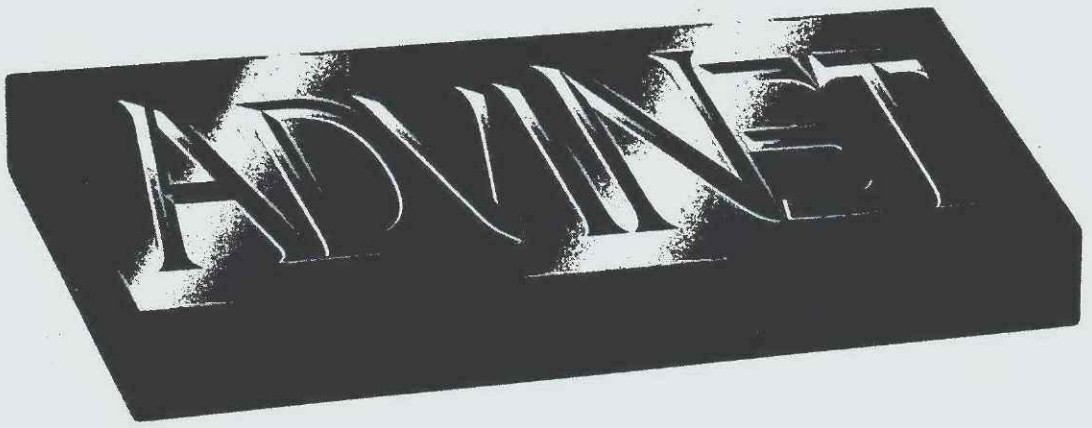
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ADVINET
YOUR CONNECTION TO CARE

Continued from previous page

Founded: 1983.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; ADA compliance; medical case management.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; industrial hygiene laboratory*.
Offices: Rockville, Md.; Melville, N.Y.
Service area: Nationwide.
Officers: Howard M. Sandler, president; Sheldon H. Rabinovitz, Richard S. Blume, vps.
Contact: Jennifer Murphy.
** Industrial hygiene testing by independent labs.*

Schirmer Engineering Corp.

707 Lake Cook Road, Deerfield, Ill. 60015-4997; 708-272-8340; fax: 708-272-2639

Staff	
Total	65
Safety consultants	61
Occupational health consultants	4
Industrial hygiene consultants	2
ASSE members	6
Clients	
Total	250
Corporate/institutional clients	250
1994 revenues	
Safety consulting	$7,200,000

Founded: 1939.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving occupational health, ergonomics, product liability and noise and vibration; fire protection engineering.
Specialties: Manufacturing, telecommunications, retail.
Offices: Los Angeles and San Francisco; Washington; Atlanta; Dallas; Monterrey and Mexico City, Mexico.
Service area: Nationwide, Canada and Latin America.
Officers: Carl Baldassarra, president; David P. Nugent, James A. Bychowski, vps; Craig Zaleski, secretary/treasurer.
Contact: Judy Freeman.

Sedgwick James Inc.

2000 Center Point Drive, Suite 2350, Columbia, S.C. 29210; 803-772-1111; fax: 803-772-6361

Staff	
Total	120
Safety consultants	101
Occupational health consultants	14
Industrial hygiene consultants	5
1994 revenues	
Safety consulting	$17,500,000

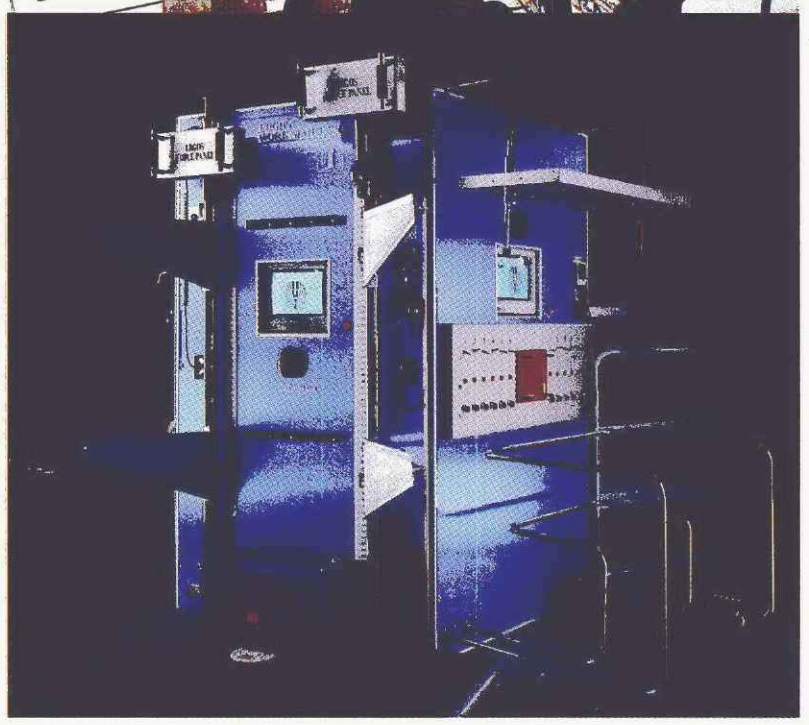
Founded: 1858.
Parent: Sedgwick Group P.L.C.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; computerized contingency planning services; environmental consulting services.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory*.
Specialties: Self-insured associations/pools, real estate, manufacturing, public entities, health care, retail, warehouse/distribution, energy, construction, financial institutions, hotels, food processing, environmental.
Offices: 33 offices nationwide.
Service area: Nationwide.
Officers: R. Jane Hill Fleming, senior vp-Nashville; J. Steven Hunt, national director-casualty risk control consulting, Columbia, S.C.; Richard E. Botts, national director-property risk control consulting, Harrisburg, Pa.
Contact: J. Steven Hunt.
** Industrial hygiene testing by independent labs.*

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WORK RECOVERY PRODUCTS/SERVICES	FEATURES/BENEFITS
ERGOS Work Simulator	Identifies and monitors functional capacities for return to work plans and pre-employment/post-offer testing
Americans with Disabilities Act Management System (ADAMS)	Structured job analysis system helps employers lower risk of injury and meet ADA requirements
Lifecorp/New Concepts	Vocational evaluation and exploration tools identify new job skills
Tradesman Easy-Loading Vans and Trailers	Reduce risk of material handling injuries and improve transportation for the physically challenged
Service Center Network	Nationwide pre-employment and functional capacity testing
Interlink Affiliations	Nationwide group of independent affiliates using the ERGOS Work Simulator

Call 1-800-858-8532 for more information

2341 S. Friebus, Suite 14
Tucson, Arizona 85713
1-800-858-8532
(520) 881-1553
Fax (520) 881-4641

WORK RECOVERY, INC.

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ServiceMaster Management Services

1 Servicemaster Management Way, Downers Grove, Ill. 60515; 708-271-1300; fax: 708-271-5324

Staff	
Total	3
Safety consultants	3
ASSE members	3
Clients	
Total	2
Corporate/institutional clients	2
1994 revenues	
Safety consulting	$250,000

Founded: 1947.
Services: Safety, ergonomic and industrial health program assistance; onsite training classes or seminars, safety program administration.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.
Specialties: Health care, hospitals and long-term care.
Service area: Nationwide.
Officers: Brian Oxley, president; Al Sutherland, CFO; Niel Nielson, vp.
Contact: John Smolk, director-5 STAR Program, 708-271-2875.

Sigma Associates Ltd.

105 Timber Ridge Blvd., Pass Christian, Miss. 39571; 601-452-4866; fax: 601-452-7202

Staff	
Total	5
Safety consultants	4
Industrial hygiene consultants	1
ASSE members	1
Clients	
Total	55
Corporate/institutional clients	22
1994 revenues	
Safety consulting	$484,500

Founded: 1978.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic and industrial hygiene program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving product liability and noise and vibration; fire protection engineering.
Specialties: Construction, manufacturing, petroleum, trucking.
Service area: Nationwide.
Officers: A.J. Scardino Jr., president.

T

Topf Organization

1062 Lancaster Ave., Rosemont Plaza, Suite 1, Rosemont, Pa. 19010; 610-525-8370; fax: 610-527-2152

Staff	
Total	12
Safety consultants	8
Clients	
Total	83
Corporate/institutional clients	48
1994 revenues	
Safety consulting	$2,500,000

Founded: 1980.
Services: Safety audits/reviews, evaluations or inspections; safety program assistance; onsite and offsite training classes or seminars, attitude and behavioral management process to prevent accidents, injuries and environmental incidents.
Other services: Development of training materials, behavioral and cultural assessment of employee population.
Specialties: Manufacturing, research, pharmaceutical, chemical, petrochemicals.
Offices: Topf International, Antwerp, Belgium.
Service area: Nationwide.
Officers: Michael Topf, president; Ron Preston, vp; Don Theune, vp-sales.
Contact: Donald H. Theune.

Travelers Insurance

1 Tower Square, Hartford, Conn. 06183; 203-277-5633; fax: 203-277-0142

Continued on next page

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Staff	
Total	250
Safety consultants	155
Occupational health consultants	14
Industrial hygiene consultants	14
ASSE members	150
Clients	
Total	200
Corporate/institutional clients	200
1994 revenues	
Safety consulting	$14,000,000

Parent: Travelers Group.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; benchmark studies; post-injury management; loss reduction through behavior-based changes.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory.
Service area: Nationwide.
Officers: Andy Myer, vp; Tim Howe, Ev Waite, Si Bookout, Hal Dufault, second vps.
Contact: Tim Howe.

Trigon Administrators

7130 Glen Forest Drive, Suite 102, Richmond, Va. 23226; 804-673-5824; fax: 804-673-5916

Staff	
Total	5
Safety consultants	4
ASSE members	4
Clients	
Total	1,200
1994 revenues	
Safety consulting	$500,196

Founded: 1969.
Parent: Trigon Blue Cross/Blue Shield.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health and ergonomics.
Specialties: Construction, wood products and furniture, manufacturing, municipalities, educational, mercantile.
Offices: Fairfax, Va.; Columbia and Rockville, Md.; Raleigh, N.C.
Service area: Delaware, District of Columbia, Maryland, North Carolina, Virginia and West Virginia.
Officers: William D. Monday Jr., president; Stephen R. Hall, CFO; Monty McFadden, vp-marketing; Robert Cone, vp-operations.
Contact: Harold D. Parker, manager-loss control.

Webb, Murray & Associates Inc.

1730 NASA Road One, Suite 202, Houston, Texas 77058; 713-335-1668; fax: 713-335-1682

Staff	
Total	130
Safety consultants	16
Occupational health consultants	1
Industrial hygiene consultants	1
Clients	
Total	23
1994 revenues	
Safety consulting	$10,400,000

Founded: 1974.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; process safety management; process hazard analysis; model vapor cloud dispersions; develop and review safety procedures and contingency plans; audit emergency services; alarm and detection systems; conduct investigations.
Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory*.
Specialties: Petrochemical, medical, educational, public utilities, construction, research and development operations, chemical, industrial.
Offices: Baton Rouge, La.; Corpus Christi, Deer Park, Freeport and Nassau Bay, Texas.
Service area: Nationwide.
Officers: Robert M. Webb, president/treasurer; Robert W. Murray, senior vp/secretary; Billy C. Magee, vp.
Contact: Bob Brennecke.
** Industrial hygiene testing by independent labs.*

Weiner & Associates Ltd.

305 W. Chesapeake Ave., Towson, Md. 21204; 410-821-7450; fax: 410-821-1042

Staff	
Total	4
Safety consultants	4
ASSE members	2
Clients	
Total	15
Corporate/institutional clients	3
1994 revenues	
Safety consulting	$200,000*

** Company estimate.*

Founded: 1975.
Services: Safety audits/reviews, evaluations or inspections; safety program assistance; accident analysis; liability defense.
Other services: Product liability research; development of safety standards and guidelines.
Specialties: Water parks, amusement parks, swimming pool construction, transportation.
Service area: Nationwide.
Officers: R.I. Weiner, president.

The Worksafe Group Inc.

25231 Paseo de Alicia, Suite 200, Laguna Hills, Calif. 92653-4694; 714-583-1760; fax: 714-583-7091

Staff	
Total	8
Safety consultants	8
ASSE members	4
Clients	
Total	80
Corporate/institutional clients	30
1994 revenues	
Safety consulting	$1,000,000

Founded: 1984.
Parent: Mutual Risk Management Ltd.
Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars; auto

Continued on next page

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AXIA SERVICES INC.

Axia Services Inc.
One of the Aetna Life & Casualty Companies

Continued from previous page
fleet and general liability loss prevention programs.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance.

Specialties: Construction, manufacturing, commerce, health care, employee leasing, temporary service industries.

Offices: Los Angeles, Boston, Philadelphia.

Service area: Nationwide.

Officers: R.S. Anderson, president; Phoenix Alexander, Yolanda Chang, senior risk control specialists; Sharon Llewellyn, risk control specialist.

Contact: R.S. Anderson.

X

Xordium Inc.

P.O. Box 10, Orange, Calif. 92666; 714-771-3733; fax: 714-771-1579

Staff	
Safety consultants	2
ASSE members	2
Clients	
Total	85
Corporate/institutional clients	30
1994 revenues	
Safety consulting	$250,000

Founded: 1985.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; research involving industrial hygiene, occupational health, ergonomics, product liability and noise and vibration.

Service area: Arizona, California, Hawaii, Oregon.

Officers: Karen J. Gillett, president; Fred C. Gillett, executive vp.

Contact: Karen Gillett.

Y

Yankus Safety Consultants

3820 Vardon Court, Woodridge, Ill. 60517; 708-416-1898

Staff	
Total	4
Safety consultants	4
ASSE members	2
Clients	
Total	36
Corporate/institutional clients	36
1994 revenues	
Safety consulting	$225,000

Founded: 1988.

Services: Safety audits/reviews, evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; offsite training classes or seminars.

Other services: Publication of safety materials or videos; development of training materials; OSHA compliance; ergonomic research.

Specialties: Construction, manufacturing, associations, insurance, service groups.

Service area: Nationwide.

Officers: Jerry Yankus, president.

Z

Zeigle Consulting & Associates

843 Apache Trail, Lake Villa, Ill. 60046; 708-265-1170; fax: 708-265-6465

Staff	
Total	5
Safety consultants	2
Occupational health consultants	1
Industrial hygiene consultants	2
ASSE members	3
Clients	
Total	300
Corporate/institutional clients	12
1994 revenues	
Safety consulting	$300,000

Founded: 1993.

Services: Safety audits/reviews evaluations or inspections; safety, ergonomic, industrial hygiene and occupational health program assistance; onsite and offsite training classes or seminars.

Other services: Publication of safety materials or videos; development of training materials; rehabilitation; OSHA compliance; research involving ergonomics, product liability and noise and vibration; fire protection engineering; industrial hygiene laboratory*.

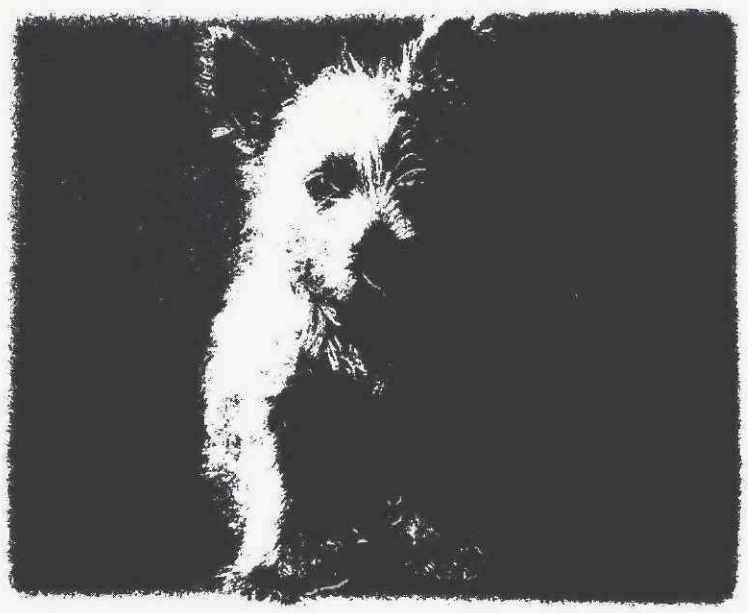
Specialties: Motor transportation, pulp & paper manufacturing and hazardous waste.

Offices: Burlington, Vt.

Service area: Nationwide.

Officers: Stephen J. Zeigle, president; John Zeigle, vp.

* *Industrial hygiene testing by independent labs.*



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New York, NY 10017-5806
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BI directory of providers of rehabilitation services

B

Board Certified Rehabilitation Consultants Inc. (BCRC)

1900 Brooks, Suite 105, Missoula, Mont. 59801; 406-721-9320; fax: 406-549-5305

Business: Rehabilitation services

For employers	80%
For insurers/TPAs	15%
Other	5%
Including: ADA compliance, expert witness, medical case management, life care planning	

1994 revenues

Total	$625,000
Rehabilitation services	$500,000

Staff

Total	10
Professionals	7
Including: 2 RNs, 4 vocational counselors, 2 degreed professionals	
Designations: 4 CRCs, 2 CIRSs, 2 CRRNs	

Customers

Total	120
Corporate/institutional clients	40
Claims administrators/TPAs	30
Insurance companies	30

Cases

Closed in 1994	200
IME cases	30
Expert opinion cases	90

Rehab services since: 1987.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion, ADA compliance, litigation consultation, ADA training.

Other services: Concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, provider bill audits, life care planning.

Coverage: Workers compensation, auto liability, general liability, medical malpractice, wrongful discharge, ADA claims, injuries received from product liability.

Service area: Montana and surrounding states.

Compensation: Per hour.

Officers: William Goodrich, president; Kent Kleinkopf, Kathy Kleinkopf, vps.

Contact: Kent Kleinkopf.

C

CRA Managed Care Inc.

312 Union Wharf, Boston, Mass. 02109; 617-367-2163; fax: 617-367-8519

Business: Rehabilitation services

For employers	8%
For insurers/TPAs	68%
Other	24%

1994 revenues

Total	$121,295,000
Rehabilitation services	$9,700,000

Staff

Total	1,898
Professionals	1,001
Including: 550 RNs, 350 vocational counselors, 101 degreed professionals	

Customers

Total	1,100

Cases

Closed in 1994	35,871
IME cases	46,000

Rehab services since: 1978.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion, ADA compliance, litigation consultation, ADA training.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, first report, social security advocacy.

Coverage: Workers compensation, auto liability, general liability, auto no-fault.

Service area: Nationwide.

Compensation: Per hour, $59 to $75.

Officers: Donald J. Larson, president; Lois E. Silverman, CEO; Joseph Pesce, CFO; John McCarthy, corporate vp; Anne Kirby, vp-marketing.

Care Management Consultants

P.O. Box 3101, Brentwood, Tenn. 37024; 615-373-2273; fax: 615-377-3916

1994 revenues

Rehabilitation services	$2,000,000*

Staff

Total	40
Professionals	40
Including: 38 RNs, 3 vocational counselors	

**Company estimate.*

Rehab services since: 1990.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis,

Continued on next page

Change in directory listings

The methodology for the directory of safety consultants and rehabilitation managers differs from previous directories.

For the first time, *Business Insurance* required companies to report gross revenues from unbundled safety consulting or rehabilitation services to companies other than insurers.

In order to be listed, a safety consulting firm must have either $200,000 or more in gross revenues from unbundled consulting to employers; a rehabilitation manager must have $500,000 or more in gross revenues from unbundled services to employers.

In requiring gross revenues, *BI* is striving to give its readers more complete information on the firms listed. It also provides a foundation on which to rank the firms in future directories. Although *BI* agreed to accept an estimate of revenues, some firms chose not to be listed in the directory rather than disclose revenues. By setting a threshhold for inclusion in the listings, *BI* intended to provide readers with a listing of the firms with substantial business in this field. While big is not always better, exceeding a threshhold of business does suggest experience.



Continued from previous page
return-to-work modification and coordination, IMEs.

Occasional services include vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Discharge planning, outpatient utilization review, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, health.

Service area: Northern Alabama, Eastern Arkansas, Northwestern Georgia, Southern Kentucky, Northern Mississippi, Tennessee.

Officers: Kathy Ingleson, president; Cathlin Vinett, vp.

CorVel Corp.

1920 Main St., Suite 1090, Irvine, Calif. 92714; 714-851-1473; fax: 714-851-1469

Business: Rehabilitation services	
For employers	5%
For insurers/TPAs	50%
Other	45%
1994 revenues	
Total	$95,700,000
Rehabilitation services	$4,785,000
Staff*	
Total	1,150
Professionals	1,050
Including: 600 RNs, 350 vocational counselors, 100 degreed professionals	
Designations: 325 CRCs, 290 CIRSs, 165 CRRNs	
Customers	
Total	950
Corporate/institutional clients	95
Claims administrators/TPAs	140
Insurance companies	715
Cases	
Closed in 1994	21,000
IME cases	2,500

** Company estimates.*

Rehab services since: 1975.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, catastrophic case management.

Occasional services include testimony and expert opinion, IME clinics, early intervention, case management intervention, first report of loss preparation and filing.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, chiropractic and physical therapy utilization review, fee schedule/usual and customary review, managed care.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, long-term disability, group health.

Service area: Nationwide.

Compensation: Per hour, $70 to $73**.

Officers: Gordon Clemons, president; Richard Schweppe, CFO; Daniel H. Davis, vp-marketing; Don McFarlane, vp-information technology; Lou Silverman, vp-operations.

Contact: Daniel H. Davis, 215-953-5060.

*** Hourly rates may be higher in Alaska, California and New York.*

Crawford & Co.-HealthCare Management Services

5620 Glenridge Drive N.E., Atlanta, Ga. 30342; 404-256-0830; fax: 404-847-4028

Business: Rehabilitation services	
For employers	53%
For insurers/TPAs	46%
Other	1%
Including: services to governmental entities	
1994 revenues	
Total	$125,000,000
Rehabilitation services	$66,250,000
Staff	
Total	1,400
Professionals	1,120
Including: 515 RNs, 280 vocational counselors, 67 degreed professionals, 22 physicians	
Customers	
Total	1,875
Corporate/institutional clients	500
Claims administrators/TPAs	45
Insurance companies	1,200
Cases	
Closed in 1994	85,000

Rehab services since: 1972.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, vocational counseling and plan development, labor market survey, job placement.

Occasional services include IMEs, vo-

Continued on next page

How to use directory

The fifth annual *Business Insurance* directory of rehabilitation management service providers lists companies that offer rehabilitation services directly to employers on an unbundled basis; companies that offer rehabilitation management services only in conjunction with other products and services are not included. We define rehabilitation as providing services included in the medical management or vocational rehabilitation of an injured or ill individual.

The listings begin with the name, address, phone and fax numbers of the company. Following is a percent breakdown of gross revenue by type of **business**, including rehabilitation services for employers; rehabilitation services for insurance companies and TPAs under workers compensation or other liability lines of insurance; and other services. If given, a brief list of the other services is included.

1994 revenues includes total 1994 gross revenues and 1994 revenues generated solely by rehabilitation services. To be included, companies must report gross revenues from rehabilitation services and also must have $500,000 or more in gross revenues from rehabilitation services.

The **staff** section includes the total number of individuals and number of professionals employed by the company in 1994 on a full-time equivalent basis. Also listed are some specific degrees and designations held by the professionals; social workers, physical therapists and occupational therapists are included in the general category degreed professionals. Designations listed are CRC (Certified Rehabilitation Counselor), CIRS (Certified Insurance Rehabilitation Specialist) and CRRN (Certified Rehabilitation Nurse). Staff figures do not include individuals hired on a consulting or per case basis.

The **customers** section contains total rehabilitation customers in 1994 and a breakout of the number of corporate and institutional employers, claims administrators/TPAs and insurance companies.

Information on the number of rehabilitation cases closed in 1994, the number of independent medical examination cases in 1994 and the number of expert opinion cases in 1994 are given under **cases.**

Following is the **year rehab services began**, and the **parent** company, if applicable.

The **services** section lists all rehabilitation services offered. **Other services** includes, but is not limited to, cost containment and utilization review services. **Coverage** lists the insurance lines for which rehabilitations services are provided.

Service area gives states or regions serviced. Charges and methods of billing is given under **compensation.**

Names and titles of principal **officers** complete the listings, as well as a **contact** person for those seeking more information.

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

However, companies were asked to complete a *BI* questionnaire to be included in the directory. Each firm's listing is based on its responses to that questionnaire. Although every effort is made to publish complete and accurate listings, *BI* is unable to verify all information provided.

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Continued from previous page
cational assessment and testing, job-seeking skill training, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, various disability plans.

Service area: Nationwide.

Compensation: Per employee; per case; per hour.

Officers: Robert P. Albright, president-HealthCare Management Services; F.L. Minix, chairman/CEO-Crawford & Co.; Dennis A. Smith, president/COO-Crawford & Co.

Contact: Richard J. Calhoun, national sales manager.

E

Ellis & Associates Inc.

300 W. Grand, Suite 500, Chicago, Ill. 60610; 312-645-1214; fax: 312-645-0752

Business: Rehabilitation services

For employers	15%
For insurers/TPAs	80%
Other	5%
Including: state and federal rehabilitation	

1994 revenues

Total	$4,553,700
Rehabilitation services	$660,000

Staff

Total	43
Professionals	43
Including: 25 RNs, 18 vocational counselors	
Designations: 12 CRCs, 5 CIRSs, 3 CRRNs	

Customers

Total	276
Corporate/institutional clients	30
Claims administrators/TPAs	40
Insurance companies	175

Cases

Closed in 1994	2,124
Expert opinion cases	300

Rehab services since: 1979.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Occasional services include IMEs, ADA technical assistance, ergonomic evaluation, disability management.

Other services: Concurrent hospital treatment review, discharge planning, outpatient utilization review, retrospective review, second surgical opinion, hospital bill audits, provider bill audits.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, long-term disability, FELA, Division of Vocational Rehabilitation.

Service area: Illinois, Indiana, Iowa, southwestern Kentucky, Missouri, Wisconsin.

Compensation: Per hour, $70 to $85.

Officers: Cindy R. Ellis, president; Zola Van Deraa, secretary.

Employee Development Services of Wisconsin

534 Water St., Eau Claire, Wis. 54703; 715-834-8326; fax: 715-834-8398

Business: Rehabilitation services

For employers	17%
For insurers/TPAs	53%
Other	30%
Including: vocational expert evaluation and testimony, disability management	

1994 revenues

Total	$3;000,000
Rehabilitation services	$500,000

Staff

Total	5
Professionals	5
Including: 2 RNs, 3 vocational counselors	
Designations: 2 CRCs	

Customers

Total	60
Corporate/institutional clients	10
Claims administrators/TPAs	40

Cases

Closed in 1994	65
Expert opinion cases	200

Rehab services since: 1983.

Services: Frequent services include onsite medical case management, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Occasional services include prescreening of cases for rehabilitation intervention, telephone case management, disability management policy development.

Other services: Discharge planning.

Coverage: Workers compensation, auto liability, general liability, long-term disability, group health.

Service area: Wisconsin.

Compensation: Per hour, $67.

Officers: Jeanne Krizan, president.

F

Ferra & Associates*

1401 Commercial Way, Suite 100, Bakersfield, Calif. 93389-9339; 805-327-0911; fax: 805-327-2318

Business: Rehabilitation services

For employers	64%
For insurers/TPAs	34%
Other	2%
Including: expert witness, attorney referrals	

1994 revenues

Total	$894,000
Rehabilitation services	$575,000

Staff

Total	4
Including: 4 vocational counselors	
Designations: 4 CRCs, 2 CIRSs	

Customers

Total	102
Corporate/institutional clients	30
Claims administrators/TPAs	23
Insurance companies	35

Cases

Closed in 1994	328
Expert opinion cases	17

Rehab services since: 1979.

Services: Frequent services include prescreening of cases for rehabilitation intervention, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement.

Occasional services include telephone case management, testimony and expert opinion.

Coverage: Workers compensation.

Service area: California: Inyo, Kern and Tulare counties.

Compensation: Per hour, $65.

Officers: Kenneth P. Ferra, Linda M. Ferra, owners.

** Formerly Associates in Vocational Management.*

H

Hamilton & Jordan Inc.

1398 Wilmington Pike, West Chester, Pa. 19382; 610-399-1690; fax: 610-399-1716

Business: Rehabilitation services

For employers	20%
For insurers/TPAs	60%
Other	20%
Including: bill repricing, peer review, early assessment	

1994 revenues

Total	$3,000,000
Rehabilitation services	$600,000

Staff

Total	18
Professionals	18
Including: 5 RNs, 12 vocational counselors, 1 physician	
Designations: 3 CRCs, 1 CIRS, 2 CRRNs	

Continued on next page

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Home Office: San Francisco

Spotlight report

Continued from previous page

Customers

Total	47
Corporate/institutional clients	10
Claims administrators/TPAs	15
Insurance companies	22

Cases

Closed in 1994	575
IME cases	620
Expert opinion cases	110

Rehab services since: 1987.

Services: Frequent services include onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion, life care planning, liability.

Occasional services include prescreening of cases for rehabilitation intervention, telephone case management.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, short- and long-term disability.

Service area: Delaware, Pennsylvania, New Jersey, Ohio, West Virginia; nationwide bill repricing and telephone case management.

Compensation: Per case, $1,700 to $3,200; per hour, $50 to $85.

Officers: Leo Hamilton, president; Michael Flacco, vp; Brad Moses, executive vp/COO; Gary Kutay, senior vp; Brad Mayo, director-medical review.

Contact: Brad Mayo, 800-355-0041.

Hewitt, Coleman & Associates Inc.

2717 Poinsett Highway, Greenville, S.C. 29609; 803-240-5800; fax: 803-232-8824

Business: Rehabilitation services

For employers	5%
For insurers/TPAs	1%
Other	94%

1994 revenues

Total	$10,750,000
Rehabilitation services	$537,000

Staff

Total	5
Professionals	5

Including: 5 RNs,1 vocational counselors,
Designations: 1 CIRS, 4 CRRNs

Customers

Total	39
Corporate/institutional clients	32
Claims administrators/TPAs	5
Insurance companies	2

Cases

Closed in 1994	790
IME cases	43
Expert opinion cases	2

Rehab services since: 1992.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination.

Occasional services include IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability.

Service area: Alabama, Georgia, Mississippi, North Carolina, South Carolina.

Officers: Charles Warne, president; David Cantrell, executive vp, Richard Hurley, Sherry Loftis, Jay J. Franks, vps.

Contact: David Cantrell.

I

INTERPOSE Group Inc.

326 Center Ave., Verona, Pa. 15147; 412-826-1220; fax: 412-826-4415

Business: Rehabilitation services

For employers	40%
For insurers/TPAs	50%
Other	10%

Including: attorneys

1994 revenues

Total	$2,000,000
Rehabilitation services	$750,000

Staff

Total	61
Professionals	38

Including: 22 RNs, 16 vocational counselors
Designations: 5 CRCs, 3 CIRSs

Customers

Total	72
Corporate/institutional clients	20
Claims administrators/TPAs	13
Insurance companies	31

Cases

Closed in 1994	603
IME cases	926
Expert opinion cases	25

Rehab services since: 1982.

Services: Frequent services include telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational counseling and plan development, labor market survey, job placement, testimony and expert opinion, organize physician panels, funded employment.

Occasional services include prescreening of cases for rehabilitation intervention, vocational assessment and testing, job-seeking skill training, job coaching.

Other services: Concurrent hospital treatment review, discharge planning, outpatient utilization review, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, first-day early medical case management and physician management.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, short- and long-term disability, group medical.

Service area: Illinois, Indiana, Kentucky, Maryland, Ohio, Pennsylvania, West Virginia; nationwide early telephonic case management.

Compensation: Per employee, $4 to $12; per case, $500 to $3,800; per hour, $65 to $95.

Officers: Mark L. Heckman, president; Sharon L. Maines, vp.

Contact: Mark L. Heckman.

Intracorp

1601 Chestnut St., Suite TLP-11, Philadelphia, Pa. 19192-2116; 215-761-7100; fax: 215-761-7458

Business: Rehabilitation services

For employers	3%
For insurers/TPAs	35%
Other	62%

Including:

1994 revenues

Total	$271,000,000
Rehabilitation services	$8,130,000

Staff

Total	933
Professionals	866

Including: 810 RNs, 76 physicians

Customers

Total	1,152
Corporate/institutional clients	323
Claims administrators/TPAs	104
Insurance companies	438

Cases

Closed in 1994	54,216
IME cases	10,841
Expert opinion cases	133

Rehab services since: 1970.

Parent: CIGNA Corp.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, early assessment/intervention.

Occasional services include testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, network-based managed care delivery systems, demand management.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, short- and long-term disability.

Service area: Nationwide.

Compensation: Per case; per hour.

Officers: Donald M. Duford, president.

Contact: Betty Nelson, manager-corporate communications.

L

Liaison Inc.

17000 N. Dallas Parkway, Suite 103, Dallas, Texas 75248; 214-380-6944; fax: 214-380-8629

Business: Rehabilitation services

For employers	35%
For insurers/TPAs	60%
Other	5%

1994 revenues

Total	$4,000,000
Rehabilitation services	$1,200,000

Staff

Total	66
Professionals	66

Including: 60 RNs, 6 degreed professionals

Customers

Total	40

Cases

Closed in 1994	1,500

Rehab services since: 1984.

Services: Frequent services include telephone case management, onsite medical case management, medical assessment, return-to-work modification and coordination, IMEs, vocational assessment and testing.

Occasional services include prescreening of cases for rehabilitation intervention, job analysis, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination,

Continued on page 64



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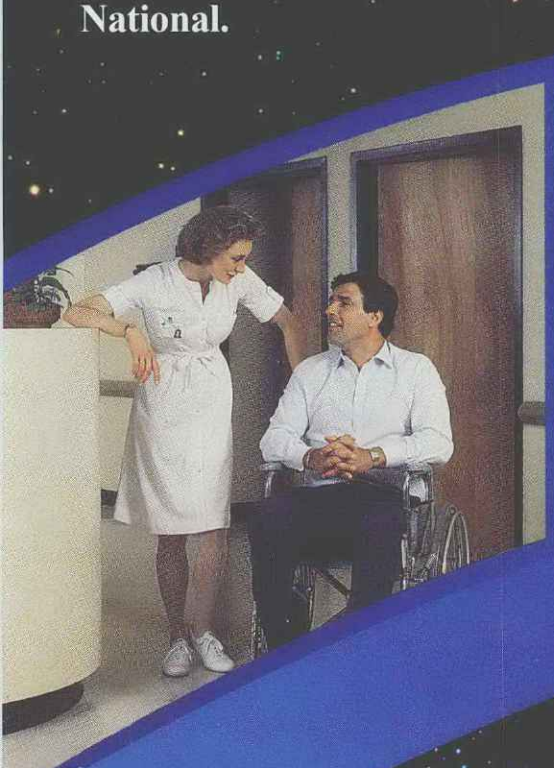
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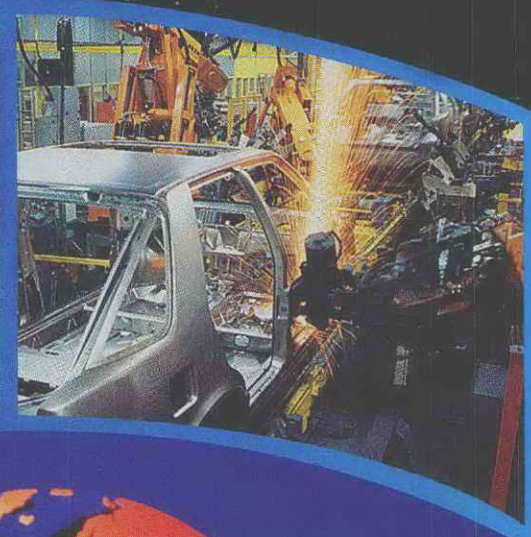
The success of every industry is sustained by maximum performance from its employees. Unlike the technical difficulty that causes a temporary setback, the breakdown of an employee impacts the strength of the entire operation. A lengthy recovery can involve costly medical care and slower productivity. In today's rapidly changing health care environment, employers are reaching out for new standards in Workers' Compensation claims management.

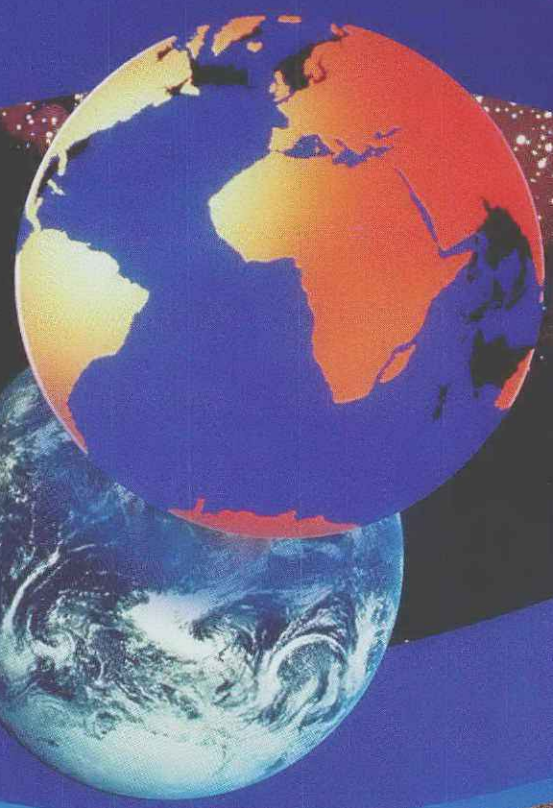
Managed Care by Reliance National offers comprehensive medical case management services that focus on expediting recovery and minimizing costs. Our team of health care and claims professionals carefully analyze each case at the onset of injury to determine proper treatment. By designing a program with options including preferred provider organization, precertification, early intervention, and medical bill review, we quickly restore productivity and morale by getting each employee back in the lineup. Our rehabilitation techniques control bottom line compensation costs for employers, while employees are assisted in returning to work.

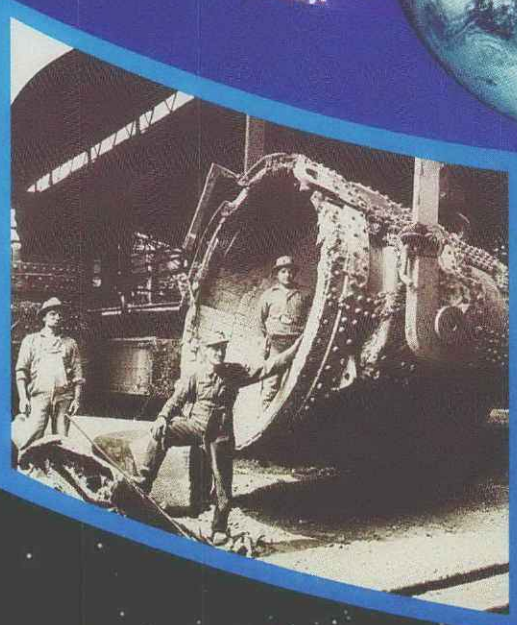
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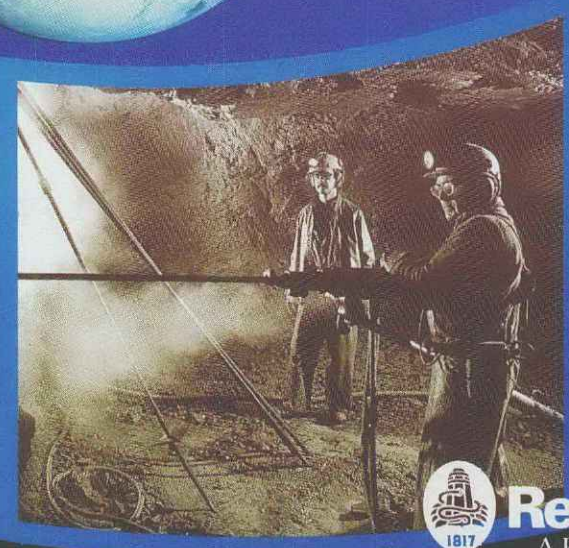


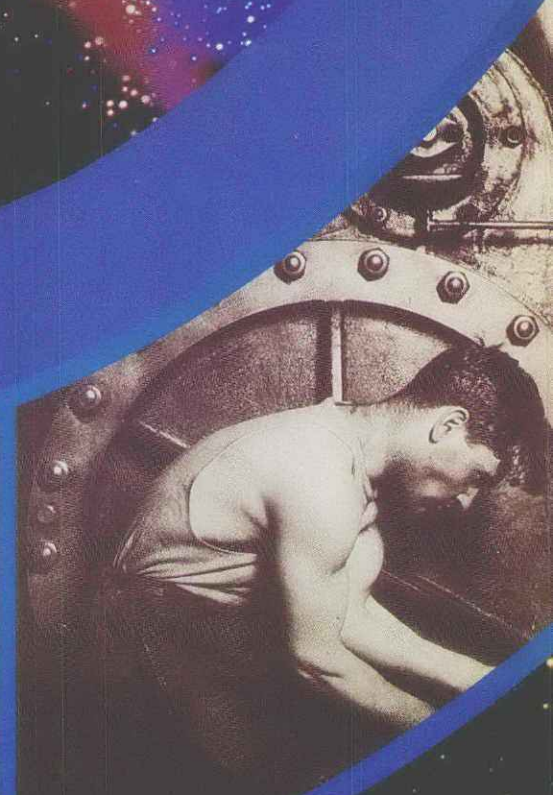












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Spotlight report

Continued from page 62

discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, group health.

Service area: Alabama, Arkansas, Georgia, Illinois, Indiana, Kansas, Kentucky, Louisiana, Mississippi, Missouri, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas.

Compensation: Per case; per hour.

Officers: Madeline Schneider, president; Catherine Marrs, executive vp; Gary Brust, vp/general manager; Marilyn Velasco, director-operations; John Moran, national sales manager.

Contact: John Moran.

O

Options

700 River Ave., Suite 400, Pittsburgh, Pa. 15212; 412-323-8500; fax: 412-323-8502

Business: Rehabilitation services	
For employers	30%
For insurers/TPAs	50%
Other	20%
Including: fee bill auditing, peer review, bill repricing, expert testimony	

1994 revenues	
Total	$4,500,000
Rehabilitation services	$1,300,000

Staff	
Total	80
Professionals	60
Including: 20 RNs, 30 vocational counselors, 10 degreed professionals	
Designations: 10 CRCs, 15 CIRSs, 5 CRRNs	

Customers	
Total	90
Corporate/institutional clients	20
Claims administrators/TPAs	20
Insurance companies	50

Rehab services since: 1981.

Parent: McCabe & Scarlata Inc.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault.

Service area: Nationwide.

Compensation: Per case, $35 to $3,500; per hour, $65 to $125.

Officers: Joe McCabe, chairman; Antonia Scarlata, CEO; Michael Lindberg, president.

P

PHR Associates Inc.

P.O. Box 271364, Tampa, Fla. 33688-1364; 813-931-0101

Business: Rehabilitation services	
For employers	20%
For insurers/TPAs	60%
Other	20%

1994 revenues	
Rehabilitation services	$673,000

Staff	
Total	15
Professionals	15
Including: 10 RNs, 5 vocational counselors	
Designations: 3 CRCs, 13 CIRSs, 8 CRRNs	

Customers	
Total	21

Rehab services since: 1979.

Services: Frequent services include prescreening of cases for rehabilitation intervention, onsite medical case management, medical assessment, vocational counseling and plan development.

Occasional services include telephone case management, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, retrospective review, second surgical opinion, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault.

Service area: Alabama, Florida, Georgia.

Compensation: Per hour, $65 to $75.

Officers: Tom Aderhold, president; Barbara Dowling, vp.

Contact: Tom Aderhold.

Norman Peterson & Associates

287 4th St., Suite 4, Ashland, Ore. 97520; 503-488-0162; fax: 503-488-5408

Business: Rehabilitation services	
For employers	89%
For insurers/TPAs	11%

1994 revenues	
Total	$1,242,218
Rehabilitation services	$1,105,574

Staff	
Total	12
Professionals	7
Including: 6 vocational counselors	
Designations: 1 CRC	

Customers	
Total	179
Corporate/institutional clients	161
Claims administrators/TPAs	11
Insurance companies	7

Cases	
Closed in 1994	350
Expert opinion cases	50

Rehab services since: 1988.

Services: Frequent services include job analysis, return-to-work modification and coordination, oversight of vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement.

Occasional services include testimony and expert opinion.

Other services: Retrospective review, PPO access.

Coverage: Workers compensation, long-term disability.

Service area: Nationwide.

Officers: Norman Peterson, president; Sherrie Masser, administrative manager; Marc Anderson, manager-consulting; Brian Herndon, sales/marketing manager.

Physician Advisors to Disability Managers (PADM)

333 W. Wacker Drive, Suite 470, Chicago, Ill. 60606; 312-857-1300; fax: 312-857-1308

Business: Rehabilitation services	
For employers	60%
For insurers/TPAs	40%

1994 revenues	
Total	$1,250,000
Rehabilitation services	$750,000

Staff	
Total	15
Professionals	3
Including: 3 physicians	

Customers	
Total	100
Corporate/institutional clients	70
Claims administrators/TPAs	10
Insurance companies	10

Cases	
Closed in 1994	1,000
IME cases	300
Expert opinion cases	150

Rehab services since: 1990.

Services: Telephone case management, medical assessment, return-to-work modification and coordination, IMEs, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, discharge planning, outpatient utilization review, retrospective review, second surgical opinion, physician to physician dispute resolution.

Coverage: Workers compensation, auto liability, general liability, short-term disability, FELA.

Service area: Nationwide.

Compensation: Per case, $500 to $1,000; per hour, $100 to $150.

Officers: Arthur Broder, medical director; Michael Cherny, executive vp.

Contact: Michael Cherny.

Pro-West, A Professional Review Organization

10700 Meridian Ave. N., Suite 100, Seattle, Wash. 98133-9075; 206-364-9700; fax: 206-368-2419

Business: Rehabilitation services	
For employers	9%
For insurers/TPAs	2%
Other	89%
Including: utilization and case management/quality improvement services	

1994 revenues	
Total	$8,000,000
Rehabilitation services	$860,000

Staff	
Total	8
Professionals	8
Including: 7 RNs, 1 vocational counselor	
Designations: 1 CIRS, 1 CRRN	

Customers	
Total	7
Corporate/institutional clients	2
Claims administrators/TPAs	2
Insurance companies	3

Rehab services since: 1983.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment.

Occasional services include IMEs, vocational counseling and plan development, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, therapeutic modality review (physical therapy, massage chiropractic), medical consultation, case management, DRG validation, experimental/investigational review, disability claim review.

Coverage: Workers compensation, auto liability, general liability, auto no-fault.

Service area: Arizona, California, Colorado, Connecticut, Delaware, District of Columbia, Idaho, Illinois, Indiana, Iowa, Kansas, Kentucky, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Jersey, New Mexico, New York, North Dakota, Ohio, Oregon, Pennsylvania, Rhode Island, South Dakota, Texas, Utah, Washington, West Virginia, Wisconsin, Wyoming.

Officers: Herbert M. Hilgers, M.D., chairman; John W. Daise, CEO; Michael Garret, director-client relations; Renee Ostler, CFO; J.C. Peterson, medical director.

Contact: Julianne Collier, account executive.

Q

QRS Managed Care Services

17 W. Airy St., P.O. Box 789, Norristown, Pa. 19404; 610-275-9484; fax: 610-275-9494

Business: Rehabilitation services	
For employers	25%
For insurers/TPAs	75%

1994 revenues	
Total	$4,000,000
Rehabilitation services	$1,000,000

Staff	
Total	88
Professionals	47
Including: 36 RNs, 7 vocational counselors, 3 degreed professionals, 1 physician	
Designations: 4 CRCs, 13 CIRSs, 7 CRRNs	

Customers	
Total	100
Corporate/institutional clients	50
Claims administrators/TPAs	20
Insurance companies	30

Cases	
Closed in 1994	950
IME cases	500
Expert opinion cases	200

Rehab services since: 1989.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, short- and long-term disability.

Service area: Nationwide.

Compensation: Per case, $150 to $5,000; per hour, $58 to $78.

Officers: Joseph Fox, CEO; Susan Fox, president; Michael Fox, vp-marketing.

Quality Managed Care Inc.

7245 W. 95th St., Suite 200, Overland Park, Kan. 66212; 913-642-7997; fax: 913-642-4201

Business: Rehabilitation services	
For employers	30%
For insurers/TPAs	50%
Other	20%
Including: utilization management services	

1994 revenues	
Total	$4 000,000
Rehabilitation services	$1 200,000

Staff	
Total	38
Including: 32 RNs, 6 vocational counselors	
Designations: 6 CRCs, 14 CIRSs, 8 CRRNs	

Customers	
Total	132
Corporate/institutional clients	16
Claims administrators/TPAs	49
Insurance companies	67

Rehab services since: 1972.

Parent: Olsten Corp.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, IMEs

Occasional services include job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, PPO access.

Coverage: Workers compensation, general liability, auto no-fault, long-term disability.

Service area: Nationwide.

Officers: Noreen Whalen, vp/general manager.

Contact: Scott Fiss, National director-sales/marketing.

Quality Rehabilitation Services

11640 Arbor St., Suite 100, Omaha, Neb. 68144; 402-333-2543; fax: 402-333-9024.

Business: Rehabilitation services	
For employers	50%
For insurers/TPAs	45%
Other	5%

1994 revenues	
Total	$1,500,000
Rehabilitation services	$750,000

Staff	
Total	12
Professionals	12
Including: 7 RNs, 5 vocational counselors	
Designations: 2 CRCs, 2 CIRSs	

Customers	
Total	200
Corporate/institutional clients	95
Claims administrators/TPAs	25
Insurance companies	80

Cases	
Closed in 1994	300
IME cases	220
Expert opinion cases	60

Rehab services since: 1977.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management,

Continued on next page

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Continued from previous page
medical assessment, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Occasional services include IMEs.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability.

Service area: Nationwide.

Compensation: per hour, $68 to $90.

Officers: Kathleen Hesselink, president; Beverly Eckhoff, vp; Margaret Fox, Secretary.

Contact: Beverly Eckhoff.

Rehabilitation Consultants for Industry Inc.

1420 Kensington Road, Suite 334, Oak Brook, Ill. 60521; 708-571-6650; fax: 708-571-6675

Business: Rehabilitation services	
For employers	35%
For insurers/TPAs	65%

1994 revenues	
Total	$7,200,000
Rehabilitation services	$2,520,000

Staff	
Total	68
Professionals	68
Including: 47 RNs, 21 vocational counselors	
Designations: 23 CRCs, 14 CIRSs, 5 CRRNs	

Customers	
Total	79
Corporate/institutional clients	7
Claims administrators/TPAs	21
Insurance companies	51

Cases	
Closed in 1994	2,172
IME cases	112
Expert opinion cases	47

Rehab services since: 1981.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement.

Occasional services include testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, long-term disability.

Service area: Illinois, Iowa, Minnesota, Texas, Wisconsin.

Compensation: Per hour, $70.

Officers: John T. Allen, Mark E. Johnston.

Contact: Mark E. Johnston.

Rehabilitation Management Inc.

6323 N. Avondale Ave., Chicago, Ill. 60631; 312-763-5600; fax: 312-763-2339

Business: Rehabilitation services	
For employers	30%
For insurers/TPAs	60%
Other	10%
Including: liability claims consulting, expert witness, litigation support	

1994 revenues	
Total	$4,641,900
Rehabilitation services	$1,392,570

Staff	
Total	48
Professionals	41
Including: 31 RNs, 11 vocational counselors	
Designations: 11 CRCs, 6 CIRSs	

Rehab services since: 1981.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion, transitional duty program development, corporate disability analysis, supervisory training, early intervention program.

Occasional services include IMEs.

Coverage: Workers compensation, medical malpractice, short- and long-term disability.

Service area: Nationwide.

Compensation: Per hour, $71 to $150.

Officers: Judith Sher, president; Myles Levin, secretary/treasurer.

Rehabilitation Planning Inc.

15 E. Ridge Pike, Whitemarsh Plaza, Conshohocken, Pa. 19428; 610-832-4990; fax: 610-832-4995

Business: Rehabilitation services	
For employers	40%
For insurers/TPAs	60%

1994 revenues	
Total	$5,000,000
Rehabilitation services	$2,000,000

Staff	
Total	30
Professionals	20
Including: 13 RNs, 6 vocational counselors	
Designations: 4 CRCs, 2 CIRSs, 11 CRRNs	

Customers	
Total	195
Corporate/institutional clients	55
Claims administrators/TPAs	25
Insurance companies	90

Cases	
Closed in 1994	400
IME cases	1,800
Expert opinion cases	950

Rehab services since: 1981.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, IMEs, vocational counseling and plan development, labor market survey, job placement, testimony and expert opinion.

Occasional services include vocational assessment and testing, job-seeking skill training.

Other services: Concurrent hospital treatment review, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, short- and long-term disability, medical malpractice.

Service area: Delaware, Maryland, New Jersey, New York, Ohio, Pennsylvania; nationwide telephone case management.

Compensation: Hourly and flat fee billing.

Officers: Helen Swartz, president; Robert Kuder, CEO.

Contact: Helen Swartz.

Resource Opportunities Inc.

4122 Innslake Drive, Glen Allen, Va. 23060; 804-527-1100; fax: 804-527-1509

Business: Rehabilitation services	
For employers	8%
For insurers/TPAs	85%
Other	7%

1994 revenues	
Total	$15,000,000
Rehabilitation services	$1,200,000

Staff	
Total	241
Professionals	200
Including: 139 RNs, 61 vocational counselors	
Designations: 35 CRCs, 23 CIRSs, 15 CRRNs	

Customers	
Total	810
Corporate/institutional clients	54
Claims administrators/TPAs	40
Insurance companies	710

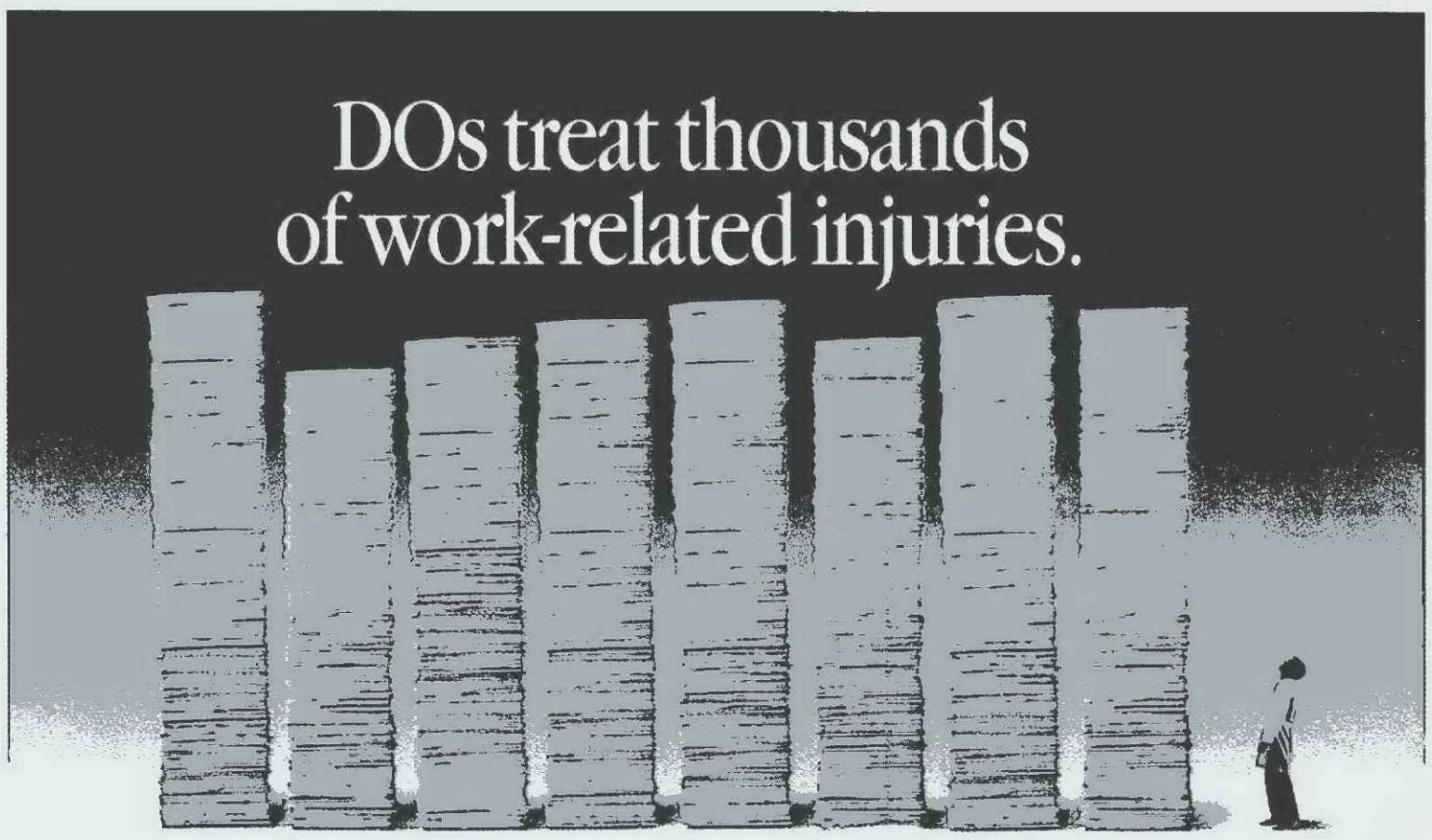
Cases	
Closed in 1994	6,100
IME cases	110
Expert opinion cases	24

Rehab services since: 1977.

Parent: Beverly Enterprises Inc.

Services: Frequent services include

Continued on next page



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Continued from previous page
prescreening of cases for rehabilitation intervention, onsite medical case management, medical assessment, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement, testimony and expert opinion.

Occasional services include telephone case management, IMEs.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, FELA, FECA, Dept. of Labor, long-term disability, group health.

Service area: Alabama, California, Florida, Georgia, Illinois, Kentucky, Louisiana, Maryland, Michigan, Mississippi, New Jersey, North Carolina, Pennsylvania, South Carolina, Tennessee, Texas, Utah, Virginia, West Virginia, Wisconsin.

Compensation: Per hour, $50 to $95.

Officers: Alice Hall, president; Michael Leep, senior vp/COO; Jeff Odell, vp-sales/marketing.

Contact: Michael Leep.

F.A. Richard & Associates Inc./FARA Healthcare Management

2360 Fifth Ave., Mandeville, La. 70471; 504-624-8383; fax: 504-624-8489

Business: Rehabilitation services

For employers	15.2%
For insurers/TPAs	10%
Other	74.8%
Including: third-party claims administration, independent insurance adjusting, loss control, special investigative services	

1994 revenues

Total	$13,200,000
Rehabilitation services	$2,000,000

Staff

Total	20
Professionals	15
Including: 9 RNs, 6 vocational counselors	
Designations: 2 CRCs, 3 CIRSs, 6 CRRNs	

Customers

Total	268
Corporate/institutional clients	205
Claims administrators/TPAs	3
Insurance companies	50

Cases

Closed in 1994	3,383

Rehab services since: 1992.

Services: Frequent services include job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, pre-certification of hospital admissions and diagnostic testing, peer review of medical necessity of recommended treatment.

Occasional services include prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, job placement, testimony and expert opinion.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, review of medical provider billing.

Coverage: Workers compensation, auto liability, general liability auto no-fault, medical/legal review.

Service area: Louisiana, Mississippi, Texas, Virginia.

Compensation: Per case, ranging from $98; per hour, $69 to $80.

Officers: Francis A. Richard, president/CEO; M. Todd Richard, executive vp; Reed A. Bell, Dan Clark, senior vps.

Contact: Reed A. Bell.

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26777 Lorain Road, Suite 612, North Olmsted, Ohio 44070; 216-777-4644; fax: 216-777-3854

Business: Rehabilitation services

For employers	30%
For insurers/TPAs	10%
Other	60%
Including: attorneys, ADA compliance	

1994 revenues

Total	$1,790,000
Rehabilitation services	$537,000

Staff

Total	13
Professionals	10.5
Including: 2.5 RNs, 5 vocational counselors, 3 degreed professionals	
Designations: 5 CRCs, 3 CIRSs, 2 CRRNs	

Customers

Total	150
Corporate/institutional clients	87
Claims administrators/TPAs	9
Insurance companies	14

Rehab services since: 1990.

Parent: St. Joseph/Lorain Community Professional Services Inc.

Services: Frequent services include prescreening of cases for rehabilitation intervention, telephone case management, job analysis, vocational counseling and plan development, job placement, testimony and expert opinion.

Occasional services include onsite medical case management, medical assessment, return-to-work modification and coordination, IMEs, vocational assessment and testing, labor market survey, job-seeking skill training.

Coverage: Workers compensation, auto liability, general liability, medical malpractice.

Service area: Ohio.

Contact: Joseph M. Cannelongo, director.

Systemedic Corp.

10809 Executive Center Drive, Suite 105, Little Rock, Ark. 72211; 501-227-5553; fax: 501-227-8352

Business: Rehabilitation services

For employers	30%
For insurers/TPAs	30%
Other	40%
Including: managed care, utilization review, medical auditing, PPO network, pre-authorization	

1994 revenues

Total	$1,935,310
Rehabilitation services	$580,593

Staff

Total	27
Including: 20 RNs, 5 vocational counselors, 2 degreed professionals	
Designations: 5 CRCs, 2 CIRSs, 1 CRRNs	

Customers

Total	30
Corporate/institutional clients	10
Claims administrators/TPAs	8
Insurance companies	12

Rehab services since: 1981.

Services: Frequent services include

Continued on page 68



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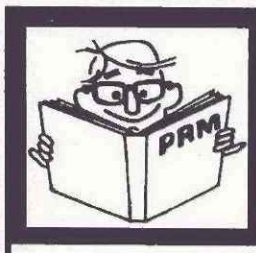
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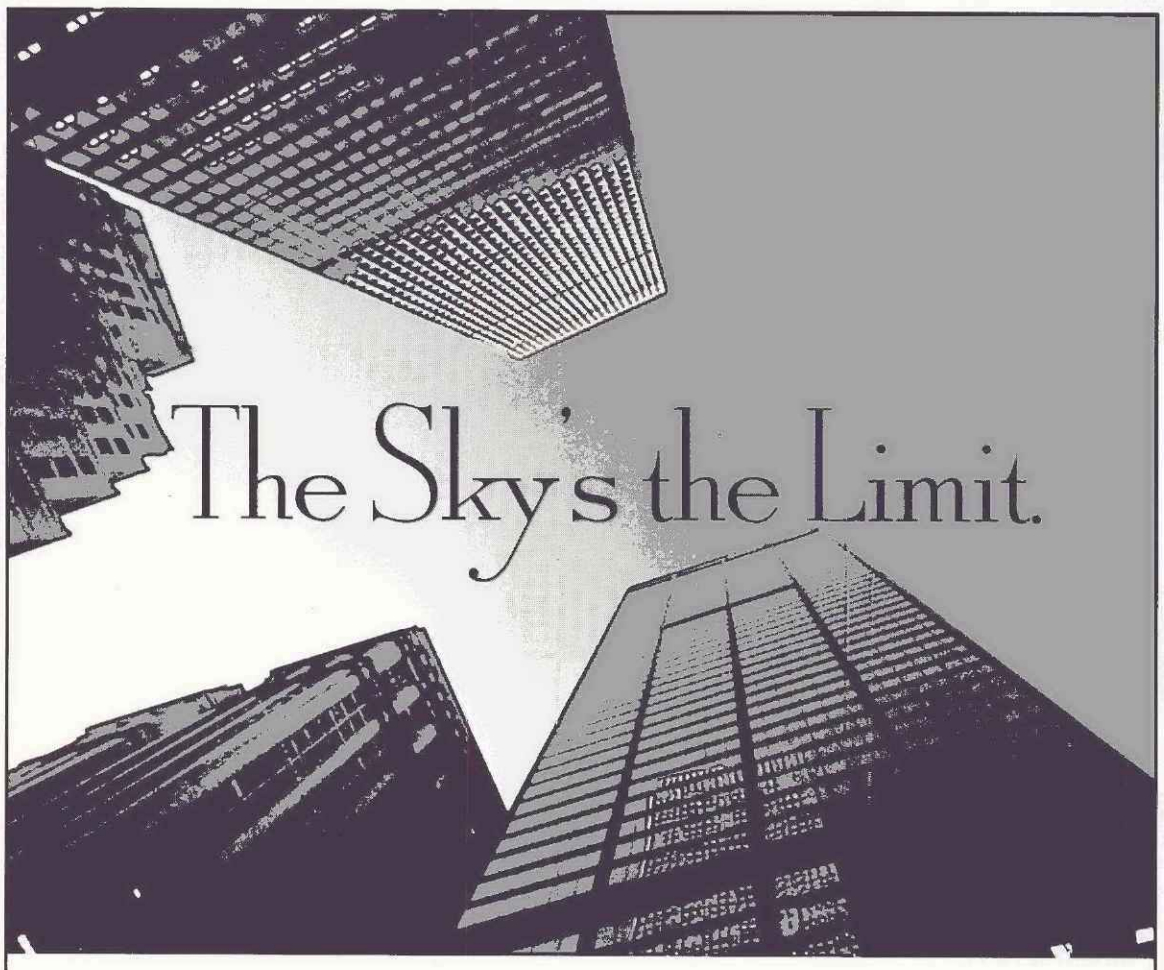
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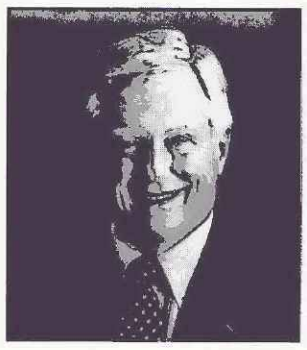
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prescreening of cases for rehabilitation intervention, telephone case management, onsite medical case management, medical assessment, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job-seeking skill training, job placement.

Occasional services include job analysis, IMEs, testimony and expert opinion, video job analysis.

Other services: Preadmissions certification, concurrent hospital treatment review, length of stay determination, discharge planning, outpatient utilization review, patient advocacy programs, retrospective review, second surgical opinion, hospital bill audits, provider bill audits, PPO access, telephone case management, medical case management, peer review services, life care planning.

Coverage: Workers compensation, auto liability, general liability, health, long-term disability.

Service area: Arkansas.

Compensation: Per hour, $68.

Officers: Tom Strickland, president/CEO.

S. Yangouyian & Associates Inc.

26400 Lahser Rd., Suite 100,
Southfield, Mich. 48034-2672;
810-357-1670; fax: 810-357-3321

Business: Rehabilitation services	
For employers	75%
For insurers/TPAs	25%
1994 revenues	
Total	$1,730,000
Rehabilitation services	$1,300,000
Staff	
Total	20
Professionals	20
Including: 6 RNs, 14 vocational counselors	
Designations: 7 CRCs, 4 CIRSs	
Customers	
Total	50
Cases	
Closed in 1994	865
Expert opinion cases	98

Rehab services since: 1985.

Services: Frequent onsite medical case management, job analysis, return-to-work modification and coordination, vocational assessment and testing, vocational counseling and plan development, labor market survey, job placement, testimony and expert opinion, disability case management, life care plans.

Occasional services include prescreening of cases for rehabilitation intervention, job-seeking skill training.

Coverage: Workers compensation, auto liability, general liability, auto no-fault, short- and long-term disability.

Service area: Michigan; nationwide through coalition membership.

Compensation: Per hour, $69 to $200.

Officers: Sandra Yangouyian, CEO/president. BI

Business Insurance currently is compiling its ninth Directory of HMOs/POSs and PPOs. This annual issue has become the authoritative source on managed health care plans, used by nearly 159,000* corporate executives.

There is no charge to be included, but managed care organizations must complete a *Business Insurance* questionnaire and return it by the extended deadline of Oct. 27.

If your managed health care plan would like to be listed in the directory and you have not yet received a questionnaire, please request one by calling Assistant Directory Editor Rich Trout at 312-649-5483.

*Includes pass-along readership.

Listing of resources for comp information

The Workers Compensation Information Resource section is an editorial compilation of current informational and educational materials on topics of interest to employee benefit executives.

The listings of workers compensation information are published as an editorial service by *Business Insurance*; there is no charge for listing material in the section.

All items listed in the section are offered free of charge to *Business Insurance* readers.

To receive any of the informational material listed in this special section, please write the key numbers of the items you wish on the reader service coupons printed in this section.

Fill out the remainder of the coupon and mail it to: *Business Insurance* Reader Service Center, 650 S. Clark St., Sixth Floor, Chicago, Ill. 60605-1702.

All requests for materials must be received before Dec. 4 to be processed.

WORKERS COMPENSATION

■ **Excess occupational accident insurance** is explained in a brochure from Reliance National Insurance Co. Request item **3401**.

■ A guide on protecting employees from **injury in cold environments** is offered by Kemper National Insurance Cos. Request item **3402**.

■ SIGMA Actuarial Consulting Group Inc. provides a flier with instructions explaining how to compute workers compensation **experience modification factors**. Request item **3403**.

■ Industrial Indemnity Co. offers a pamphlet on a book for employers choosing a workers comp program under **open rating in the California market**. Request item **3404**.

■ **Accident prevention techniques** for protecting employees are detailed in a survey from The Reliability Group. Request item **3405**.

■ A Chubb Services Corp. booklet details an **ergonomics program**. Request item **3406**.

■ A brochure describes the **managed care philosophy and services** of Liberty Mutual Insurance Co. Request item **3407**.

■ An outline of WLT Software of Florida Inc.'s ChekClaims **claims editing system** for employee benefits and workers compensation summarizes the system's numerous features. Request item **3408**.

■ A brochure from Reliance National Insurance Co. provides an outline of a **truckers' occupational accident insurance program** de-

Continued on next page

Continued from previous page
signed for companies that use independent owner-operators. Request item **3409**.

■ A **managed pharmaceutical care program** for the workers comp industry is detailed in a booklet from Pharmaceutical Care Network. Request item **3410**.

■ Self-Insurance Exchange Inc. offers an article describing the **self-insurance** marketplace. Request item **3411**.

■ A paper from SIGMA Actuarial Consulting Group Inc. provides a benchmark to track **improvement in loss experience** due to an effective loss control program. Request item **3412**.

■ A newsletter supplied by Kenneth H. Wells & Associates Inc. covers **negotiation and settlement strategies** for workers comp, personal injury and product liability claims. Request item **3413**.

■ Learning Services Corp. provides an informational flier explaining how the early referral practices by HMOs have a positive impact in **post-acute rehabilitation**. Request item **3414**.

■ A bulletin from Kemper National Insurance Cos. supplies a bulletin with suggestions for reducing **cumulative trauma disorders**. Request item **3415**.

■ A loss control guide for hiring under the **Americans with Disabilities Act** is available from Avert Inc. Request item **3416**.

■ A quarterly newsletter published by The Frank Gates Service Co. contains information on **workers comp, unemployment compensation and group health**. Request item **3417**.

■ The International Risk Management Institute offers a pamphlet outlining a reference manual on **workers comp risk financing**. Request item **3418**.

■ ARM Tech Inc. presents an article discussing **workers comp reform in California, Nevada and Oregon**. Request item **3419**.

■ A booklet from Physician Advisors to Disability Managers analyzes **the role of medicine** in the workers comp system. Request item **3420**.

■ More effective workers comp **cost containment** is the focus of an information packet offered by Johnson & Higgins. Request item **3421**.

■ An **actuarial checklist** for the workers comp specialist is provided in a paper from SIGMA Actuarial Consulting Group Inc. Request item **3422**.

■ Expediter Enterprises Corp. offers a guide expressly for **workers comp claimants**, including career and interview tips. Request item **3423**.

■ An outline provided by Verified Medical Inc. reviews workers comp **medical consulting**. Request item **3424**.

■ A leaflet from SIGMA Actuarial Consulting Group Inc. examines **the effect of FAS 112 and GASB 10** on workers compensation. Request item **3425**.

■ Steps in reducing the **visual fatigue** of VDT workers are listed in a Kemper National Insurance Cos. bulletin. Request item **3426**.

■ WLT Software of Florida Inc.'s **MediClaims system** processes medical, dental, vision and workers compensation claims and more. For a summary outline, request item **3427**.

■ The capabilities of Liberty Mutual Insurance Co.'s **loss prevention services** are outlined in a brochure. Request item **3428**.

■ Learning Services Corp. supplies a journal article with a discussion of how managed care impacts the families of persons with **severe head trauma**. Request item **3429**.

■ A checklist on **account retention strategic planning** for the workers comp specialist is offered by SIGMA Actuarial Consulting Group Inc. Request item **3430**.

■ The Reliability Group provides an article detailing the results of a two-year study on the causes of **industrial accidents and injuries**. Request item **3431**.

■ An article provided by Industrial Indemnity Co. discusses how producers and employers can take advantage of the 1995 **California workers comp insurance market**. Request item **3432**.

■ The non-hospital-based **outcome validation system** of Learning Services Corp. is summarized in a brochure. Request item **3433**.

■ SIGMA Actuarial Consulting Group Inc. offers a checklist for negotiating **workers comp security requirements**. Request item **3434**.

■ An outline from WLT Software of Florida Inc. describes its CompClaims workers comp **claims administration software**. Request item **3435**.

■ The ergonomic principles for **manual material handling** are listed in a bulletin provided by Kemper National Insurance Cos. Request item **3436**.

■ A manual from Liberty Mutual Insurance Co.details the six steps a risk manager should follow in the **cycle of a work-related accident.** Request item **3437**.

■ The three types of **excess workers comp coverage** are spelled out in a brochure from Reliance National Insurance Co. Request item **3438**.

■ SIGMA Actuarial Consulting Group Inc. presents a paper explaining the components of a **workers comp loss analysis**. Request item **3439**.

■ A **workers comp product specification** sheet is available from ECS Underwriting Inc. Request item **3440**.

■ A pamphlet from Ira Jane Hurst & Associates outlines the company's **drug abuse testing** programs. Request item **3441**.

■ An overview of workers comp **self-insurance groups** is presented by Chubb Services Corp. Request item **3442**. BI

Business Insurance **Information Resource**

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Court

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award of about four times what the court determined to be compensatory damages in the *Haslip* case. The majority hinted that there might be some ratio of punitive damages to compensatory damages beyond which awards could "cross the line into the area of constitutional impropriety."

However, two years later, the court broke ranks on a 6-3 vote to uphold a punitive damage award of more than 526 times compensatory damages in *TXO Production Corp. vs. Alliance Resources Corp.* (*BI*, June 28, 1993). In that case, Justice John Paul Stevens wrote for the majority that "we need not, and indeed we cannot, draw a mathematical bright line between the constitutionally acceptable and the constitutionally unacceptable that would fit every case."

The TXO case, which revolved around "slander of title"—false and malicious statements that call into question someone's ownership of property—involved what Justice Stevens called a "larger pattern of fraud, trickery and deceit" upon which millions of dollars in mineral rights ultimately rested.

Justice Sandra Day O'Connor, a steadfast proponent of more guidance on punitive damage awards, wrote a sharp dissent, saying the court had promised in *Haslip* to provide "meaningful review sufficient to discern impermissible influences and guarantee constitutional results. In my view, today's decision fails to make good on that promise."

Observers are hopeful that the *BMW* appeal will give the court another chance to set clearer guidelines on punitive awards.

"In one fell swoop, the Supreme Court could achieve what we've been talking about doing," said Sherman Joyce, president of the American Tort Reform Assn. in Washington.

He noted that the justices have tended to take a fairly narrow approach in recent years when hearing punitive damage appeals. "Their opinions have been inviting legislatures to enact the kind of reforms we have been advocating," he added.

"If you're ever to have a court that will meaningfully limit punitive damages, this is the court," said Lori Nugent, a partner with the Chicago law firm Blatt, Hammesfahr & Eaton and co-author of two books on punitive damages. damages.

The current political makeup of the court should be conducive to some sort of limits, she said. But, she added that the conservative tide is "turning back," with the likelihood that more liberal justices will be appointed in the future who would not be as likely to consider limits.

"I would anticipate that if this court can't do it in this case, then the hope for limiting punitive damages in the future will be slim," Ms. Nugent said.

Victor E. Schwartz, a Washington attorney with the firm Crowell & Moring and one of the best-known advocates of liability reform, wasn't so sure that *BMW* would be the final word. He said he has expected every punitive damage case the court has taken to be the last one it would ever review, "and then they take another."

However, "of all the cases they have heard," the facts in *BMW vs. Gore* are probably the most helpful to proponents of drawing some sort of line on punitive damages, Mr. Schwartz added.

The facts in the case are relatively simple. Ira Gore, a physician, bought a 1990 BMW 535i from German Auto, a Birmingham, Ala., dealership, for $40,750.88, according to a brief filed by BMW. After owning it for nine months, Dr. Gore took the car to an independent car detailing shop.

Leonard Slick, the shop owner, told Dr. Gore that his car had been repainted.

"It turned out that the automobile purchased by Dr. Gore had sustained superficial paint damage (presumed by the parties to be the result of acid rain) and that the horizontal surfaces had been refinished. . . .In keeping with its nationwide policy, BMW had not disclosed the repairs to German Auto because the cost of those repairs—$601—was substantially less than 3% of the (manufacturer's suggested retail price) for the vehicle."

At the time, BMW had a policy of not disclosing repairs that did not exceed 3% of the MSRP.

Dr. Gore filed suit. His attorney sought compensatory damages of $4,000 for loss of value and punitive damages of $4 million. The $4 million represented a penalty of $4,000 per car for each of the approximately 1,000 cars that BMW estimated it had refinished at a cost of $300 or more and sold anywhere in the United States over a 10-year period. The trial court jury agreed and awarded Dr. Gore $4,000 in compensatory damages and $4 million in punitive damages.

BMW appealed to the Alabama Supreme Court.

In the meantime, the Alabama Legislature passed a bill holding that non-disclosure of repairs costing less than 3% of a MSRP was not an unfair trade practice. And a jury in Jefferson County, the site of the original Gore trial, granted no punitive damages in another BMW case.

Nevertheless, the state high court upheld the decision.

Mr. Schwartz pointed out that the Alabama Supreme Court itself noted that the actions for which BMW was hit with punitive damages were not illegal in most other states and that the Alabama Legislature consequently passed a law that also rendered them lawful in Alabama. The court refused, however, to provide any more relief than cutting the steep punitive damage award in half.

The question of extraterritoriality—awarding damages for actions that took place outside the court's jurisdiction—is crucial in this case, said Quentin Riegel, assistant vp and deputy general counsel of the National Assn. of Manufacturers in Washington.

"This is one of the most important cases before the court not only because it involves punitive damages but also because it involves activity that took place outside of the state that is imposing. It's the first time the Supreme Court has addressed this kind of challenge to a punitive damage award. Up to now, we've been seeking clarification of the factors to consider in awarding punitive damages and now we're looking at the interstate ramifications of punitive damages," Mr. Riegel said.

Mr. Gore's attorneys argue that the extraterrioriality issue was a false one in a brief they filed in response to BMW's petition for Supreme Court review.

"The Alabama verdict does not 'punish' BMW for acts it took outside of Alabama. The conduct being punished and deterred is the sale in Alabama of damaged cares, materially affecting their value," reads the brief. "The evidence of out-of-state conduct is just a piece of evidence—which is directly relevant to punitive damage issues such as: motive; intent; plan; design; harm which has occurred and is threatened to happen to others; the degree of reprehensibility; the duration of the conduct; the defendant's awareness and concealment; profitability of the conduct; frequency of similar past conduct; etc. The primary point of *Haslip* was to require that the jury be accorded all possible relevant facts and instructions so that it could make as reasoned and rational decision as possible—in order to *not* violate due process. BMW is now, ironically, trying to take relevant evidence away from the jury. There is simply no merit to BMW's position," the brief said. The document, which opposed Supreme

See **Court** *on next page*

This Claims Expert Invested $30,000 in Surveillance. Guess What He Got In Return.



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Fiduciary liability in review

High court to rule on ERISA plan participants' ability to sue

By MARK A. HOFMANN

WASHINGTON—The U.S. Supreme Court will hear arguments next month regarding the ability of participants in a benefit plan governed by the Employee Retirement Income Security Act to sue for breach of fiduciary duty as individuals rather than on behalf of the plan itself.

The case—*Varity Corp. vs. Howe*—involves a corporate reorganization called "Operation Sunshine," that Buffalo, N.Y.-based Varity Corp. undertook in the 1980s (*BI*, May 1).

Varity created a new unit called Massey Combines Corp. in 1986 to contain the least profitable portions of its farm machinery business. Then Varity transferred thousands of active employees and retirees from its Massey-Ferguson division to the new company's benefit plan, all the while claiming that Massey Combines had a bright future.

Less than two years after its creation, though, Massey Combines went bankrupt. Retired employees, who had been transferred to the new company's plan without their knowledge, found themselves without medical benefits.

Retirees sued Varity for breach of fiduciary duty. Varity countered that under ERISA only plans—not individuals—can sue for fiduciary duty. But lower courts, finding that Massey Combines had been essentially bankrupt from the beginning, awarded damages to the plaintiffs as individuals. After losing an appeal to the 8th U.S. Circuit Court of Appeals, Varity sought redress from the U.S. Supreme Court, which will hear arguments on the case next month.

"This is a very, very unusual kind of case," said Dennis Coleman, a principal with Kwasha Lipton L.L.C. in Fort Lee, N.J.

The issue is whether "there is a remedy for these individual plaintiffs. In my view, if you literally read the language in Section 502(a)3, there's nothing as you literally read this provision. . .that limits it to recovering for the plan," said Mr. Coleman.

"In my view, the behavior of Varity Corp. was reprehensible," he added, noting that a lower court judge had described Operation Sunshine as "a sucker punch on loyal employees who had given a lifetime of service to the company."

"If Varity wins, it would be a green light for other companies to skirt the fiduciary rules," said Mr. Coleman. However, few large companies would take advantage of such a ruling because most fulfill their ERISA obligations without complaint, he said.

Of course, *Varity vs. Howe* and the potentially crucial punitive damages case *BMW of North America, Inc. vs. Ira Gore Jr.* are not the only business- and insurance-related cases the court has agreed to review during its current term. Among the other questions the court will be asked to answer, and the cases in which they arise, are:

- Can survivors of people killed in international aviation accidents recover damages for loss of society even if they were not financially dependent on the deceased? *Zicherman vs. Korean Air Lines*.

'If Varity wins, it would be a green light for other companies to skirt the fiduciary rules,' according to Dennis Coleman, a principal at Kwasha Lipton.

- Can a federal court allow plan beneficiaries with an unsatisfied ERISA judgment against an employer recover from a stockholder of the employer? *Peacock vs. Thomas*.
- Are contractors that are ordered to produce hazardous substances by the federal government eligible for indemnification from the government for their liability losses? *Hercules Inc. and W.T. Thompson Co. vs. the United States*.
- Can state insurance regulators forbid a national bank to engage in insurance activities permitted under the so-called "small town exclusion" of the National Bank Act? *Barnett Bank vs. Gallagher*.

The Supreme Court also declined to hear a number of product liability cases.

In the most significant of these, the justices refused to review the 9th U.S. Circuit Court of Appeals' decision in *Daubert vs. Merrell Dow Pharmaceuticals*. Based on guidance from the Supreme Court, the appeals court had upheld Merrell Dow's contention that the plaintiffs relied on evidence that lacked scientific basis when claiming that Bendectin, a drug manufactured by Merrell Dow, caused birth defects (*BI*, Jan. 23).

Letting the 9th Circuit decision stand is significant to tort reform advocates because it sets standards of evidence courts can require to keep so-called "junk science" out of testimony.

The Supreme Court also refused to review *General Motors Corp. vs. French*, in which GM sought to reinstate a controversial economic-damages settlement that would have ended part of a suit brought against the automaker by owners of GM trucks that were allegedly unsafe because fuel tanks were built outside the vehicles' frames. The proposed settlement was thrown out by the 3rd U.S. Circuit Court of Appeals (*BI*, April 24).

The Supreme Court declined to review standards of proof for claims of securities fraud that had been set by the 9th Circuit in *Montgomery Securities vs. Dannenberg*. The securities firm, joined by PaineWebber Group Inc., claimed the standard of proof was too low.

In *Litton Systems Inc. vs. Carroll*—another case concerning the level of evidence required in civil cases—the court allowed a North Carolina suit about allegedly polluted drinking water to continue, despite Litton's claims that the suit was not backed by adequate scientific evidence.

By refusing to review *Shiley Inc. vs. Michael*, the high court allowed a product liability suit involving an artificial heart valve to continue. The 3rd U.S. Circuit Court of Appeals had rejected the argument that federal law governing medical devices automatically voided all claims made against Shiley—a unit of Pfizer Inc.—by a woman whose artificial heart valve, though functional, resembled others that had malfunctioned.

In addition, the court declined to get involved in a dispute over health insurance coverage. In *Lincoln National Life Insurance Co. vs. Hardester*, the 4th U.S. Circuit Court of Appeals ruled that a policyholder should be covered for treatment of an illness that appeared before the policy's effective date but which wasn't diagnosed until after the policy took effect. Health insurers has argued that the illness should be barred by pre-existing condition exclusions.

The Supreme Court last week also told the 2nd U.S. Circuit Court of Appeals in New York to take another look at *Exxon Corp. vs. Youell*.

Exxon contends that a coverage dispute with its insurers over more than $2 billion in damages from the 1989 Exxon Valdez oil spill should be heard in a Texas state court rather than federal court in New York. Exxon had filed suit in a Texas court to force its insurers to pay for some of the damage. Then its insurers countersued in federal court in New York. BI

Court

Continued from previous page

Court intervention in the case, was filed by Andrew W. Bolt II and Stephen K. Wollstein of the Anniston, Ala., law firm Bolt, Isom, Jackson & Bailey, and by John W. Haley and Bruce J. McKee of the Birmingham law firm Hare, Wynn, Newell & Newton.

"We have not looked specifically at the extraterritorial issue, but any bright line rules will help, and we hope that the justices do not choose to just rule on that very narrow issue," said Paul Brown, general counsel for the Risk & Insurance Management Society Inc. in New York.

"RIMS is hopeful that the Supreme Court will establish some bright line rules governing the awarding of punitive damages. Because the award of punitive damages right now is so uncertain and left totally within the discretion of the jury, the defendants are left reacting to the whims of a jury. Brighter line rules are needed," said Mr. Brown.

"Due process requires that juries be given some guidance, whether it can be reduced to a bright line is difficult to say," said NAM's Mr. Riegel.

"Of course the business community would love to have a broad ruling on this, but. . .we'd be happy to have any positive ruling," said Robin Conrad, vp of the National Chamber Litigation Center Inc., an arm of the U.S. Chamber of Commerce in Washington. She warned, however, that the "court could rule very narrowly" on the punitive damages in this case.

Ms. Conrad said it appears that at least four justices wish to settle the question of excessive punitive awards, since it takes at least four justices to accept a case for review. But, the question remains where the fifth vote would come from, she said. Ms. Conrad added that *BMW vs. Gore* is also the first punitive damage case in which Justice Stephen Breyer will participate.

Ms. Nugent, of Blatt, Hammesfahr & Eaton, said that the ramifications of the case extend far beyond the borders of the United States.

The international implications are the "key aspect of this case that makes it different. Early in the *Pacific Mutual vs. Haslip* case, (Justice Anthony) Kennedy set out a separate concurrence that bias or prejudice might infect a verdict, causing it to be unconstitutional. I think that this case follows on that logic. Basically, what's happened here is a Southern court has attacked a German company and its American subsidiary. It's almost a classic case of locals vs. outsiders," said Ms. Nugent.

"Basically, U.S. punitive damages are so far out of line right now, on the international market, our trading partners are treating us like a Third World country. Even though those countries have treaties with us which mutually require enforcement of judgments rendered by other nations, our trading partners have gone to great lengths to evade the effect of these treaties and preclude the enforcement of U.S. punitive damage judgments," she said.

"Now, it's not just affecting U.S. businesses, it's affecting our status as a nation with fair and reliable judicial system."

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BMW of North America vs. Ira Gore Jr., U.S. Supreme Court; No. 94-896.

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Nipping D&O problems in the bud

Loss control guide advises on securities law exposures

By RODD ZOLKOS

Congressional reform of securities litigation laws might ease some directors and officers liability problems for publicly traded companies, but it won't make them disappear.

Consequently, risk managers are being urged to take a forward-thinking approach to head off possible losses from securities litigation or problems arising from coverage allocation disputes with D&O insurers.

While the securities law bills passed by both houses of Congress earlier this year could bring some relief by limiting abusive securities lawsuits, the basic problem will remain, said Stephen G. Klug, president of Beachwood, Ohio-based underwriting manager PRMS Inc. PRMS is the underwriting manager for Genesis Insurance Co.'s D&O and entity coverage for companies involved in securities offerings.

"There are interesting things in the bills, but I think one thing everybody can agree on. . .(is) that even if you took the toughest provisions of these bills and they were passed tomorrow, it doesn't mean the plaintiffs bar is going to go away forever," he said.

Securities-related lawsuits against directors and officers, alleging violations of securities laws, breaches of fiduciary responsibility or failure to provide adequate or accurate information, "tend to be some of the more severe claims you see in the marketplace," said Anthony Komro, an underwriter in the executive protection practice at Chubb Corp. in Chicago.

The ongoing problem prompted PRMS to create its "Securities Litigation Loss Prevention Guide," a loose-leaf binder aimed at helping clients limit their exposure to securities-related D&O suits and put them in a better position to defend themselves in those they do face.

"We sat around for 2½ years and studied everything plaintiffs lawyers have done," said Mr. Klug. Having analyzed the risk, PRMS drew up a loss control approach he described as "sort of an HPR kind of approach to companies that are likely securities litigation targets."

He likened the guidelines to installing a sprinkler system in a wooden building. "It doesn't mean you're not going to have a fire, but what it means is if it does occur you're going to suffer a whole lot less damage and hopefully no one will get hurt."

The guide provides detailed outlines of "defensive disclosure" techniques for companies, advice on how to communicate with analysts and information on addressing insider trading concerns.

"We are the only company that requires mutually acceptable loss prevention policies as a condition of insuring certain (D&O) risks," Mr. Klug said. "We say, 'If you take some risk out by doing some of these things, we think we can get you a more competitive price.' "

For example, a portion of the guide discussing periodic disclosure gives specific suggestions about how to reduce the threat of securities litigation by meeting SEC requirements to report "known trends and uncertainties" in periodic SEC reports.

Other D&O insurers provide clients with loss control materials, though they do not incorporate loss control into their underwriting, said Phillip Norton, head of the national D&O practice with Watson Wyatt Worldwide in Chicago.

Even though the SEC requires publicly held companies to report the known trends and uncertainties, Mr. Klug said he believes only about 15% actually do.

"We recommend that all companies adopt a policy of essentially complying with the SEC requirements, which we think very few of them do right now," he said. Then the guidebook suggests that whoever writes the reports meet with the CEO to determine what should be included.

"It ought to include all the things the CEOs are concerned with every night when they go to bed," Mr. Klug said. "Shareholders are entitled to that."

The company benefits by reducing its directors' exposure to suits alleging inadequate disclosure.

"When there is adequate disclosure, even if unfortunate events are to occur later, the court is more likely to dismiss the suit," Mr. Klug said.

PRMS recently completed the guidebook's final installment, which discusses conveying bad news to investors, and now will focus on issuing periodic updates and bulletins. Even if companies are taking securities litigation loss-control steps, it's important that they keep track of any legislative developments that might provide new opportunities to reduce D&O exposures, Mr. Klug said.

That's the case with an anticipated provision in Congress' securities litigation reform bills that relates to giving companies a safe harbor for "forward-looking statements" such as estimates, projections or forecasts.

Language in both the Senate and House bills would provide that safe harbor only if estimates or forecasts were clearly identified as forward-looking statements, and both bills would require a company to use further language noting that those projections might not be realized.

While encouraging D&O clients to take steps to control their loss exposures, PRMS also stresses that companies adopting loss-control policies then failing to follow those policies could face even greater risk.

"The only thing probably worse than not adopting good loss control is to adopt it and then not do anything about it," Mr. Klug said.

While looking to limit their exposures, companies that are sued may have to contend with coverage allocation battles with insurance companies.

The best bet for heading off allocation battles is by making sure companies know the details of their D&O policies from the start, according to Carolyn H. Rosenberg, partner in charge of the insurance coverage group at the Sachnoff & Weaver Ltd. law firm in Chicago.

"You would want to absolutely know, it would seem to me, how the claims will be treated, how these allocation decisions will be made," Ms. Rosenberg said, speaking as part of a recent panel on D&O issues.

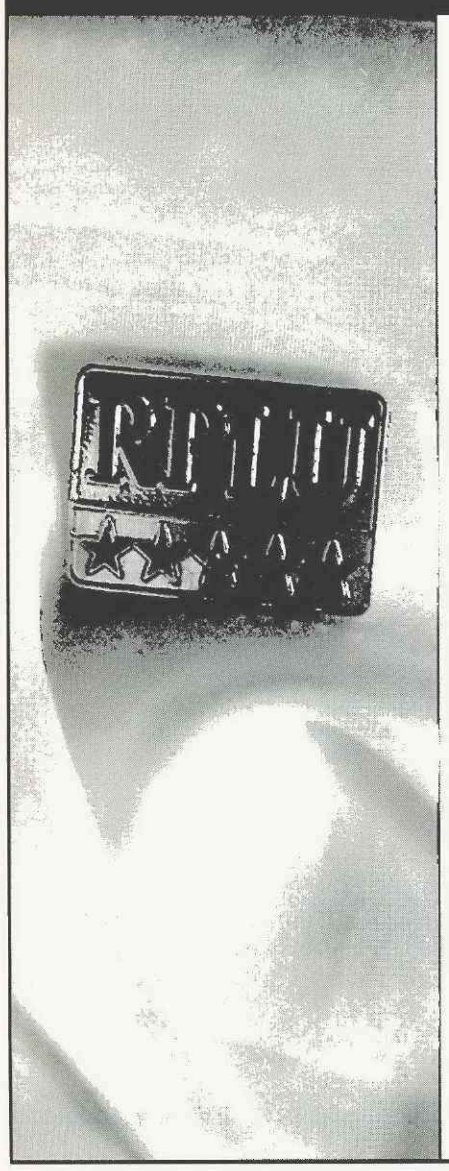
Allocation issues arise when both the entity and its officers are sued, she noted, and "Allocation is about who pays; who pays the bill for defense costs, who pays the bills for settlements. It's about money, and that's why I think there's such a dispute about it."

Allocation disputes, in which an insurance company claims it can limit its indemnification of directors and officers by requiring the uninsured company to bear part of the loss, may arise early on in issues of advancement of defense costs, noted Sanford Victor, a vp with J&H in New York.

"There's no simple way to resolve allocation problems," Mr. Victor said. "I think the best thing to do is to bring the carrier along as best you can."

A company facing a D&O allocation dispute could improve its prospects by providing information that can enable the insurer's outside counsel to convince the insurer's underwriting management that a settlement makes sense, Mr. Victor said. And the insured should maintain a paper trail reflecting the fact that they've kept the insurance company advised. BI

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Vice-Chairman

A premium on health

Firm cuts costs by rewarding workers who lessen health risks

By ROBERT KAZEL

CHICAGO—A sporting goods manufacturer is paring its self-insured health plan costs by offering workers incentives to cut out their tobacco use, lower their cholesterol, guard against hypertension and reduce their weight.

More than a wellness program, Indian Industries Inc.'s unusual plan penalizes employees with higher premiums if they are found to be at greater risk for illness. Despite the penalty, most workers at the Elkhart, Ind.-based company have rallied around the idea, said Robert E. Griffin, chairman and chief executive officer of Escalade Inc., Indian's parent company, during the Annual Midwest Regional Managed Health Care Congress.

The 300 of the plant's 450 employees who are in the plan, and all spouses who are enrolled, must undergo basic physical screenings every six months. They are weighed, have their blood pressure and cholesterol checked by a nurse and sign an affidavit stating whether they smoke cigarettes, cigars or pipes or chew tobacco. Employees and spouses who clear all the hurdles pay the lowest premiums, while those with risk factors pay progressively more, depending on how many risks they show. Dependent children do not have to go in for screenings, though they must sign the smoking affidavit.

Workers in the factory, who make products like pingpong tables and archery sets, pay $5.32 a week for individual coverage if they have no risk factors, $8.71 a week if they have one risk factor, rising incrementally to a maximum of $30.46 for those with all four risk factors. Family coverage costs would range up to $74.94 if a husband and wife both had four risk factors, but Mr. Griffin said that no couple at his plant pays that much.

'I have to get responsible for my own health,' was the company's message, says Robert Griffin.

The average employee has about one risk factor, though many have none. Smoking and weight are the two most common risks identified.

The program started in 1992, when Indian's workers were gathered together by Mr. Griffin. He said he told them that while the company was keeping up with national norms for group health insurance rates, expected increases of 300% lay ahead for the company's indemnity plan.

Any pay raises the company might offer in the future would be negated by spiraling employee health premiums, he told the workers.

"If we just continued the way we were, there was no relief in sight," Mr. Griffin said.

He proposed to negotiate a new contract with the plant's labor union that would decrease health premiums and place a cap on them in exchange for acceptance of the risk factor provisions. The goal of the change was threefold: to reduce company health expenses over the long term; to improve the health and fitness of employees; and to divide insurance costs more fairly by rewarding those workers who strived to stay fit. The union supported the new benefit plan structure.

Individual responsibility became a watchword at the factory, with support available to workers through various company wellness programs, such as smoking cessation classes.

"I have to get responsible for my own health," was the company's message, according to Mr. Griffin.

Since putting the program into effect, medical claims have been significantly reduced and the company has been able to reduce workers' premiums below the caps specified in the latest collective bargaining contract, said Terry Stumpf, director of training and development for Indian Industries. With the new savings, only those few workers and spouses with three or four risk factors actually are paying more for health insurance than before the change, he said.

In the time that the program has been in existence, many employees have lost weight and become regulars in the plant's gym, which was opened in 1991, said Donna Pasco, an expediter who has worked in the plant for 22 years.

Ms. Pasco, who was president of the local International Brotherhood of Electrical Workers when the program was introduced, said the health insurance program has offered a strong incentive to changing workers' habits.

"They watch their weight," she said. "They watch their cholesterol. It works. And you wouldn't believe the number of people who have given up smoking under this."

That's not to say the change has been universally welcomed.

"Some of them don't like it," Ms. Pasco acknowledged. "People who go to McDonald's and eat the cheeseburgers are the ones you hear bitch." BI

Limited appeal seen for MSAs

Reinhardt says MSAs would primarily benefit the rich

By ROBERT KAZEL

CHICAGO—Because medical savings accounts are a realistic option only for the rich, they will never be a powerful or widely used tool for health care cost control, according to a prominent health care economist.

"Some of us are a little bit dubious that this is the overall solution," said Uwe E. Reinhardt, professor of political economy at Princeton University's Woodrow Wilson School of Public and International Affairs in Princeton, N.J. "I'm not against it (the medical savings account), but I wouldn't bet the farm on it."

Speaking at the Annual Midwest Regional Managed Health Care Congress, Mr. Reinhardt said that medical savings accounts can't become a major league player because less than 1% of the population is responsible for one-third of all health care spending, mainly due to catastrophic illness.

"The medical savings account people somehow have this image that most health care is well-baby care or worried-well care and, of course, it would really work like a charm," said Mr. Reinhardt. "But most of us feel that in fact this medical savings account is not going to save that much money because it—the catastrophic care—is still going to be covered by a fairly open-ended, and often unmanaged, policy."

In general, employers in savings accounts programs establish very high deductibles and co-payments and set up the savings accounts using part of their premium savings. Employees can draw money out of their savings account to pay for unreimbursed health care costs, and can withdraw unused funds at the end of the year, though they are subject to taxes.

Teasingly, Mr. Reinhardt portrayed the medical savings account as something to be cherished by the rich while it lasts, but predicted that the option would eventually disappear when the rest of the country catches on.

The MSA 'is a wonderful thing for people who make more than $100,000,' says Uwe Reinhardt.

"For well-to-do people who can laugh off a high deductible, and who are in high tax brackets, there is nothing more delicious than being able to put $3,000 into an account out of pre-tax income and then get your body rubs paid out of that," said the Princeton economist.

"The medical savings account is a wonderful thing for people who make more than $100,000," he said. "It's a great thing, and we should take it while it's there until someone discovers it."

A study by the American Academy of Actuaries last spring found that MSAs were likeliest to benefit younger employers with fewer health concerns and a likelihood to use the account for savings rather than as an insurance fund.

Overall, that study found, between 61% and 74% of the employees who chose an MSA program saved money on premiums and out-of-pocket contributions compared with indemnity plans (*BI*, May 8).

Medical savings accounts would have tax-favored status under a tax bill recently passed by the House Ways and Means Committee (*BI*, Sept. 25).

Mr. Reinhardt previously has also criticized the savings account from a free-market perspective, arguing with several conservative economists that there is no justification for the government's subsidizing medical care for the well-to-do. BI

HMOs outpace PPOs in satisfaction survey

But Illinois poll also finds desire for choice

HMOs edge out PPOs in customer satisfaction, according to a recent managed care survey of Illinoisans.

Of 4,500 people surveyed, 80.5% said they were at least somewhat satisfied with their HMO coverage, and 76.5% were at least partially satisfied with their PPOs.

About 28% of residents in indemnity health plans that include some restrictions on providers said they are dissatisfied with their plan.

The Metro Chicago Information Center last month released "The Illinois Health Survey: the Consumer Impact of Higher Costs and Fewer Choices for Health Insurance."

With the failure of sweeping federal reform, "health care interests have taken on more importance to the states and they need quality information about it," said Dan Stolze, director of marketing for the research firm.

Funding for the poll came from the Chicago Community Trust, a foundation for non-profit organizations.

The survey also reported that 10.4% of Illinois residents are dissatisfied with the number of provider options available in their health plans, and 24.4% of all insured Illinois residents say they would pay more for more choices.

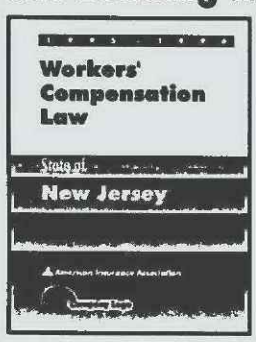
Overall, 47.4% of residents with any type of insurance say they are very satisfied with their plan and 23.7% are dissatisfied.

The larger the employer, the greater their employees' satisfaction, the survey found. In companies with more than 1,000 employees, 43.7% are very satisfied with their coverage, 35.3% are somewhat satisfied, only 19.4% are dissatisfied. The remaining 1.6% did not respond.

Employees from companies with three to 49 employees were the least satisfied, with only 31.6% very satisfied, 39% somewhat satisfied, 28.1% dissatisfied and 1.6% not responding.

—By Lee Velker

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Play or pay

Continued from page 1

tional Federation of Independent Business in Boston.

While supporters of the plan don't think it will be repealed, they say it is virtually certain that legislators will not allow it to go into effect as scheduled and instead will delay it—for the third time since the law was passed seven years ago.

"I'd be hard pressed to say that it will go into effect in the near future," said Rep. John McDonough, a Boston Democrat and co-chairman of the special commission.

Rather than allowing the plan to take effect, legislators might consider a so-called trigger approach, in which the play-or-pay plan would take effect only if other approaches to expand coverage—such as providing tax credits to employers who extend health care benefits to low-income employees—do not significantly reduce the number of uninsured, Rep. McDonough said.

For now, though, the likelihood that play or pay ever will be implemented has become so remote that many employers no longer even think about the statute.

"I have not had a client ask about it in two years. There is an expectation that it will never happen," said Brad Kimler, a consultant with Hewitt Associates L.L.C. in Waltham, Mass.

That's a far cry from seven years ago, when Massachusetts captured national attention with its innovative reform statute.

Under that law, employers with more than five employees were subject to a new "medical security contribution" tax equal to 12% of the first $14,000 of each employee's wages, up to a maximum of $1,680 per worker.

For now, the likelihood that play or pay ever will be implemented has become so remote that many employers no longer even think about the statute.

Employers, though, could offset the tax by each dollar spent on a health plan. Those with annual health care costs that exceeded $1,680 per employee would be exempt.

In determining the size of its workforce when calculating the tax, an employer would include employees who:

- Work at least 30 hours a week and have been employed at least 90 days.
- Are heads of households with dependent children, work at least 20 hours a week and have been employed at least 90 days.
- Have worked more than 20 hours a week for the employer during the previous six month period.

When the statute was enacted in 1988, then-Gov. Michael Dukakis lauded the state's play or pay approach as a model other states could use to achieve universal coverage.

At the time, Hawaii was the only state that had an employer mandate, under which companies are required to provide coverage to employees working at least 20 hours a week.

But other states soon followed. Both Oregon and Washington also passed statutes requiring employers to offer and pay for a share of employees' health insurance premiums.

Soon, though, Hawaii again may be the only state with an employer mandate.

Earlier this year, Washington repealed its employer mandate, while an Oregon employer health care mandate is expected to expire this year without ever being implemented, according to Susan Laudicina, director of state services research for Blue Cross & Blue Shield Assn. in Washington, D.C.

"All the states that charged forward with employer mandates now are in retreat. Instead of a model, Massachusetts has become an anachronism," agreed Frank McArdle, a Hewitt Associates consultant in Washington.

The reasons vary from state to state.

In Washington state, for example, the mandate was doomed by the election of more Republicans to the state legislature who were concerned about the economic impact of the law on employers.

In Massachusetts, the economic impact of a mandate was of little concern when its health care statute was passed in 1988.

At the time, Massachusetts was riding an economic boom. At about 3%, its unemployment rate was well under the national average.

But in 1991, the Massachusetts miracle, as it was known, burst. Big companies, like Digital Equipment Corp. and Wang Laboratories Corp., began to lay off thousands of workers.

"In 1988, you had the Massachusetts miracle. But in 1991 and 1992, the miracle had evaporated," according to Buck's Mr. Lanoux.

Small employers began to intensely lobby state legislators for repeal of play or pay. Their argument: with big employers cutting back on their workforces, it would fall on the small employers to generate new jobs. And that growth would be less likely to occur if small employers were required to pay for a share of employees' health care premiums or bear new taxes.

"In order to protect jobs, you can't impose a payroll tax on employers," said the NFIB's Ms. Boviard.

At the same time, business groups pressed home the argument that Massachusetts could be at a competitive disadvantage with other states that lacked an employer health care mandate.

"People realized that a state is not an island. A business could hop the border to another state" to avoid the mandate, said Julie Bowler, legislative director for Blue Cross & Blue Shield Assn. of Massachusetts in Boston.

Support for the mandate also faltered after Mr. Dukakis was succeeded by Mr. Weld, an outspoken critic of the play or pay program.

"We went from a chief executive strongly committed to improving access to an administration that until recently has expressed no interest in this issue. One cannot underestimate the impact that the chief executive has on the public agenda of the state," Rep. McDonough said.

"Gubernatorial elections can make a real difference," added Hewitt's Mr. McArdle. BI

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Kobe still recovering from devastating quake

Reconstruction continuing throughout city and its port

BY STACY SHAPIRO

KOBE, Japan—Looking from the top of the modern 37-story Shin-Kobe Oriental Hotel near Kobe's train station, no one would suspect that an earthquake had devastated the city only eight months ago.

From a bird's-eye view, Kobe looks remarkably untouched at first glance. The pretty town that is nestled between lush green hills and Osaka Bay seems relatively unscathed.

It is only on second glance that the massive and widespread destruction from the "Great Hanshin" earthquake and ongoing reconstruction becomes noticeable. The skyline is dotted with blue tarpaulins, sheltering the massive construction projects under way to repair roofs, walls and shattered buildings that were pounded by the Jan. 17 quake.

A closer look also reveals that three major highways into the port of Kobe are not being used, due to the damage to the pillars which support the roads.

Walk down the streets and the devastation is much more evident. Just about every other sidewalk, home, shrine and building is damaged, ranging from cracks in brickwork to collapsed and abandoned structures. The sound of construction work dominates throughout the city.

The destruction is most noticeable in the Port of Kobe, which took 19 years to complete and only minutes to partially demolish. Although about 63% of Japan's largest container port is now functioning, many roads in the immediate area buckled and some of them remain impassable.

When functioning normally, more than 83,000 ships call at Kobe annually and about 2.8 million containers can be handled, according to the Marine & Fire Insurance Assn. of Japan Inc.



Blue tarps dot Kobe's landscape as reconstruction continues throughout the area. More than 208,000 homes were destroyed in the quake, and more than 9,400 roads and 321 bridges were damaged.

Some shipping companies, such as the American President Lines Ltd., are back at work loading containers onto cargo vessels. Many have reinforced their dock areas to protect the structures from the ground liquefaction that affected most of the man-made container terminal islands that comprise the Port of Kobe.

Breakwaters that totally sunk during the quake were only recently restored in August, before the typhoon season struck. It will take about two years to restore the Port of Kobe entirely, the marine insurance association states.

Some older warehouses near the new port terminals are so badly damaged that they are waiting to be flattened.

On the way out of the port area are some of the temporary dwellings built by the City of Kobe just after the quake, which still house more than 3,000 residents.

"The whole city of Kobe lies under construction now," summed up Ichiro Ogata, assistant manager of the marine claims service section of The Tokio Marine & Fire Insurance Co. Ltd. in Kobe, who provided a tour of the area to *Business Insurance* late last month.

On Jan. 17, at 5:46 a.m., the Great Hanshin earthquake—named after the "Hanshin" area that includes Kobe and Osaka—struck approximately 11 miles off the coast of Kobe. The earthquake carried a magnitude of 7.2 on the Richter scale.

More than 5,500 people died or are still missing, according to the Marine & Fire Insurance Assn. of Japan's latest statistics in May; 41,527 people were injured and

See **Kobe** *on next page*

Global warming to cost insurers

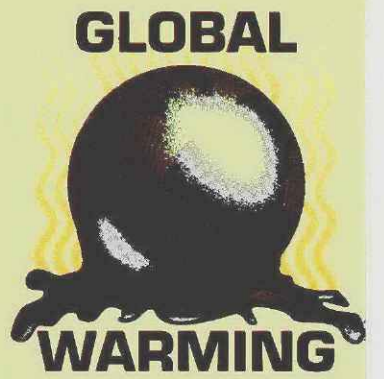
Action needed to reduce losses from climate changes, exec says

By SARAH GODDARD

LONDON—Insurers and risk managers ignore the threat of global warming at their peril, a U.K. insurance executive warns.

Even small changes in global annual average temperatures can have profound effects on the environment and, therefore, on insured exposures, says Andrew Dlugolecki, chief manager of U.K. operations at General Accident Fire & Life Corp. P.L.C. of Perth, Scotland.

Mr. Dlugolecki spoke to about 100 risk managers at a recent seminar, "Corporate Global Warning: Natural and Environmental Perils—Can Insurers Respond?" sponsored by Alexander & Alexander (U.K.) Ltd.



Since 1880, the overall annual average temperature in the United Kingdom has risen steadily and the volume of heat-retaining gases in the atmosphere has increased by 25%, he said.

"(The gases) have been put there by men," said Mr. Dlugolecki, pointing out that one byproduct of a warming of the atmosphere is wetter tropical storms with higher wind speeds.

Research prepared by the first convention of the Intergovernmental Panel on Climatic Change, whose members include nations from all over the world, presented "a fairly stark view." Scientists at that 1990 convention forecast the amount of heat-retaining carbon dioxide in the atmosphere would double by the year 2025, sea levels would rise more than two feet and average temperatures would increase by significantly.

The Thames Barrier at Greenwich, which opened in 1984 when scientists were more worried about the danger of rising sea levels through global cooling than warming, was designed to deal with a century's worth of tidal surges threatening to flood London. The Thames Barrier is a series of movable walls that stretch across the River Thames. Now, the barrier's useful life has been halved because of the more rapid rise in water levels from warming's effects.

The United Nations forecasts that by 2030, average temperatures will increase dramatically over the U.S. prairies, where a majority of the world's grain is produced. This will result in the grain belt moving north to Canada as the prairies experience more drought, contended Mr. Dlugolecki.

See **Warming** *on next page*

Directives command change in Europe

Claims-made policies under fire

By SARAH GODDARD

LONDON—A hodgepodge of European Union directives and laws are threatening to change insurance practices in several European countries.

For instance, claims-made liability policies may all but disappear from some countries, and changes to European competition law may alter the way some insurers do business, according to a London-based lawyer. In addition, U.K. insurance regulators have been forced to expand their operations to cope with increased responsibilities caused by last year's European insurance directives.

Claims-made policies seem to be falling out of favor rapidly in a number of European countries, said Anthony Fitzsimmons, a partner at London law firm Ince & Co., speaking at the 10th annual gathering of the British Insurance Law Assn. late last month.

The Spanish Supreme Court has now twice ruled in medical malpractice cases that claims-made wordings undermine the rights of the policyholder and are therefore void, though proposed changes to Spain's Insurance Contract Act may overturn these rulings.

France's high court made a similar ban on claims-made wordings in builders' liability policies and product liability coverage.

And, Belgium has gone a step further by proposing to outlaw the use of the wordings in some liability insurance contracts. Insurers in Belgium took a defiant stand, however, and threatened to stop writing policies that could not use claims-made wordings. In response, the Belgian authorities made a few concessions, such as excluding certain classes of risks, like pharmaceuticals, from the ban on claims-made wording.

See **Directives** *on page 77*

Underwriters face data deficit

Better information needed to assess risk of blowouts

By STACY SHAPIRO

TOKYO—Energy underwriters say they need more risk information, loss statistics and standardized wording to cover oil and gas wells against the risk of blowouts.

Whether their requests are answered, however, is another matter.

Blowouts are uncontrolled eruptions of oil or gas wells. To date, underwriting "the cost of well control" has been neither scientific nor profitable.

Underwriters agree that they have not been asking the right questions and have not understood some of the information they've been given by energy companies about drilling for oil and gas. Until recently, no one has attempted to collate loss statistics on blowouts so underwriters can see whether premiums are adequate for total claims.

However, Willis Faber & Dumas Ltd. for the past year has been gathering this type of information to give underwriters a better idea of the total losses from operators extra expense coverage, which responds to onshore and offshore blowouts.

These are just some of the recent developments in the energy and offshore markets that were discussed during a workshop at the International Union of Marine Insurance's annual meeting in Tokyo last month.

The focus of the workshop, chaired by Lloyd's of London underwriter C.J. Compton-Rickett and IUMI's first for its new energy and offshore committee, was on the cost of well control risks. Operators extra expense coverage insures the operator of a well for the cost of controlling a blowout and re-drilling a well, but can also protect against a myriad of other expenses like pollution cleanup.

IUMI TOKYO 1995

About 1 in 3,000 high-pressure, high-volume sour gas wells blow annually, which are very expensive to control, said L. William Abel, president of IWC Services Inc. in Houston, which specializes in fighting oil well fires. About 1 in 350 to 500 ordinary wells also blow out annually, but they are not as expensive to control. In fact, the cost of well control for ordinary wells often does not exceed an operator's insurance deductible, he said.

The worst blowouts occurred during the Gulf War when Iraq bombed Kuwait's oil fields. "The pollution blocked out the sun," said Mr. Abel, whose firm helped to control those fires. "This is a sight I hope we never see again, several blowouts going on at the same time."

If drilling contractors do their jobs right, they will prevent blowouts. Contractors ought to bore holes into the ground to penetrate into the oil and gas that is under pressure, and then they will tube it up with casing and "extract the oil (or gas) in a controlled manner," said Mr. Abel.

Wells blow out "because people allow them to blow out," he said.

"I've seen reports that say a blowout is an event caused by God. Believe me, God or Allah or Buddha is not involved in the oil business. People are involved in the oil business and people allow these things to happen."

Underwriters don't have the

See **Energy** *on next page*

Warming

Continued from previous page

In addition, more erratic rainfall patterns—which are being experienced in many areas of the world now—will affect water supplies.

Although rainfall is becoming more intense, it is being interspersed by more severe droughts, Mr. Dlugolecki said.

Climatologists estimate that global warming effects in the United Kingdom will raise the sea level by four inches higher by the year 2010, with a 1 in 60 chance of severe drought.

By 2030, the sea level will have risen another four inches and severe drought chances rocketed to 1 in 10. And, by 2050, climatologists believe that another four inches will have been added to the sea level, with a 1 in 3 chance of serious drought.

And other evidence that global warming is well under way include more offshore tropical storms but fewer hurricanes—with the exception of the current season—and fewer frosts and more climatic effects from the El Nino, a cyclical Pacific Ocean current off South America.

Is it time, as Greenpeace urges, for insurers to 'gird up (their) loins to take on the energy industry?'

El Nino events historically have occurred once every four to five years. Over the past five years, El Nino effects have been identified each year.

According to Mr. Dlugolecki, El Nino tends to produce more tropical storms in the Atlantic Ocean but doesn't normally produce conditions that lead to hurricanes.

Although climate models currently are not sophisticated enough to provide details on all the effects of El Nino, the effects are known to make a difference to weather patterns in the Sahel region of Africa and may affect European weather.

Mr. Dlugolecki, a contributor to one of the IPCC working groups, is writing a first-ever chapter on the effect of global warming on the financial services industry in the IPCC's report to be published later this year. He is working closely with an international team of insurers, reinsurers, climatologists and bankers.

In its current work, the IPCC is focusing more on the socioeconomic impact and political implications of climate change, said Mr. Dlugolecki, although it is updating its scientific view. But most scientists agree that global warming is happening, with climate change occurring as predicted.

Insurers must be aware of the exposure trends, Mr. Dlugolecki warned. As people continue to move to coastal areas, risks and claims are rising. But insurers may not have the option of withdrawing from writing business in exposed areas.

For example, flood insurance in the United Kingdom is only available because of government intervention in 1961, he pointed out, after a particularly bad year which resulted in insurers trying to exclude the coverage from policies.

The insurance industry must get more involved in risk management, taking a stance on issues like construction standards and tree management and begin conducting it own research into weather patterns, he said.

London-based environmental group Greenpeace has recently been exhorting the insurance industry to "gird up its loins and take on the energy industry." It may now be time for insurers to make a concerted effort to lobby on emission controls, Mr. Dlugolecki said. BI

Energy

Continued from previous page

proper information to evaluate this type of risk properly, said Peter Evans, group marine manager for Commercial Union Assurance Co. P.L.C. in London. Rating, calculated in a crude way, has not produced profits, and underwriters are "dreadfully deficient" in understanding the risks involved, he said.

There hasn't been a great effort by underwriters to gather information to evaluate the risk, agreed F.J. "Chuck" Allen, an independent petroleum industry consultant from Magnolia, Texas.

Mr. Allen, who has served in risk management for several major oil companies, suggested that underwriters set up a think tank to find out more about the industry that they are insuring. "You better know what you're doing or you'll lose your butt," he warned.

Well operators buy coverage to protect themselves and their shareholders, and some may not be too honest about their drilling, Mr. Allen said. If underwriters are not aware of the rules of the game, they will get burned, he said.

The key problem is getting the information in the first place, said Edward I.J.G. Moss, managing director of Willis Faber & Dumas Ltd. in London. Often oil companies' insurance departments and risk management departments are not aware about the details of drilling because they don't know enough details of what goes on in their own companies' well control departments, said Mr. Moss.

Also, underwriters already are given a wealth of statistics by energy companies but still make split-second decisions because they don't understand the information they have in front of them, he said.

IWC Services' Mr. Abel suggested that a rating service be established for the underwriters to rate the operators' drilling performance so they would have a good idea of the quality of the client. He suggested going beyond questions underwriters now ask to cover areas such as the location of the wells and the maintenance of the equipment. He recommended putting together a questionnaire that would help qualify a good operator. "I'd look at (assessing the risk) as an investor in a well," he said.

"Pre-qualification, I think, is important," agreed Mr. Allen.

Some panelists, however, questioned the legality of such quality rating of operators.

Meanwhile, underwriters in the workshop suggested that they have not compiled loss statistics to give them an idea of what to look for in the future. They urged underwriters in the London market, which has the world's highest concentration of marine underwriters, to gather such loss data.

Commercial Union's Mr. Evans said marine underwriters currently do not have that kind of data.

However, Willis Faber's Mr. Moss told the IUMI energy and offshore workshop that his brokerage had been gathering such data for the past year. Willis Faber & Dumas has put together a "pretty good" database on all the major blowouts dating back to the early 1970s and is willing to share this information, he said.

On the premise that these statistics may indeed be wrong because they are incomplete, Mr. Moss produced data such as:

- Operators extra expense insured losses for onshore risks totaled $1.64 billion between 1974 and 1995, including the peak loss year of 1981, when 59 incidents cost $334.4 million. This included a 1981 blowout in Cabinda, Angola, that cost insurers $84.4 million.
- Offshore operators extra expense claims, excluding the 1988 Piper Alpha platform disaster, totaled $3.1 billion between 1972 and 1994. These include some of the largest blowouts ever: the $325 million blowout in 1988 of the Enchova platform off Brazil; the $255 million blowout of a well in the Norwegian sector of the North Sea in 1989; and two blowouts in the Canadian province of Nova Scotia in 1984, costing a total of $351.7 million.

It is clear from the data that the largest losses are not in the Gulf of Mexico but in other parts of the world, said Mr. Moss.

Meanwhile, delegates at the IUMI workshop also noted that problems arise when a blowout claim is filed because there are no standardized wordings for the operators' extra expense insurance policies. There might be four different oil companies involved on one platform, for example, that have four different policy wordings to cover the blowout. In this case, some of the companies may be covered and some may not.

'You better know what you're doing or you'll lose your butt,' warns F.J. Allen, a petroleum consultant.

It can be a "nightmare" when adjusting claims blowout, Mr. Moss said. "The assumption is the cover is the same for everyone and it isn't."

Marine underwriters have tried to standardize wordings in the past, but to no avail because they haven't been acceptable to brokers or buyers, underwriters said.

After much discussion during the workshop, most delegates agreed that brokers, underwriters and possibly risk managers should get together and agree on a set of definitions that could be used in tailor-made operators extra expense policies.

The idea of "clear definitions is growing on me by the minute," summed up David R. Noble Smith of international loss adjusting firm EMCA Ltd. in London. It is a sophisticated idea that would suit the insurance market and allow brokers leeway in packaging programs. And, as a loss adjuster, "it would make my life easier." BI

Kobe

Continued from previous page

about 320,000 people became homeless.

A total of 208,684 homes were destroyed.

More than 9,400 roads and 321 bridges were damaged, many of which now are under repair.

All water, gas, and electricity supplies to Kobe were cut off following the quake, though electricity was restored on Jan. 23. However, more than 1.2 million residents were without running water for more than two months, though emergency supplies were available.

And more than 1.1 million people were without gas for at least two months, meaning they were without heat for a good portion of the winter.

"We had to wear coats in the (Tokio Marine) building" for the month or two when there was no heat, said Mr. Ogata.

Total economic losses from the quake are at least $100 billion, estimated the Marine & Fire Insurance Assn. of Japan., far greater than the $15 billion to $30 billion caused by the quake in Northridge, Calif., exactly a year earlier.

But due to the relative scarcity of earthquake coverage in Japan, insured losses from the Great Hanshin quake only total about $1.2 billion to $1.3 billion, compared with insured losses of $12.5 billion for the Northridge, Calif., quake, Kaoru Tameda, a representative of Japan's marine insurance association, said at the International Union of Marine Insurance's annual conference last month in Tokyo.

The insured losses from the Kobe quake include $7 million for hull losses, $50 million for cargo losses and $750 million for non-marine losses.

Marine underwriters shortly after the quake feared that cargo losses would be particularly heavy since the port was so badly damaged and electricity couldn't be restored immediately.

However, "the number of cargo claims was not as much as I expected, actually a (much smaller) number than I expected" said Tokio Marine's Mr. Ogata. "I expected to receive many cargo claims—machinery damage, fruits and vegetable damage because electricity had gone down."

There are several reasons for the relatively light cargo losses, said Mr. Ogata. There were no losses to coffee bean imports, for example, because coffee beans are stored in sacks, which make them "resistant to the shaking," he said. Also, it being winter, the vegetables and fruits were kept cold enough not to spoil even without refrigeration until the electricity was restored.

Total insured losses due to the stoppage of refrigeration are about $9.9 million, Mr. Tameda told IUMI conference delegates.

Hull losses also were light since few vessels were in port when the early morning quake hit, and because no "tsunami" or tidal wave followed the tremor, he said.

Property claims were not as high as they could have been, because much of the Port of Kobe was uninsured, even though warehouses were destroyed, cranes were bent, the ground surface was cracked in many areas and liquefaction meant there was mud everywhere.

The total insured losses from liquefaction alone total about $6.6 million, estimated Mr. Tameda. Liquefaction is the separation of sand and water that occurs in unsettled soils, particularly in reclaimed land, which results in a muddy slurry.

The Japanese government and the City of Kobe continue to pick up much of the tab for restoring Kobe, though the cost is expected to eventually hit the public by way of higher taxation.

In some cases, Kobe citizens unaffected by the tragedy are being forced to pay for damage to other property, particularly if they live in a condominium complex where some but not all buildings have been destroyed, Mr. Ogata noted.

Some residents, particularly older people, still live in temporary accommodation because they cannot afford to rebuild their homes, Mr. Ogata said.

Following the quake, there has been an increase in the number of people buying property earthquake insurance, but it's only slight since "earthquake insurance is still very expensive so I don't think (the purchase of it) is widespread," said Mr. Ogata.

The earthquake also has had far-reaching effects on the psyche of Japan.

Japanese newspapers carry repeated references to the Great Hanshin quake. Lectures are being given on how the quake has affected cultural activities, zoology and consumers. There are speeches on such topics as "the deterioration of homes and termite damage since the Great Hanshin earthquake."

The Japanese government Construction Ministry also plans to propose a new bill to require local government authorities to modify their building codes so that all new buildings are quake resistant. Reports claim the ministry decided to draft this new bill because most of the damage caused by the Kobe quake was to buildings designed before the current anti-quake building standards enacted in 1981.

Some Japanese financiers also contend that the Kobe quake marked the beginning of a downturn in the Japanese economy, though it may not have triggered its downfall. Since the quake, several Japanese financial organizations have collapsed or are in trouble, including the Hyogo Bank in Kobe.

The Japanese government recently announced a 14 trillion yen ($138.6 billion) package to boost the nation's economy, the largest program ever of its kind to shore up deflation and a financial sector riddled with bad loans. Included in this package is 1.4 trillion yen ($13.86 billion) to finance reconstruction programs in the areas affected by the Great Hanshin quake.

Interest rates also are at an all-time low of .05%, which will affect the investment returns of Japanese insurance companies. Moody's Investors Service last week downgraded the credit ratings of three major Japanese life insurers, citing falling asset values and low interest rates.

Despite the continual reminders of the quake and Japan's current economic climate, there still are some lighter moments in Kobe. In September, Kobe's baseball team, Orix Bluewave, clinched their first Pacific League pennant over the defending champion Seibu Lions. "Eight months after the nightmare of the Great Hanshin Earthquake, a Kobe-based baseball team wraps up the title, sending a shout of victory to the victims," summed up the English daily The Japan Times.

"After a terrible year, Kobe citizens have something to cheer about," added the Asahi Evening News.

Few people have left Kobe following the earthquake because it's such a nice city, noted Tokio Marine's Mr. Ogata. "The scenery is wonderful and the atmosphere of the city is good," he said. BI

INTERNATIONAL

Deep pockets beware

Insurers are targets for paying society's bills, exec warns

By SARAH GODDARD

LONDON—The insurance industry should not be made to pay for society's problems, a U.S. insurer executive argues.

European insurers should learn from the experiences of U.S. insurers and resist any moves to shift the burden of social responsibility to underwriters, Thomas R. Tizzio, president of American International Group Inc., told delegates attending a seminar, "Corporate Global Warning," sponsored by Alexander & Alexander (U.K.) Ltd. in London late last month.

Environmental cleanup is a global issue, and its potential impact on insurers equals any 'supercatastrophe' with losses exceeding $100 billion, says Thomas Tizzio.

Particularly in the environmental arena, insurers have become "the primary innocent party," he said.

"Insurers have been forced to contest claims for which we received no premium and for risk we did not underwrite," Mr. Tizzio said.

Superfund reform legislation that might have remedied this situation has gone "badly awry" in the United States.

"Innocent parties with deep pockets are potentially responsible for the liability," Mr. Tizzio said, referring to Superfund's strict and joint and several liability regime.

Environmental cleanup is a worldwide issue, and its potential impact on insurers equals any "supercatastrophe," Mr. Tizzio said, defining a supercatastrophe as an event in which losses exceed $100 billion.

As court decisions in Europe increasingly mirror those in the United States, insurers must join together to develop a consensus that environmental cleanup is a problem for society as a whole. Also, cleanup standards should be realistic compared to the costs incurred.

As for the increasing catastrophe losses the industry is facing, the earnings of many property insurers have been seriously affected by the losses that have occurred so far this decade, Mr. Tizzio observed. Hurricanes Andrew and Iniki, Typhoon Mireille, European windstorms and the Northridge and Kobe earthquakes have all hurt insurance companies' profits.

In response, insurers have been forced to reassess how they deal with major exposures, reducing aggregate exposures and limiting their coastal property exposures. Other steps include raising deductibles, imposing new policy limits, seeking stricter building code requirements and, of course, increasing rates.

In addition, the squeeze on catastrophe reinsurance after Hurricane Andrew forced insurers to retain more risk. Experts point out that the approximately $16.5 billion insured loss from Andrew would have doubled if the hurricane had struck just 25 miles further north—where it would have hit Miami.

After Andrew, reinsurers changed policy terms. Coverages were more restrictive, as were reinstatement terms, which were also more expensive. Reinsurers required higher retentions from ceding companies, leading to increased demand and thus higher



rates.

At the same time, however, worldwide capacity was falling, particularly in the London market. In stepped the revived Bermuda market, with almost perfect timing. Bermuda achieved the upper hand because its companies began to manage exposures better and aimed for geographical spread of risk, said Mr. Tizzio.

But, the extra capacity and more stable environment has finally led to a softening of reinsurance rates. Mr. Tizzio contended that the softening could be viewed as a "stabilizing of post-Andrew rate increases" and did not pose any particular threat. But, he predicted that without a major catastrophe before year end, rates will continue to drop. Mr. Tizzio spoke before Hurricane Opal swept through the Gulf of Mexico and struck the Florida Panhandle (see story, page 1).

But there still may not be enough capacity. "A supercatastrophe would certainly strain U.S. and overseas primary and reinsurance sources," Mr. Tizzio said.

U.S. insurers purchase $15 billion to $20 billion of reinsurance each year, far less than the potential supercatastrophe loss of $100 billion or more. "Given this reinsurance situation, major catastrophe losses would fall back on the primary insurers," Mr. Tizzio warned.

Also increasing the potential for loss is the migration of the U.S. population toward coastal areas, which are catastrophe-prone. According the Census Bureau, 50% of the U.S. population lives within 50 miles of the coastline. By the end of this decade, that figure is expected to reach 75%. BI

Directives

Continued from page 75

However, Mr. Fitzsimmons said, "the area remains fluid."

Compliance with European Union competition laws—previously unknown to most London market insurers, according to Mr. Fitzsimmons, but due to be tested next year in *Clementson vs. Society of Lloyd's* case (*BI*, Nov. 14, 1994)—is another looming problem.

The competition rules "state, in a nutshell, that cooperation within the industry is wicked" if it affects trade between member states of the Common Market or European Economic Area, "and if its object or effect is the prevention, restriction or distortion of competition within the Common Market or the EEA," according to Mr. Fitzsimmons.

Overstepping the rules makes a contractual arrangement void and may result in fines against offenders.

However, exemptions can be granted by the European Commission, and the insurance industry currently has a "block exemption" covering four main areas of practice: tariffs for common risks formulated on collective information; standard policy conditions; common coverage of certain types of risks, such as in pools; and common rules on security devices. Without the exemption, all these practices would be illegal under the E.U. law.

But last year's Third Life and Non-Life Directives introduced "one of the most horrible pieces of legislation I have seen in recent years," said Mr. Fitzsimmons, referring to the Insurance Companies Regulations, which brought the Insurance Companies Act 1982 in line with the directives.

"Surely the time has come for a consolidation and rationalization of the Insurance Companies Act," he said.

The U.K. Department of Trade and Industry's insurance department was also hit by the directives, which were implemented last July. The department is now responsible for regulating all U.K.-based insurance companies that operate in E.U. member states.

Previously, the DTI did not have jurisdiction over U.K. insurers' branches in other countries.

Between July and December 1994, the department received notifications from nine U.K. companies intending to open 15 branches in 13 EEA states, according to the insurance annual report 1994, issued by the DTI. During the year, 26 U.K. insurers, Lloyd's underwriters and two U.K. branches of EEA insurers became entitled to provide insurance in other member states due to their establishment in the United Kingdom.

Training programs for existing staff and new recruits and receiving representatives from the insurance industry on assignment were two of the ways the department tried to respond to its increased responsibilities.

A new database covering the companies and people involved in the U.K. insurance industry also was finally implemented after four years of development.

Total costs incurred by the department last year were more than £7.5 million ($11.7 million), although it received slightly more than £8 million ($12.5 million) in fees collected from insurers.

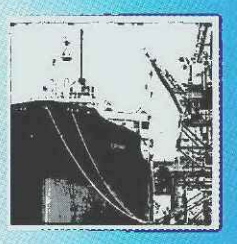
The department also has the task of investigating companies conducting insurance business without authorization.

Last year, 67 cases were reported, 16% less than the 80 reported in 1993. Twenty-eight of 1993's cases were carried over to 1994. Of all the cases handled in 1994, 36 were carried over to 1995, 17 operations were shut down, 12 companies had to change their practices and in 30 cases the DTI found no contravention of regulations.

Revoking authorization is another of the department's responsibilities. In 1994, the DTI withdrew authorization from 14 companies in 139 classes of business—but all at the companies' own request. BI

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REQUESTS FOR PROPOSALS

REQUEST FOR PROPOSALS TO AUDIT RISK MANAGEMENT PROGRAM

The City of Los Angeles requests proposals to evaluate its risk management policies, practices and organization and to compare them to the "best practices" of well-managed governmental agencies and private sector companies of comparable size and complexity. The City is primarily self-funded and self-administered for workers' compensation, tort liability and physical damage. The audit will identify any specific areas needing change and recommend appropriate measures to allow the City to operate its risk control, claims management, risk financing and risk administration activities with the highest efficiency and at the lowest practical cost.

The timetable is relatively short: proposals are due in hand at the City by 5:00 p.m., Oct. 23, 1995. Preliminary recommendations are needed by December 1, 1995 with the final report completed by February 29, 1996.

An optional, pre-proposal conference will be held at 9:00 a.m. on October 10, 1995 at the address shown below. Due to the short notice, proposers unable to attend may request copies of questions and responses at the conference.

Copies of the RFP may be requested by fax, mail or telephone from:

City Risk Manager
Attn: Richard J. Welch, ARM
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—INVITATION FOR BID—

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Coverage are to become effective **January 1, 1996.**

Proposals shall be made in the format included in the Invitation For Bid packet containing instructions, specifications, and detailed submission requirements. Packets may only be obtained by calling NYCHA's **Insurance Consultant: Sedgwick James, Inc., 1285 Avenue of the Americas, 37th Floor, New York, NY 10019, at (212) 830-1189.** In order to be eligible, completed bid proposals **must be received by 4:30 PM on November 1, 1995.**

All inquiries for additional information regarding the Invitation For Bid are to be directed in writing, to **Robert Mazzaro, Vice President, Sedgwick James, Inc.,** at the aforementioned address/phone.

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Government, Unions and Educational Institutions	955
Commercial Consumers	
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Insurance Agents and Brokers	8,658
Insurance Companies	7,857
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Others Allied to the Field	960
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Non-qualified	9
Single Copy Sales	0
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★ *Source Business/Occupational breakdown of qualified circulation, May 29, 1995 Issue, as submitted to BPA for June 1995 BPA Publisher's Statement*

Kartchner discusses venture

Staffing presents biggest challenge

CHICAGO—What worries Vickie Kartchner most as she forms a new surplus lines unit for TIG Holdings Inc. is people.

"My biggest issue is making sure I have the right people on staff and the right people representing me. The rest will fall in place," she told a group of more than 90 people who attended the Assn. of Professional Insurance Women meeting held in Chicago Sept. 28.

Ms. Kartchner, who left her position as president and chief operating officer of Scottsdale Insurance Co. in June, is now president and COO of TIG Excess & Surplus Co. in Phoenix (*BI*, June 26).

"In starting a new company, especially a surplus lines company, you have to keep in mind it's a people business," she said. "The key to success is people understanding what they are doing. You can do this so wrong, it's scary."

In starting 'a surplus lines company, you have to keep in mind it's a people business,' says Vickie Kartchner.

Ms. Kartchner recalled a specialty business line Scottsdale developed. Soon after, Scottsdale became recognized as "the guru" of that line. It wasn't long after that that everyone else got in that line of business, she said. "I'm not afraid of natural competition. What bothers me is others reading reports (about new lines of business) and thinking, if these people do that, think what we can do."

There is a trend in the industry "to count sheep we don't understand," Ms. Kartchner said. "There are many people handling business that they should not be" and, as a result, customers are not being well served.

In addition, Ms. Kartchner said the trend to narrowly focus one's business is showing up in resumes.

Many people have an expertise in only one area or line of business, she said. "This presents a challenge in the market place because it's not singular and people aren't singular," she said.

Besides retaining the right people, Ms. Kartchner said the hardest thing about building a new company is creating a niche.

"People want to know how you will differentiate yourself from the competition," she said. "Being at the helm of a large corporation for a long time, I lost track of that. Readdressing the fundamentals is good."

TIG Excess & Surplus, which officially opened Oct. 1, will target specialty programs not readily available in the admitted market, Ms. Kartchner said. "A specialty property program is one of the first programs we are coming out with," she said.

Other programs include general liability, auto liability, and professional liability lines.

She is quick to point out though, that these coverages will only be obtainable "through top experts of the fields. People who know their sheep."

—By Sally Roberts

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Ralphs

Continued from page 2

put at a severe disadvantage unless the employee's choice of providers is limited, according to court papers. The grocer, which would not comment on the case, also raised concerns in court that allowing free choice encourages abuse of the workers comp system.

But the appeals court, in upholding a ruling by the Workers Compensation Appeals Board, found the 1990 revisions to California's workers compensation law made it explicit that an injured employee could request a change of physician at any time, including the initial 30 days of treatment when the employer is supposed to control the medical care.

And the court also said in its Sept. 25 decision that in the 1993 revisions, legislators had cut back the number of doctors who could participate in a workers comp proceeding, especially those who provide medical-legal evaluations. However, legislation did not cut back on the employees' right to choose multiple treating physicians, especially after 30 days of reporting an injury.

The case, *Ralphs Grocery Co. vs. Workers' Compensation Appeals Board and Dawn R. Lara*, stems from wrist injuries Ms. Lara suffered while a cashier at a Ralphs grocery store. She was temporarily disabled in 1993, treated by one doctor and returned to work. In March 1994, she again showed symptoms and began treatment with the same doctor. He found her to be temporarily totally disabled, and Ralphs paid disability benefits.

On April 7, Ms. Lara's doctor reported that when the patient entered his office, he saw her carrying her child and not wearing a prescribed splint. The doctor said her condition should have improved at least 50% had she complied with treatment.

Ms. Lara then requested that Kaiser Permanente treat her, and Ralphs authorized the change.

Two months later, the employee's attorney wrote Ralphs to request another physician. Ms. Lara claimed Kaiser was not treating both wrists. She failed to keep a June 20 appointment with Kaiser, and Ralphs temporarily discontinued paying her disability benefit. Ralphs immediately reinstated benefits when Ms. Lara returned to Kaiser on July 13.

However, Ms. Lara sought a hearing with a workers comp judge on her right to change physicians and to receive a penalty for Ralphs' failure to pay temporary disability benefits and provide medical treatment

The judge found under law, Ms. Lara could make unlimited changes of physicians but declined to impose penalties on her employer. The judge then stated in a report prepared for the Workers Compensation Appeals Board that Ms. Lara did not want Kaiser because the HMO had released her for modified work, which Ralphs was willing to provide. The judge opined that Ms. Lara preferred receiving temporary disability and concluded that Ralphs was reasonable in delaying her benefits.

Ms. Lara petitioned the Workers Compensation Appeals Board, which determined a 10% penalty was warranted for unreasonable delay in providing medical treatment and "unilaterally" terminating temporary disability benefits. It noted that Ralphs had not given Ms. Lara notice that it was challenging the reasonableness of the change to a third doctor or the basis of its refusal.

Ralphs then petitioned the appellate court and argued it did not refuse or delay medical treatment, but continued to authorize treatment with Kaiser, which Ms. Lara chose. The company believed that the state's labor code contains "one time only" language that makes it reasonable to refuse to allow treatment by a third doctor.

The company further argued its discontinuation of benefits was reasonable because it had no medical documentation to substantiate entitlement after Ms. Lara canceled her Kaiser appointment.

The Workers Compensation Appeals Board, however, explained that since 1976 an injured employee has the right to select his or her own physician 30 days after the injury is reported. But the employee also can leave control with the employer.

The board further explained that it has consistently interpreted the labor code to state that upon an employee's request, the employer shall select and tender one change of providers even when the employee is under treatment by an employer-selected doctor. Amendments in 1990 to the labor code made it clear that a request for a "one time" change of physicians could even be made during the first 30 days.

However, an employee exercising control over medical treatment is not limited to the number of physician changes. According to the board, if an employer concludes an employee is abusing the system by doctor shopping, the remedy is to allow the change, then petition to an administrative director or workers comp judge to regain control.

The appeals court concluded the "one time" change of physician provision did not apply to Ms. Lara, who was exercising her right to control her medical treatment.

The court affirmed the workers comp board's decision and remanded the case for a supplemental award.

In its discussion, the court stated that "If there is widespread abuse by employees exercising their right to choose a physician, it is a matter that can be brought to the attention of the Legislature."

The decision is unlikely to greatly impact the state's workers compensation system, said Michael McClain, general counsel for the California Workers Compensation Institute.

The ruling underscores the need for additional workers comp reforms, another group said.

The "control issue" lies at the heart of attempts to reform the workers comp system, said Chuck Bader, executive director of Californians for Compensation Reform.

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Ralphs Grocery Co. vs. Workers Compensation Appeals Board and Dawn R. Lara, No. D022610, California Court of Appeal, 4th Appellate District, Division 1.

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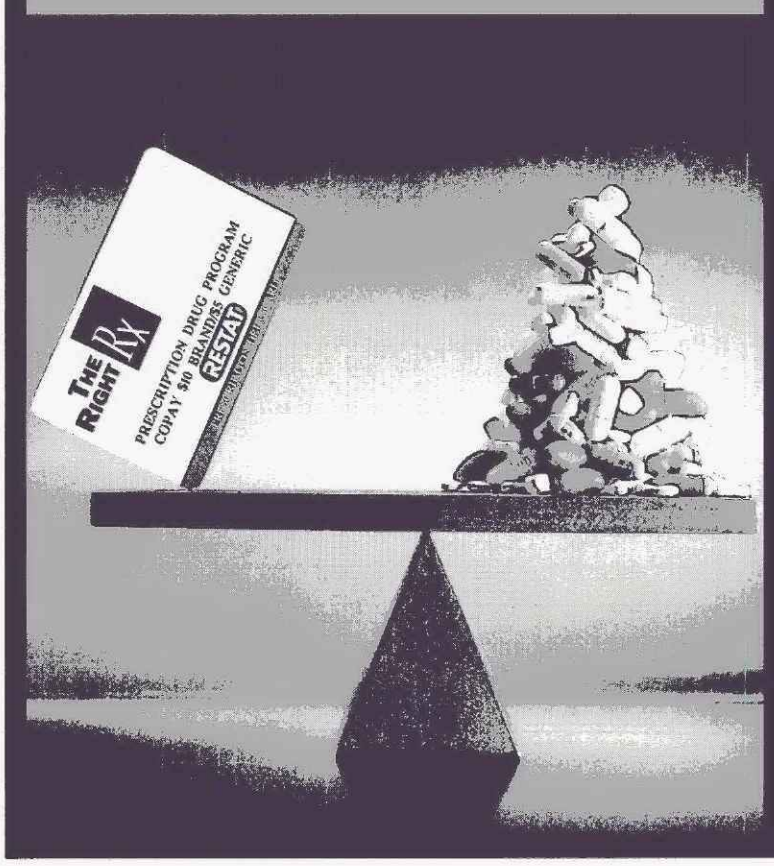
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Opal

Continued from page 1

Destin and Panama City Beach, Fla., sources say, causing massive damage to buildings, homes, condominiums, boats, trees and automobiles.

Preliminary reports indicated the storm knocked out power for 245,000 people in Florida, 250,000 in southwest Georgia and 300,000 in Alabama. The Florida Power & Light Co. placed an additional 240 workers on duty to help restore electric service to customers.

By Thursday evening, Opal was downgraded to a tropical depression as it headed northeast toward the eastern Great Lakes states.

President Clinton declared Florida and Alabama major disaster areas, making federal disaster resources available for immediate emergency needs and funding 100% of the costs for emergency work performed during the first 72 hours of the disaster.

Insurers with exposures in the affected areas say it is too soon to assess the total damage.

Nationwide Mutual Insurance Cos. estimates its claims will total at least $50 million and could be more than $70 million. The Columbus, Ohio-based insurer additionally has "substantial commercial exposures" in Florida but has no claims numbers or insured damage figures yet, a spokesman said. Nationwide has 72 claims adjusters in the stricken areas, with an additional 50 adjusters on standby.

As of Friday morning, Travelers Corp. had received 15 commercial claims, 166 personal property claims and six auto claims in Florida, a spokesman said, adding it is too early to put a damage figure on the claims. In Georgia, the Hartford, Conn.-based insurer received 80 commercial claims, 568 personal property claims and 100 auto claims as of late last week, he said.

State Farm Group, Florida's largest homeowners insurer, had no damage estimate as of Friday morning. Five hundred claims adjusters were sent to the battered areas to survey the damage, a spokesman for the Bloomington, Ill.-based insurer said. He added that so far, Dothan, Ala., is the most heavily damaged area.

Areas east of Pensacola to Panama City sustained moderate to major damage, said William Schmitz, claims manager for the Florida Windstorm Assn. The association, which underwrites windstorm coverage for the state, has 20,000 coastal properties within that area but has no estimate of damage "other than this was a major storm," he said.

American States Insurance Co., a unit of Lincoln National Corp., had received 350 claims from Alabama as of Friday morning but had no damage estimate in the state or a good reading on the damage sustained in Florida, a spokesman said. Early indications show that while the number of claims is high in Alabama, the severity is not, he said.

Catastrophe reinsurers were comparing Opal's path with their books of business through their modeling systems last week.

Centre Cat Ltd. identified four clients whose maximum potential losses could reach $35.3 million. However, the Hamilton, Bermuda-based reinsurer did not expect all four insurers to exhaust their programs and estimated its loss net of reinstatement premium to be between $8 million and $12 million.

Even though Opal's winds diminished before landfall, "this is still a significant event,' said Neill A. Currie, senior vp of Renaissance Reinsurance Ltd. in Hamilton, Bermuda. "Certainly catastrophe reinsurers will be paying losses, but they'll be at quite a manageable level."

Indeed, "the total must come to $3 billion, $4 billion or $5 billion before the reinsurance market really feels it heavily," said Herbert N. Haag, president and CEO of Partner Re in Hamilton, Bermuda.

Total insured loss estimates in the London market from Hurricane Opal varied widely last week.

One Lloyd's of London non-marine catastrophe underwriter believed that insured property losses would range from between $1.8 billion and $2.8 billion. U.S. ceding company clients who were with him last week also thought the losses would be minor.

Although Opal is the most vicious windstorm to hit the United States this hurricane season, the storm hit land in a relatively unpopulated area, so losses should be light, he said.

However, a senior Lloyd's of London marine underwriter thought losses from Opal—including offshore rig damage—would be higher than most people think and could total between $4 billion and $5 billion. He noted that most people thought Hurricane Marilyn would only cost insurers about $500 million to begin with, and now it looks like the losses will top $2 billion.

Though the eye of Opal missed the major offshore oil and gas fields in the Gulf of Mexico, there was some "crisp wind" in this region that could have caused damage, he said. But many of the rigs are old and uninsured, he said.

'Certainly catastrophe reinsurers will be paying losses, but they'll be at quite a manageable level,' says Neill A. Currie.

But, he didn't think the London market would be affected badly because London writes excess-of-loss coverage above large retentions.

According to the U.S. Department of the Interior's Minerals Management Service, 734 platforms and 109 oil rigs were evacuated because of Hurricane Opal. A department spokesman said the only substantial damage reported so far came from Falcon Operators Inc.

Mike Melancon, operations manager for the Cut Off, La.-based Falcon said its platform in the Gulf was "a total loss."

"We still may find her," he said, referring to the platform. However, searches from the air, on the beach and in the water have found no traces of the lost platform.

Mr. Melancon said an $800,000 claim was filed for the platform, but he would elaborate on the coverage or name the insurer.

Conoco Inc., a unit of E.I. du Pont de Nemours & Co. in Houston, which owns numerous natural gas and crude oil production platforms in the Gulf, sustained no "substantial structural damage" according to early accounts of fly-overs, a spokesman said.

However, by Monday, the self-insured energy company shut down almost all of its oil and gas production and kept it down until Thursday morning. On average, Conoco produces 55,000 barrels of crude oil and 415 million cubic feet of natural gas each day, the spokesman said

USX-Marathon Group is also in the process of evaluating damage to its offshore oil and gas production platforms in the Gulf, a spokesman said. All of its 87,000 barrels per day of crude oil and 230 million cubic feet of natural gas production were shut down prior to the storm. The spokesman would not elaborate on USX's self-insured retention.

Hurricane Opal caused at least two U.S. Gulf Coast oil refineries to shut down.

Chevron Corp.'s Chevron USA Inc. unit shut down its 295,000-barrel-a-day refinery in Pascagoula, Miss., and Louisiana Land & Exploration Co. shut down its 45,000-barrel-a-day refinery in Saraland, Ala.

Spokesmen for both refineries say the refineries are up and running and sustained no damage.

In addition to oil and gas platforms and refineries, risk managers for many commercial businesses in the hurricane-affected areas were busy responding to the catastrophe.

Haverty Furniture Cos., an Atlanta-based furniture retailer, had eight locations at risk from Hurricane Opal, said Jim Presmanes, risk manager. Its Pensacola store had no more than $4,000 in property damage due to some water leakage in the roof and under doors that damaged some furniture, he said.

"We came out very well," he said. All eight stores took precaution by boarding up, taping and putting large delivery trucks in front of exposed windows.

"We're really fortunate that it was downgraded to a Category 3 before hitting land," Mr. Presmanes said. "That helped us out tremendously."

Liberty Mutual is Haverty's property insurer, he confirmed.

The hurricane pounded several large hotels in Gulf Coast vacation areas, causing extreme damage in several cases.

A 254-room Holiday Inn franchise in Navarre Beach, Fla., 19 miles east of Pensacola on Santa Rosa Island, couldn't be assessed completely for damage because roads were impassable, said Tony Rodolakis, vp of risk management and employment benefits at Atlanta-based Holiday Inn Worldwide. But an aerial survey revealed the storm's awesome force.

"Right now, 80% to 90% of the structures on the island have suffered fairly extensive damage," he said. "You just can't get on the island—there's no access to it." The hotel is closed.

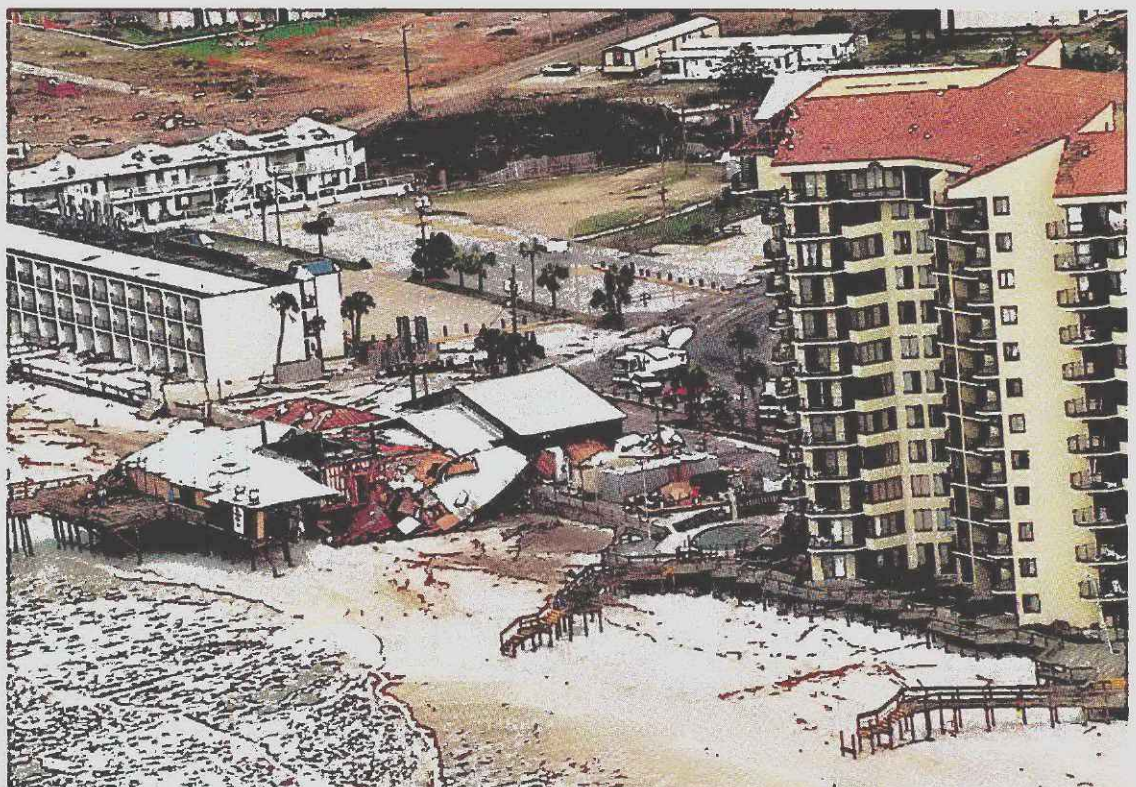
A nine-story Holiday Inn in Destin, Fla., with 233 rooms was very extensively damaged, according to early reports, Mr. Rodolakis said. "The first floor is either gutted or gone, there is extensive roof damage, the beach is gone, there's no power," he said. Another Holiday Inn franchise in Fort Walton Beach, with 385 rooms and seven floors, suffered extensive water and sand damage to the second floor.

A Holiday Inn franchise in Pensacola Beach, with 150 rooms and eight floors, suffered considerable damage from water and sand and its restaurant was destroyed. That hotel is expected to be closed until January 1996, as is a Holiday Inn franchise in Gulf Shores, Ala., that was heavily damaged in the storm.

No injuries were reported at any Holiday Inn franchises in the hurricane-affected areas, Mr. Rodolakis said.

The franchises obtain insurance independently of Holiday Inn Worldwide and typically purchase

See **Opal** *on next page*



Beachfront hotels like these in Panama City Beach, Fla., bore the brunt of Hurricane Opal's wrath.

Slices of paradise in harm's way

Oceanfront resorts' location makes them a paradise for tourists but also a prime target for hurricanes.

It can take months for hotels to rebuild and years after that to lure tourists back.

One of the hotels on the Hawaiian island of Kauai that was destroyed by Hurricane Iniki in 1992 finally reopened only last month.

Hurricanes Luis and Marilyn earlier this year brought tourism to a halt on some Caribbean islands, while Erin and Opal damaged properties on Florida's Atlantic and Gulf coasts.

"If your main amenity is the ocean, then you have to be close to the ocean," said Bruce Baltin, senior vp with PKF Consulting in Los Angeles.

"There's not much hotels can do to protect themselves," he said.

Hotel owners are upgrading and windproofing their structures and buying adequate insurance, though they may pay even higher prices for coverage after this year's losses.

In 1994, insurance costs for larger U.S. hotels reached their highest level in eight years. Premiums for property and contents increased 21% from 1993 to 1994, to $262 per available room, according to PKF, a hospitality industry consultant.

The 2,500 hotels that participate in the PKF survey have an average of 219 rooms and $7.1 million in annual revenues.

Business interruption coverage has also become a major issue for the U.S. hotel industry, Mr Baltin said.

"It should cover not only the period it takes them to reopen, but the time it takes to ramp up to their market position before the storm occurred," according to Mr. Baltin.

"It's not only the hotels, it's the foliage, landscape beach—all the things that make it a resort," he added.

Damage to an island's infrastructure and tourist attractions also hurts the hotels.

"You have to deal with government approvals, labor, supplies There are no guarantees," Mr. Baltin said.

Some of the Caribbean islands hit last month are not allowing visitors, even though the hotels could accommodate them, said Eddi Chapman, vp of hotel marketing at Robert Reid Associates in Secaucus, N.J.

Two hotels on St. Martin and Antigua for which the company books reservations are not expected to open until late next year, she said.

—By Sara Marley

Opal

Continued from previous page
a combined property and liability package, he said. Mr. Rodolakis said he expected it to cover the hotels' losses and said Holiday Inn corporate headquarters would supply advisers to help franchises with loss prevention, claims adjusting and interpreting coverage.

Many other hotels, restaurants and night clubs in the Panama City coastal area were destroyed or damaged.

Jan Hughes, assistant general manager of the Best Western Bayside in Panama City, said 25 of the inn's 98 rooms were flooded with five to 10 inches of water, trees had fallen down in the pool, and a structure used for meetings had all its windows smashed and was falling over.

The hotel had no power since Wednesday afternoon and closed its doors to guests. But, Ms. Hughes said properties directly on the beach were hit much harder.

"On the beach, some are devastated," she said. "They've been wiped out."

The owner of the hotel was busy Thursday taking photos for insurance claim purposes. "There's water and mud and debris everywhere," she said. "It just looks like a mess."

Many businesses farther inland, however, reported minimal damage.

Dick Genth, general manager of Panama City-based Century Boat Co., a retailer of boats and nautical equipment, was busy Friday selling emergency items such as chain saws and generators.



Though not as strong as Andrew, Opal hit Panama City Beach, Fla., hard enough to destroy a motel's seawall and foundation.

The company, which is north of town and escaped the brunt of the storm, moved its stock of 75 to 80 boats indoors before the hurricane arrived. "We were probably the only ones who survived without a scratch," Mr. Genth said.

Also feeling post-storm relief was Boyd Bros., a Panama City commercial printer about a mile from the coast. The plant sustained almost no damage except for a damaged awning.

"We were lucky," bookkeeper Steve Hough said. "My insurance agent was the first call I took this morning and he wanted to know how I fared," he said. "Luckily, I had a good report to give him."

The storm wove a selective path through Bay Lincoln Mercury Dodge Hyundai Inc. of Panama City. "Surprisingly enough, the cars survived," said Ronald Farrell, general sales manager. But the hurricane did some minor damage to the building exterior, destroyed some outdoor signs, and "the detail department is gone."

•

Stacy Shapiro, Sara Marley, Rodd Zolkos and Robert Kazel contributed to this story.

Storm hit hard enough to stir cat options market

CHICAGO—Opal's timing couldn't have been better for measuring market interest in the Chicago Board of Trade's new loss estimate index-based catastrophe options.

"There's a perfect timing in this, so to speak," said Dena Kotsores-Karras, a product manager at the CBOT. "You could see how the market moved."

The new index-based contracts, based on loss estimates provided by the Property Claim Services unit of American Insurance Services Group Inc., were introduced Sept. 29, trading alongside the board's existing loss ratio-based catastrophe contracts.

Although only 20 of the new contracts were traded on Oct. 3, as the hurricane neared land Oct. 4 trading activity jumped to 152 contracts. "Most of the activity has been in the PCS contract," Ms. Kotsores-Karras said.

The Oct. 4 trading included 20 Southeastern region contracts, 112 Eastern region contracts and 20 Northeastern region contracts.

"We had busy trading this week," she said. "We had price movement too during the day (Oct. 4)."

For example, an Eastern call spread option tracking estimated losses of $5 billion to $7 billion that traded at 2 points early Oct. 4, traded at 4 points later in the day. Under the new cat options, each point is worth $200. "So I think it was a perfect example of market activity," Ms. Kotsores-Karras said. "You could see how the market changed."

While Hurricane Opal affected cat future trading at the CBOT, analysts predicted the hurricane would have little impact on insurer stocks.

"The one company that would probably be most exposed would be Allstate, and their stock has barely fluttered," said Gloria Vogel, managing director and senior insurance analyst at Ladenburg, Thalmann & Co. Inc. in New York.

Opal's damage may be extensive in real terms, Ms. Vogel said, but the stock market measures impact in relative terms, weighing it against far greater losses suffered in Hurricane Andrew and the Northridge earthquake.

"I think the (stock) market has become so adjusted at this point that a $2 billion loss spread out among a lot of companies doesn't amount to much of anything," she said.

—By Rodd Zolkos

CIGNA

Continued from page 1
redomesticating 11 subsidiaries to Pennsylvania from other states, which would facilitate obtaining regulatory approval of a sale of the property/casualty operations.

CIGNA executives in the past indicated they would consider exiting the property/casualty insurance business.

"You never say never" about possibly leaving the property/casualty business, said Gerald A. Isom, president of CIGNA Property & Casualty, a division of Philadelphia-based CIGNA.

However, "the reason all of this was done was to address our asbestos and environmental liabilities so we're not constantly explaining the drag on our active business," he said.

Unburdening management from the weighty reserving issue will make the ongoing operations more viable, he said.

Management now can focus on Mr. Isom's 2-year-old project of increasing business by recasting the operations as a specialty insurer group focusing on three areas: large U.S.-based risks; risks with specialty needs; and certain market segments, like inland marine.

The redomestications are designed to give CIGNA "as clean a legal structure as CIGNA has had in its lifetime," Mr. Isom said.

"From what they told us, this is not a step toward a spinoff," said Pennsylvania Deputy Commissioner Ron Chronister.

Jake Wallace, vice chairman of Willis Corroon Corp. of Nashville, Tenn., believes CIGNA's management has a long-term commitment to the property/casualty industry.

"You've got to do the same things to dress it up to sell it as to make it a first-class operation," said Mr. Wallace.

One analyst said CIGNA may be better off by keeping its restructured property/casualty business if it plans to deal with capital markets to raise debt.

"The value of the CIGNA organization would be more with a clean P/C operation than without it," which would reduce CIGNA's cost to borrow money, said John L. Ward, chief executive officer of management consulting firm Ward Financial Group of Cincinnati.

Broker executives believe the plan would help boost CIGNA's business.

"I think it's very positive news for them," because the plan would make CIGNA P&C much more viable over the long term, said Lawrence L. Drake, a managing director of New York-based Marsh & McLennan Cos. Inc.

"In a very competitive marketplace, quality and security can make a difference in some cases" in a risk manager's selection of an insurer, he said.

A Standard & Poor's Corp. executive likes the restructuring plan but has some concerns.

"They've gone a long way to estimate the numbers and provide assets to cover their estimated liabilities," said Joyce Sharaf, associate director of S&P in New York.

But, she and others also said there is no guarantee that the runoff operations will not need additional funds to cover asbestos and environmental claims years down the road.

"It's hard to fathom that would be an issue," Mr. Isom said, adding that he expects "money back" from the runoff operations.

He noted that CIGNA's $3.4 billion of combined asbestos and environmental reserves and claims paid to date represent 8.3% of the amount the P/C industry has recognized to date, even though CIGNA's share of the general liability market was 4.5%.

Mr. Isom also noted the reserve boost was studied by Tillinghast at the Pennsylvania Department's request and by CIGNA's consultant, Milliman & Robertson Inc.

Ms. Sharaf also noted that CIGNA P&C does not have a long track record as a specialty company and that its first-half expense ratio was "much higher than it should be."

The expense ratio was 36% to 37%, Mr. Isom said. The industry reported a 26.1% expense ratio, according to the New York-based Insurance Information Institute.

Mr. Isom agreed the ratio is too high, explaining that CIGNA P&C's withdrawal from several lines of unprofitable business occurred faster than management could cut costs. But, he expects the expense ratio will drop to 31% to 33% by 1997.

Insurer rating agencies signaled their approval of CIGNA's plan, which still requires regulatory approval. Mr. Isom expects to obtain that approval by year's end.

A.M. Best Co. of Oldwick, N.J., expects to rate the ongoing property/casualty operation A-, or excellent, with a stable outlook. Best expects to rate the runoff operation B+, or very good, also with a stable outlook.

Meanwhile, Best has affirmed its ratings for CIGNA Corp.'s current intercompany pools, which were created at year-end 1994 from CIGNA's single 19-company pool (*BI*, Dec. 26, 1994):

- A- for the four-company CGF&C pool, led by Connecticut General Fire & Casualty Co. The companies in this pool lack material asbestos and environmental exposures.
- B+ for the 15-company INA Pool, led by Insurance Co. of North America, which retained the vast majority of CIGNA's asbestos and environmental liabilities.

Moody's Investors Service of New York confirmed CIGNA's debt ratings and the A1 financial strength rating for Connecticut General. It also placed the Baa1 financial strength ratings of CIGNA P&C companies on review for a possible upgrade.

S&P affirmed its AA claims-paying ability rating of Connecticut General and the BBB+ long-term debt rating, BBB subordinated debt rating and A-2 commercial paper rating for CIGNA.

CIGNA's reserve boost is the largest in a succession of increases by major P/C insurers since April. Aetna Life & Casualty Co., Fireman's Fund Insurance Co. and Swiss Re America also have hiked reserves, though only for environmental liabilities.

For CIGNA, restructuring its P/C operations is just as crucial.

Under the proposed restructuring, CIGNA would form separate holding companies for its runoff business and its ongoing property/casualty operations. Both new holding companies would be owned by INA Financial Corp., CIGNA's current holding company for its property/casualty insurance business.

The new intermediary holding company for the runoff business, Brandywine Holdings Corp., would retain 80% of CIGNA's asbestos and environmental liabilities. CIGNA would place Century Indemnity Insurance Co. into runoff and merge it with two other inactive companies under Brandywine. The merged entity would assume most prior-year reserves from INA, which would be part of the ongoing operations group.

Brandywine also would include four reinsurance companies that CIGNA placed into runoff last year (*BI*, Nov. 7, 1994).

CIGNA would boost Brandywine's asbestos and environmental reserves by nearly $1.03 billion, bringing total asbestos and environmental reserves to $1.9 billion. Of that increase, $860 million would be for environmental claims, and $165 million would be for asbestos claims, Mr. Isom said.

About half of that increase would be for bulk reserves and half for incurred-but-not-reported claims, he said.

CIGNA also plans to add $135 million to reserves for unrecoverable reinsurance, according to Mr. Isom.

The runoff operation would have $5.3 billion of total reserves, which also would support the runoff of other business, including discontinued reinsurance operations, professional liability and excess and surplus business

Additionally, CIGNA would infuse $375 million of capital into Brandywine and absorb $125 million of other liabilities for the operation, most of which would be retiree health benefit obligations, Mr. Isom said.

Brandywine also would be protected by a $500 million excess-of-loss finite risk reinsurance policy written by the ongoing property/casualty operation. CIGNA would pay the undetermined premium for the coverage.

That protection would be triggered only if asbestos and environmental liabilities remained after Brandywine had exhausted its initial $7 billion of assets and its annual investment income. CIGNA P&C expects that investment income will total $300 million this year.

The runoff operations would be managed by P&C Management Facility, which CIGNA created last year.

Eighteen companies, including Connecticut General and INA, would be in the active operations group. Most of these companies, except INA, would retain their asbestos and environmental liabilities, which account for 20% of CIGNA's exposure.

But, that exposure would be reinsured to the inactive operation. The details of that arrangement have not been ironed out, Mr. Isom said.

The active operations, which would be owned by INA Holdings Corp., would have $1.2 billion of surplus supporting $1.7 billion of net written premiums in 1995 for a 1.4-to-1 premium-to-surplus ratio, according to CIGNA P&C.

The active operation would have $5.2 billion of assets, and its projected risk-based capital ratio would be 50% higher than regulatory requirements, according to CIGNA P&C. It would have $3.1 billion of reserves. BI

Settle

Continued from page 2

money to the fund.

That plan could cost the companies a total of about $3 billion, according to attorneys close to the case, but the manufacturers did not return phone calls made to confirm that figure. Any plan would ultimately have to be approved by the U.S. district judge overseeing the litigation, Sam C. Pointer of Birmingham, Ala.

This settlement could be less attractive to claimants than the dissolved $4.23 billion settlement that the defendants—along with Dow Corning—agreed to last year, legal observers say.

It is estimated that fewer than half of the 440,000 women that registered for the original global settlement will access the revised settlement, primarily because many women have claims pending only against Dow Corning and because it will pay most claimants less than the original plan had offered.

A factor making the breast implant talks even more complicated, other than Dow Corning filing for bankruptcy and withdrawing from negotiations (*BI*, May 22), is that recent scientific studies are finding little link between silicone gel implants and various health problems (*BI*, July 10). This is making manufacturers less flexible in their negotiations.

Despite the breast implant problems, multidefendant settlements often are better for corporations because they reduce administrative costs, say experts in mass tort litigation.

"Multidefendant settlements aren't the problem. As society grows, the number of claimants grows—and it wouldn't make sense for every company to do their own settlements," said Dianne Nast, a plaintiffs lawyer with Roda & Nast in Lancaster, Pa., and a member of the breast implant litigation steering committee.

Class size and multiple defendants are not insurmountable problems, said Ms. Nast. What is causing problems in the breast implant negotiations, she said, is that companies with different exposures hold different views about what constitutes a fair and reasonable offer.

"It's not a matter of the number of class members or defendants. It's the structure. You can pay 50 million people if you have a fixed formula for determining payouts. Problems crop up when you have scales of payment and ratcheting," she said, referring to a structure that allows companies to reduce payments as funds grow thin.

Under the defunct $4.23 billion settlement, the defendant companies would have capped their liability at that amount and the money would have had to suffice for 30 years. Payments would have been ratcheted down as funds became depleted.

But for companies in bankruptcy protection, such as Dow Corning, evidence is building that they maybe able to settle their liabilities efficiently through court-supervised settlement trusts.

One such trust, the Dalkon Shield Claimants Trust, which was established in 1988 when American Home Products Corp. acquired bankrupt A.H. Robins Co., the manufacturer of the Dalkon Shield intrauterine device which was linked to pelvic infections and damage to reproductive organs in women, has been successful. The trust announced last week that it is down to paying the last 6,000 of more than 190,000 personal injury claims.

Michael Sheppard, executive director with the Richmond, Va.-based trust, said the trust will distribute its final $1 billion over the next four years. The trust has a surplus sizable enough to pay a 60% bonus to women who have already collected more than $1.4 billion paid to date by the trust.

'Class size and multiple defendants are not insurmountable problems,' says Dianne Nast of Roda & Nast.

Mr. Sheppard said the key to the trust's success is that it was created by and has been managed by independent, court-supervised trustees, and not corporate and plaintiffs' lawyers.

Because the trust doesn't allow for the negotiation of claims, women filing claims against the trust have usually accepted first offers rather than pursued a court challenge or arbitration, he said. Therefore, administrative and court costs have been very low, Mr. Sheppard said, noting that administrative costs have averaged only $600 per paid claim.

"We've had excellent litigation experience and administrative fees of about 6% of total claim costs. Many people expected our administrative costs to be 15% of claims costs. We've achieved this by not allowing negotiations on claims, having a high level of settlement acceptance and by having good investment income," Mr. Sheppard said.

He suggested that bankrupt Dow Corning follow the trust's lead.

"Costs are much lower when you have independent trustees running the show, not plaintiffs' lawyers. Should Dow Corning pay attention to what we have done? I think they should," he said.

For its part, a spokesman for Midland, Mich.-based Dow Corning said the company has begun examining how to settle the thousands of breast implant-related claims it is facing.

"Now, we only know we will not be part of the global settlement. That settlement could have worked, but now with the opt outs and the outrageous demands of the plaintiffs' lawyers, who knows? We'll have to do some cost estimating, have a trial on causation and go from there as far as getting together a settlement mechanism," he said.

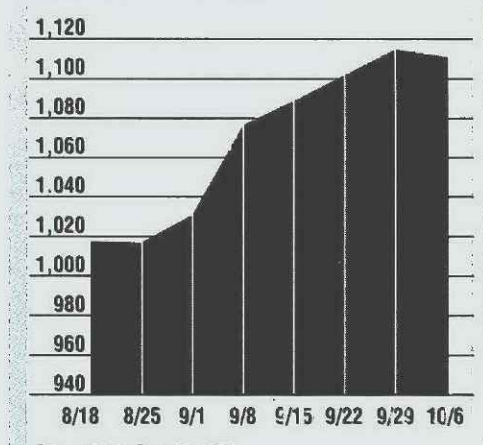
If individual settlements seem to be working for bankrupt companies—Piper Aircraft Corp. and Manville Corp. both emerged from product liability-driven bankruptcy through settlement trusts (*BI*, July 24; Dec. 19, 1994)—could they work equally well for solvent corporations like 3M, Bristol-Myers Squibb and Baxter?

Ms. Nast, of the breast implant litigation steering committee, said no.

"The transaction costs for one global settlement are much less than individual settlements. Companies are at an inherent disadvantage if they try to do it on their own," she said.

And while acknowledging that once a company files for bankruptcy the courts, in essence, control the settlement process, Mr. Sheppard said solvent companies can take a lesson from the success American Home Products has had with its trust. BI

BI Insurance Index



Base=100 on Dec. 29, 1978
Source: Nordby International Inc.

PCS catastrophe insurance options

As of Oct. 6

Call spread	Price bid/ask	Call spread	Price bid/ask
Eastern December 1995		Eastern September 1996	
5/15	8/9.2	40/60	5/7
50/70	—/6	80/100	2.5/4.5
80/100	—/2.9		
Southeast December 1995		Southeast September 1996	
20/40	2/—	40/60	5/7

Total volume: 162 Total open interest: 229

For quotes, call the CBOT trading floor at 312-341-3342. For information on PCS cat options, call 312-435-3674.

Source: Chicago Board of Trade

British Issues

Oct. 5 Companies	Price pence	P/E	Div. pence	Yield %	1 week high—low
Comml Union	594	11.9	33.0	5.5	594—557
Genl Accident	632	9.3	36.3	5.7	632—579
Gdn Royal Exch	224	N/M	10.3	4.6	224—214
Independent	352	9.8	11.9	3.4	362—351
Royal	366	6.9	15.0	4.1	366—356
Sun Alliance	365	12.3	19.7	5.4	365—357
Brokers					
Bradstock	45	5.0	2.1	5.8	46—45
Fenchurch	128	9.0	10.0	7.8	130—128
CE Heath	154	9.7	20.0	13.0	155—154
JIB Group	118	10.3	9.4	8.0	118—118
Lloyd Thmpson	150	9.2	11.3	7.5	152—150
Lowndes Lmbrt	148	8.3	10.3	7.0	150—148
Nelson Hurst	165	12.8	8.3	5.0	165—165
Sedgwick Grp	112	12.2	8.1	7.2	114—109
Steel Brl Jones	38	4.5	11.3	N/M	40—38
Willis Corroon	129	N/M	8.3	5.4	129—121

Source: Philip Olsen, London

BI Industry Stock Report OCT. 2, 1995, THROUGH OCT. 6, 1995

BROKERS		Price	Weekly % change	Year to date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt./Bk. value
Acordia Inc.	NYS	24.75	-10.00	-26.12	34.50	23.50	191	0.72	2.91	12	14.00	1.77
Alexander & Alexander	NYS	23.625	-2.58	27.70	26.44	18.50	1321	0.1	0.42	11	19.17	1.23
E.W. Blanch Holdings Inc.	NYS	18.75	-1.32	-9.09	22.63	16.50	80	0.4	2.13	15	1.40	13.39
Gallagher Arthur J. & Co.	NYS	35.25	-0.70	10.16	38.00	29.63	28	1	2.84	15	6.48	5.44
Hilb, Rogal & Hamilton	NYS	14	4.67	15.46	14.00	10.50	90	0.56	4.00	17	1.21	11.57
Marsh & McLennan	NYS	85.625	-2.56	8.04	89.38	71.50	554	3.2	3.74	16	19.95	4.29
Poe & Brown	NDQ	24.25	-1.02	11.49	25.25	19.50	63	0.48	1.98	15	5.15	4.71
BROKERS	AVERAGE		-1.9	5.4					2.6	11		
INSURERS/REINSURERS												
ACE Ltd.	NYS	33.875	-1.45	44.92	34.75	20.75	416	0.00	0.00	0	22.45	1.51
Acceptance Insurance Cos.	NYS	15.625	0.81	4.17	18.00	12.63	287	0.00	0.00	11	10.76	1.45
AEGON N.V.	NYS	36.75	1.38	44.69	37.25	22.25	128	1.07	2.91	14	17.28	2.13
Aetna Life & Casualty	NYS	72.375	-1.36	53.58	75.50	43.13	2735	2.76	3.81	53	48.85	1.48
AFLAC Inc.	NYS	41.375	-0.30	29.30	44.75	31.63	1233	0.52	1.26	13	17.58	2.35
Allied Group Inc.	NDQ	32.375	-1.15	30.81	33.25	22.00	122	0.68	2.10	7	21.81	1.48
Allmerica Prop. & Casualty	NYS	22.5	-5.76	33.33	24.75	14.63	116	0.16	0.71	9	19.87	1.13
Allstate Corp.	NYS	34.75	-1.77	46.32	37.25	22.63	6427	0.78	2.24	11	18.75	1.85
American Financial Group	NYS	29.625	-1.25	41.07	32.13	22.00	123	1	3.38	329	24.94	1.19
American General	NYS	36.625	-2.01	29.65	38.88	25.63	1083	1.24	3.39	14	17.03	2.15
American Heritage Life Ins.	NYS	19.875	-0.63	4.61	21.50	16.25	56	0.72	3.62	11	12.51	1.59
American Indemnity/Fin'l	NDQ	12.25	0.00	20.99	13.25	9.00	4	0.3	2.45	8	15.92	0.77
American International	NYS	85.125	0.15	-13.14	86.75	58.50	2567	0.34	0.40	17	34.66	2.46
American Re Corp.	NYS	38.25	-0.65	18.60	43.13	25.50	494	0.32	0.84	15	16.77	2.28
Aon Corp.	NYS	43.375	6.12	35.55	43.38	29.25	837	1.36	3.14	13	18.30	2.37
Argonaut Group	NDQ	30.25	-0.82	7.08	32.50	27.50	27	1.32	4.36	11	29.91	1.01
AVEMCO Corp.	NYS	17.125	3.01	11.38	18.25	13.38	30	0.48	2.80	15	6.28	2.73
Baldwin & Lyons Inc.	NDQ	15.25	0.00	3.39	17.63	14.69	5	0.32	2.10	12	13.90	1.10
Berkley W.R. Corp.	NDQ	46.25	1.93	23.33	47.00	32.50	325	0.48	1.04	22	34.46	1.34
Berkshire Hathaway Inc.	NYS	29850	1.53	46.32	30600.00	18200.00	1	0.00	0.00	71	10089.11	2.96
Capital RE Corporation	NYS	29.375	-2.08	7.31	30.13	20.50	22	0.2	0.68	11	22.30	1.32
Capsure Holdings Corp.	NYS	13.5	-1.82	-7.69	14.88	12.13	46	0.00	0.00	13	14.61	0.92
Chubb Corp.	NYS	93.125	-2.99	20.36	96.88	57.00	660	1.96	2.10	13	48.92	1.90
CIGNA Corp.	NYS	105.625	1.44	66.01	108.00	59.00	2308	3.04	2.88	10	80.46	1.31
CNA Financial Corp.	NYS	110.625	4.36	70.52	112.00	60.75	275	0.00	0.00	12	71.13	1.56
EMC Insurance Group Inc.	NDQ	13	-7.14	36.84	15.25	8.75	4	0.52	4.00	8	11.13	1.17
Emphesys Financial Gr. Inc.	NYS	37.25	0.34	17.32	39.50	22.63	473	0.6	1.61	10	17.69	2.11
EXEL Ltd.	NYS	58	-0.22	46.84	60.00	36.88	653	0.00	0.00	0	31.47	1.84
Fremont General Corp.	NYS	26.875	-2.71	14.97	28.75	18.88	176	0.8	2.98	8	19.04	1.41
Frontier Insurance Group	NYS	29.25	-3.31	33.71	32.00	16.75	107	0.48	1.64	22	14.65	2.00
Gainsco Inc.	ASE	8.875	-0.70	7.58	11.00	7.75	87	0.04	0.45	12	3.98	2.23
General RE Corp.	NYS	148.875	-1.41	20.55	153.25	105.13	646	1.96	1.32	16	59.35	2.51
Guaranty National Corp.	NYS	16.75	0.75	-8.84	19.00	15.13	39	0.5	2.99	10	11.60	1.44
Harleysville Group	NDQ	28.625	-3.78	18.04	30.00	22.00	34	0.76	2.66	10	20.72	1.38
Hartford Steam Boiler	NYS	46.625	-3.62	16.93	49.38	35.88	119	2.28	4.89	17	14.68	3.18
HCC Insurance Holdings	NYS	32.75	-1.13	55.95	34.25	18.50	34	0.00	0.00	18	11.76	2.78
ITT (Hartford Group)	NYS	121.75	-1.81	37.38	128.50	77.00	1357	1.98	1.63	10	45.46	2.68
Lincoln National	NYS	46.625	-1.06	33.21	47.38	34.63	768	1.72	3.69	12	28.90	1.61
Markel Corp.	NDQ	72.25	-1.70	74.10	75.50	40.25	115	0.00	0.00	17	25.71	2.81
Mid Ocean Ltd.	NDQ	33.125	-3.99	21.56	37.25	22.25	728	0.00	0.00	0	22.18	1.49
Mutual Risk Mgmt. Ltd.	NYS	38.75	-1.90	47.62	40.50	24.38	94	0.4	1.03	19	9.72	3.99
NAC Re Corp.	NDQ	32.125	-11.38	-4.10	39.00	24.25	337	0.2	0.62	13	18.23	1.76
National Re Corp.	NYS	34.125	-3.53	30.00	35.38	22.25	179	0.16	0.47	20	17.05	2.00
Navigators Group	NDQ	17.125	-3.52	18.10	19.75	12.75	7	0.00	0.00	22	10.21	1.68
Nobel Insurance Ltd.	NDQ	12.125	0.00	46.97	12.25	8.00	12	0.2	1.65	5	6.84	1.79
Ohio Casualty Corp.	NDQ	33.5	-6.29	18.58	35.75	27.00	225	1.52	4.54	14	23.64	1.42
Old Republic Int'l	NYS	28.5	-1.30	34.12	29.75	18.88	201	0.52	1.82	10	25.79	1.11
Orion Capital Corp.	NYS	43.75	-1.41	24.11	45.25	28.13	74	0.92	2.10	10	26.01	1.68
Partner Re Ltd.	NDQ	26	5.05	25.30	28.38	18.50	619	0.00	0.00	0	20.37	1.28
Penn-America Group Inc.	NDQ	10.75	0.00	45.76	11.50	6.50	22	0.12	1.12	11	6.47	1.66
Philadelphia Cons. Holding	NDQ	20.375	-4.12	66.33	21.88	12.00	20	0.00	0.00	19	9.05	2.25
Phoenix RE Corp.	NDQ	26.75	-1.83	-5.31	29.75	21.00	172	0.6	2.24	5	21.27	1.26
Provident Life	NYS	27	-0.46	24.14	27.50	20.50	93	0.72	2.67	13	22.34	1.21
Reliance Group Holdings	NYS	7.5	-1.64	44.58	8.13	4.88	855	0.32	4.27	11	3.45	2.19
Reliastar Financial Corp.	NYS	41.75	2.77	43.97	41.75	27.00	399	1	2.40	11	24.52	1.70
RenaissanceRe Holdings Ltd.	NDQ	23	-5.64	NA	25.38	20.72	483	0.00	0.00	0	NA	NA
RLI Corp.	NYS	22.5	0.56	37.20	23.63	16.00	26	0.52	2.31	11	20.51	1.10
St Paul Companies	NYS	58.25	-0.21	30.17	59.38	39.50	1203	1.6	2.75	11	32.45	1.79
SAFECO Corp.	NDQ	65.375	-0.38	25.72	67.75	47.13	862	2.12	3.24	12	44.95	1.45
SCOR U.S. Corp.	NYS	15.25	-1.61	82.09	15.63	7.50	26	0.2	1.31	19	13.62	1.12
Seibels Bruce Group	NDQ	0.8125	0.00	-67.50	3.25	0.75	64	0.00	0.00	0	0.04	20.31
Selective Ins. Group	NDQ	36.75	0.68	45.54	37.25	23.50	132	1.12	3.05	11	23.23	1.58
Sphere Drake Holdings	NYS	14.125	-5.83	1.80	19.13	10.75	159	0.00	0.00	0	13.85	1.02
TIG Holdings	NYS	26.125	-2.79	39.33	27.13	17.00	693	0.2	0.77	20	16.62	1.57
Titan Holdings, Inc.	NYS	15.5	0.81	58.97	15.75	8.25	42	0.3	1.94	12	9.04	1.71
Tokio Marine & Fire	NDQ	55	0.46	-9.47	62.00	49.88	9	0.4	0.73	48	57.73	0.95
Torchmark Corp.	NYS	42.25	0.30	22.46	43.63	32.38	575	1.16	2.75	11	17.37	2.46
Transatlantic Holdings	NYS	65.25	-2.97	16.78	70.38	47.75	141	0.4	0.61	13	33.30	1.98
Transnational Re Corp.	NDQ	22.625	-1.63	-3.72	26.38	18.75	61	0.00	0.00	7	18.84	1.20
Travelers Corp.	NYS	52.875	-0.47	63.32	53.38	30.38	3301	0.8	1.51	13	24.77	2.13
Trenwick Group Inc.	NDQ	51.25	-3.30	20.94	53.00	36.50	79	1.12	2.18	13	29.23	1.75
United Fire & Casualty	NDQ	35.625	-3.72	28.77	37.00	26.75	3	0.8	2.25	10	28.96	1.23
Unitrin	NDQ	46.5625	-0.93	8.28	50.50	41.50	162	2	4.30	13	37.51	1.24
UNUM Corp.	NYS	52.375	-0.71	38.74	54.00	35.13	762	1.06	2.02	26	26.45	1.98
US Facilities Corp.	NDQ	19.5	-3.11	95.00	20.38	9.13	335	0.2	1.03	10	11.66	1.67
USF&G Corp.	NYS	18.625	-3.87	37.96	19.50	12.63	1946	0.2	1.07	9	10.86	1.72
USLIFE Corp.	NYS	29	-0.85	24.73	31.63	20.63	232	0.93	3.21	10	38.45	0.75
Washington National	NYS	25.375	2.01	33.55	25.38	17.75	46	1.08	4.25	10	25.13	1.01
Zenith National Ins.	NYS	23.75	-2.06	4.40	24.63	19.38	63	1	4.21	13	16.35	1.45
Zurich Reinsurance Centr.	NYS	29.5	-0.84	2.16	30.88	25.00	28	0.00	0.00	135	21.54	1.37
INSURERS/REINSURERS	AVERAGE		-1.3	27.6					2.3	21.1		
HEALTH MAINTENANCE ORGANIZATIONS												
FHP International	NDQ	23.75	-1.55	-7.77	30.00	19.50	976	0.00	0.00	82	28.15	0.84
Humana Inc.	NYS	19.75	-1.86	-12.71	27.13	17.00	2540	0.00	0.00	7	6.56	3.01
Pacificare Health Sys.	NDQ	68	3.82	4.41	77.25	44.50	227	0.00	0.00	30	15.32	4.53
Safeguard Health Enter.	NDQ	12.25	2.08	32.43	12.75	8.25	13	0.00	0.00	72	6.15	1.99
Sierra Health Services	NYS	25.125	0.50	-20.55	33.63	22.13	599	0.00	0.00	4	9.22	2.73
United Healthcare Corp.	NYS	49	0.26	8.59	55.38	34.13	4520	0.03	0.06	25	16.17	3.03
U.S. Healthcare	NDQ	35.75	1.06	-13.33	48.25	26.50	7841	1	2.80	14	5.56	6.32
Wellpoint Health Networks	NYS	30	-1.23	3.00	37.00	25.88	126	0.00	0.00	14	14.26	2.10
HMOs	AVERAGE		0.4	-0.7					0.3	29		
ALL COMPANIES	AVERAGE		-0.9	10.7					2.1	24		

Top advancing issues: Aon Corp., Hilb, Rogal & Hamilton, CNA Financial Corp. Leading decliners: NAC Re Corp., Acordia Inc., EMC Insurance Group Inc. Most active issue: U.S. Healthcare. The BI Index fell 0.3%; the Dow Jones 30 Industrials fell 0.4%; the S&P 500 decreased 0.3% and the NYSE Composite fell 0.3%.

System design: Nordby International Inc.

Guilty pleas expected in probe of state insurance regulators

A former Louisiana official and a consultant accused in bribes

By DOUGLAS McLEOD

BATON ROUGE, La.—A former Louisiana Insurance Department official and an investment consultant are expected to plead guilty to felony charges arising from an ongoing investigation of misconduct at the department.

Federal and state prosecutors last month charged Charles E. Reichman, former chief financial officer of the department's receivership division, with accepting about $90,000 in bribes from Richard J. Bickerstaff, a Metairie, La., consultant who helped manage assets of insurers in receivership.

Both men have agreed to plead guilty to the charges later this month and both of them have been cooperating with government investigators, according to Patrick H. Martin V, assistant district attorney for East Baton Rouge Parish.

An investigation of "other individuals" at the Insurance Department is continuing, said L.J. Hymel, the U.S. Attorney in Baton Rouge.

Prosecutors declined to comment on the investigation.

Insurance Commissioner Jim Brown has been hit with criticism from several quarters over the receivership division's handling of insolvent companies' assets (*BI*, March 13).

Rep. Chuck McMains, a Republican member of the state House of Representatives' insurance committee, criticized the Insurance Department's hiring of Mr. Reichman, noting that Mr. Reichman had filed for bankruptcy in California in the 1980s and had recommended that the Louisiana Insurance Department buy certificates of deposit from the bank that held the mortgage on his house.

The House committee also obtained documents showing that Hattier, Sanford & Reynoir, a New Orleans investment firm for which Mr. Bickerstaff worked, had taken profits on its sale of bonds to the receivership division when it was supposed to have been paid only a flat fee for its services.

Mr. Reichman was later quoted in a newspaper story saying that Mr. Brown was aware of this arrangement, a charge the insurance commissioner denied.

The Insurance Department severed its relationship with Hattier Sanford in March. Mr. Reichman was fired in June.

Mr. Bickerstaff not only wrote several checks to Mr. Reichman but also paid several of Mr. Reichman's personal bills, prosecutors charge.

On Sept. 28, the East Baton Rouge Parish district attorney charged Mr. Reichman with bribery for allegedly soliciting and accepting more than $90,000 from Mr. Bickerstaff between December 1992 and February 1994.

Mr. Bickerstaff was the owner of Asset Management Consultants Inc., which was paid more than $200,000 to provide investment advice to the receivership division.

He also represented Hattier Sanford, which—in addition to its flat fee for investment management services—made profits on bond trades for the receivership division by marking up the price of bonds it purchased before selling them to the division, the charges state.

Mr. Bickerstaff not only wrote several checks to Mr. Reichman but also paid several of Mr. Reichman's personal bills and paid for a trip the two men and their wives made to New York, prosecutors charge.

Mr. Bickerstaff is also charged with illegally splitting fees he received through Asset Management.

The two men separately face federal charges stemming from the alleged bribery scheme.

The U.S. Attorney's office in Baton Rouge on Sept. 28 charged Mr. Reichman with mail fraud for allegedly receiving about $87,100 in payments from a contractor to the department between April 1993 and February 1994. He is also charged with tax evasion for failing to report the money on his tax returns.

Mr. Bickerstaff is charged with concealing his knowledge of a felony.

Under plea agreements on these charges, Mr. Reichman and Mr. Bickerstaff would be sentenced under federal sentencing guidelines and federal and state sentences would run concurrently, prosecutors say.

Mr. Reichman faces a statutory maximum of eight years in prison and Mr. Bickerstaff faces five years on the federal charges, though actual sentences under sentencing guidelines would likely be less.

Eades Hogue, a New Orleans lawyer representing Mr. Bickerstaff, said his client would 'enter the appropriate pleas" at his arraignment and that "there will be no surprise for the government from my client."

"He has been cooperating for a goodly period of time," Mr. Hogue said.

Mr. Reichman and his lawyer could not be reached. BI

Lloyd's

Continued from page 2

Houston recently allowed a member suit to continue. That ruling is now being appealed (*BI*, Sept. 18).

Late last month, the Arizona Corporation Commission's Securities Division and the Illinois Department of Securities charged Lloyd's with fraud after investigations.

Regulators in both states allege that Lloyd's knew that large, asbestos-related losses were likely to hit the market but withheld the information from U.S. investors who became members in the 1980s.

Before the 1980s, Lloyd's knew of "the potential flood of asbestos litigation and the increase in asbestos claims filed and failed to disclose, and concealed this investment risk from, the Arizona names prior to their membership in Lloyd's and/or prior to the Arizona names' annual investment in Lloyd's syndicates," the Arizona division said in its Oct. 1 notice of hearing.

Also, Lloyd's and representatives of Lloyd's syndicates assured members in Arizona that they would not be placed on syndicates with asbestos exposures when in fact they were, the division alleges.

In Illinois, the securities department also alleges that Lloyd's did not disclose the true risks of membership of Lloyd's.

"Throughout the 1980s and all or virtually all of the 1990s, representations of positive financial prospects were made to certain Illinois members in an attempt to keep them underwriting at Lloyd's, when such prospects were misleading due to the asbestos problem," the department said in its notice of hearing.

Lloyd's relied on its reputation to recruit members in Illinois, but by relying on that reputation members were destined to lose money, Illinois Secretary of State George H. Ryan said in a statement.

"Lloyd's motto is *fidentia*, which means confidence. Some Illinois investors, unfortunately, could lose money because they believed that slogan," he said.

Lloyd's also violated state securities laws by failing to register to sell investments, both states allege.

The states say they are acting to stop members from suffering further losses.

"The unfortunate truth is that Lloyd's has the capacity to continue drawing on investors' letters of credit and to make cash demands until the very last penny of their net worths is gone. We want to stop the pointless hemorrhaging of Arizona investors," Dee R. Harris, Arizona's director of securities, said in a statement.

The Arizona regulators are arguing that Lloyd's should: stop drawing down on members' letters of credit; drop lawsuits against non-paying members; pay a penalty of up to $5,000 for each violation of securities laws; pay back members' losses; and cease seeking members in Arizona.

Lloyd's stopped seeking new unlimited liability members throughout the United States earlier this year (*BI*, July 24).

At the Dec. 19 Illinois hearings, regulators will seek to prevent Lloyd's from soliciting more members in Illinois and impose a $10,000 fine on the market.

The Texas Securities Board also is investigating Lloyd's. It has sent a list of 38 questions to members in Texas asking about the history and nature of their membership, a source said.

Lloyd's will rebut the allegations at the hearings, according to Peter Demmerle, a partner at LeBoeuf, Lamb, Greene & MacRae in New York, which represents Lloyd's.

"At the moment, they are reliant on the story that has been told by investigators, but there is an understandable story that we can tell them. I think we'll be successful," he said.

If the states sanctioned Lloyd's, policyholders could suffer, Mr. Demmerle said.

"There is a conflict here. Every dollar that a name does not have to pay means that a policyholder does not get paid a dollar. It will be interesting to see how state insurance commissioners view this," he said.

U.S. members who are suing over their losses are pleased with the state actions.

The investigations show that authorities independent from Lloyd's and with no connections with the market are also suspicious of Lloyd's practices, said Richard D. Rosenblatt, chairman of the American Names Assn.

"They have taken the time to investigate Lloyd's, and they have come to the conclusion that members were sold these securities in violation of state laws," Mr. Rosenblatt said. BI

Equitas premium estimates delayed

By SARAH GODDARD

LONDON—Lloyd's of London has delayed what many see as one of the pivotal stages of its reconstruction and renewal program—giving its loss-hit members an idea of how much the exit route from their Lloyd's liabilities will cost.

Under the plan's original timetable, members were to receive by the end of this month ball-park figures on the cost of their premiums to be paid into Equitas, the run-off company which Lloyd's hopes will take on the market's 1992 and prior liabilities. But instead they will be sent a progress report on the overall reserving position of Equitas, outlining its proposed capital base and structure.

The delay has been caused by problems surrounding the calculation of personal stop-loss policy payments to members and the effects the PSL amounts will have on the individual names' cash position within the ambitious rescue package launched in May, explained Lloyd's Chairman David Rowland at a press conference last Thursday.

Lloyd's Chief Executive Peter Middleton said he thought that the overall settlement funding position would not be changed by the results.

However, negotiations must continue with the errors and omissions and personal stop-loss insurers that Lloyd's expects will make substantial contributions toward the final settlement.

Mr. Rowland refused to give a revised date for the production of names' indications of their Equitas premiums. This has led to speculation that names will not receive any information about the level of payments to be demanded from them until the final bill comes through, currently due next spring.

But there could be help from the Lloyd's Central Fund, which Finance Director Bob Hewes said was about twice as strong at the end of September, when it stood at £660 million ($1.05 billion), than the market authorities had forecast in the original reconstruction and renewal plan. The plan was calculated on the basis of the fund standing at about £300 million ($475.8 million) by the end of this year. Mr. Hewes said the plan had been based on the projection that the fund would be exhausted some time during next year, but that this was probably not going to be the case.

This was because members are paying their liabilities at a much higher rate than was anticipated by the R&R plan authors.

Since the market is already committed to setting up a new central fund, the cash in the current one could be utilized, said Mr. Hewes.

Sir Adam Ridley, chairman of the Names Committee which is trying to find the fairest way of distributing the settlement money among Lloyd's names, welcomed the opportunity the delay provided for the committee to spend more time on its deliberations. "More time can only help us," he said.

And the chairman of the Assn. of Lloyd's Members, Sir David Berriman, said that the delay is at the instigation of external members who are seriously concerned that "any figure would be so potentially inaccurate as to mislead" at this point in time.

Names leaders argued that since names no longer trust information issued by Lloyd's there was no point putting them out, particularly since the components representing liabilities from 1986 and 1992 had not yet been agreed by managing agents.

However, a day later, the ALM issued a statement regretting Lloyd's decision to delay issuing the indications. In the statement, Sir David said that names would be disappointed about the delay, "but inaccurate information is worse than no information." He continued, "The information which Lloyd's is planning to provide will enable names to make an informed decision on whether they should support further progress on the reconstruction and renewal plan."

Names will be asked by Lloyd's to endorse the plan's progress and implementation at the end of November—although they will still be in the dark about the ultimate cost.

Meanwhile, Lloyd's has already started the search for a new legal services director to replace Jo Rickard, a partner with Lloyd's law firm Freshfields. Ms. Rickard's appointment in January was intended to last 12 to 18 months.

Also jumping ship is director of regulatory services, Rosalind Gilmore, who has decided to retire at the end of December, just one year into the job. She will remain as a member of Lloyd's Regulatory Board and of a panel advising on developing Lloyd's capital base.

Over the past year Ms. Gilmore has been reviewing the market's regulatory setup, though there is some doubt within the market that this will happen.

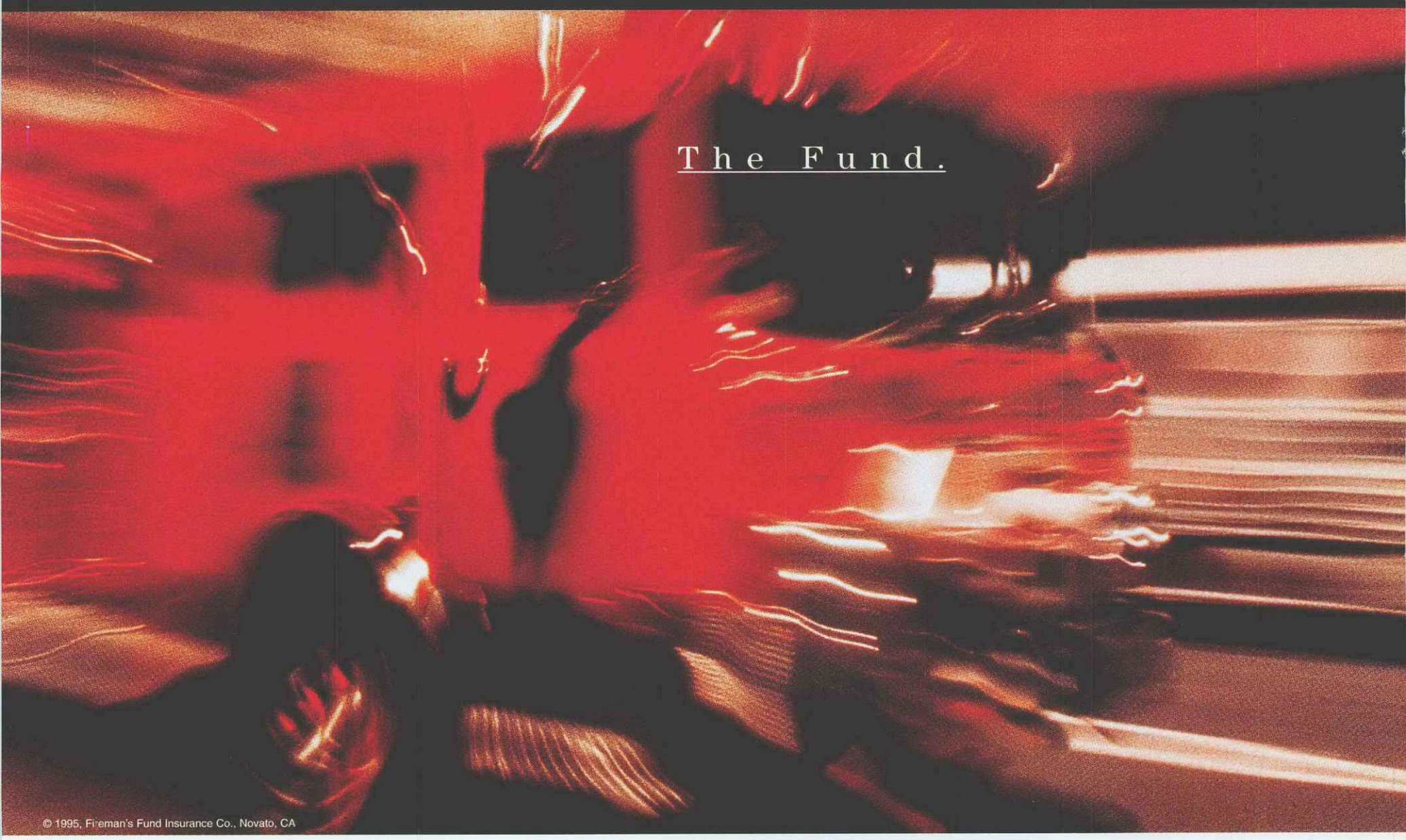
Lloyd's first regulatory plan, based on her findings, should be published by year-end. Ms. Gilmore's successor is David Gittings, who is currently director of the surveillance division at the Securities and Futures Authority in London.

According to a Lloyd's source, Ms. Gilmore is likely to replace Lloyd's Head of Regulation Alan Hardcastle when his contract is up for renewal in November. Sir Alan has been criticized as ineffective (*BI*, June 5).

Ms. Gilmore would concentrate on policy formation, while Mr. Gittings will be more involved on the regulatory side.

B.A.T. Industries P.L.C. in London has already announced that Ms Gilmore will be appointed a non-executive director of the company beginning next year. BI

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