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Update

Panel OKs temporary tax hike on reversions from pension plans

WASHINGTON—The Senate Finance Committee last week approved legislation that would slap a temporary 60% federal excise tax on reversions employers recover from terminated overfunded pension plans.

The new tax would apply to reversions after July 26, 1988, and before May 1, 1989. Unless Congress takes additional action in the interim, the excise tax on May 1 would revert to the 10% tax that had applied to most reversions.

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Asbestos cover expands

Ruling may spur settlements

By STACY ADLER

SAN FRANCISCO—The latest asbestos coverage decision by California Superior Court Judge Ira A. Brown Jr. may persuade insurers to settle asbestos coverage disputes with policyholders rather than litigate.

"The decision will be an impetus toward settlements," said insurer attorney Mitchell Lathrop with Adams Duque & Hazeltine in San Diego.

"Every responsible insurer will consider the possibility of settlement in an asbestos case" as a result of Judge Brown's decision, he said.

Judge Brown late last month handed another defeat to insurers by issuing several rulings, including a landmark decision that asbestos in buildings constitutes property damage from the time it is installed until it is removed or a claim is filed (see story, page 81).

The Aug. 29 decision follows Judge Brown's May 1987 decision in an earlier phase of the coordinated asbestos coverage litigation in San Francisco that asbestos bodily injury is insurable from the time a claimant is exposed to the hazardous substance until a claim is filed or the claimant dies (*BI*, June 8, 1987; June 1, 1987). That decision is the broadest interpretation of insurance coverage for asbestos bodily injury ever handed down

As a result of the latest in the series of broad rulings by Judge Brown, attorneys for both policyholders and insurers say insurers nationwide may decide to settle coverage disputes rather than litigate.

"The best message of Judge Brown's decision is that we are all better off trying to settle," said policyholder attorney David Steuber of Paul, Hastings, Janofsky & Walker in Los Angeles.

"Generally those insurers remaining in the litigation were recalcitrant—the least willing to settle—and they got burned for it," said Mr. Steuber, who represented GAF Corp. of Wayne, N.J., in the litigation before Judge Brown.

"The decision will put pressure on insurers to settle claims," said Tom Freeman, an attorney with Brobeck, Phleger & Harrison in San Francisco who represented Fibreboard Corp. of Concord, Calif.

One reason insurers might be persuaded to

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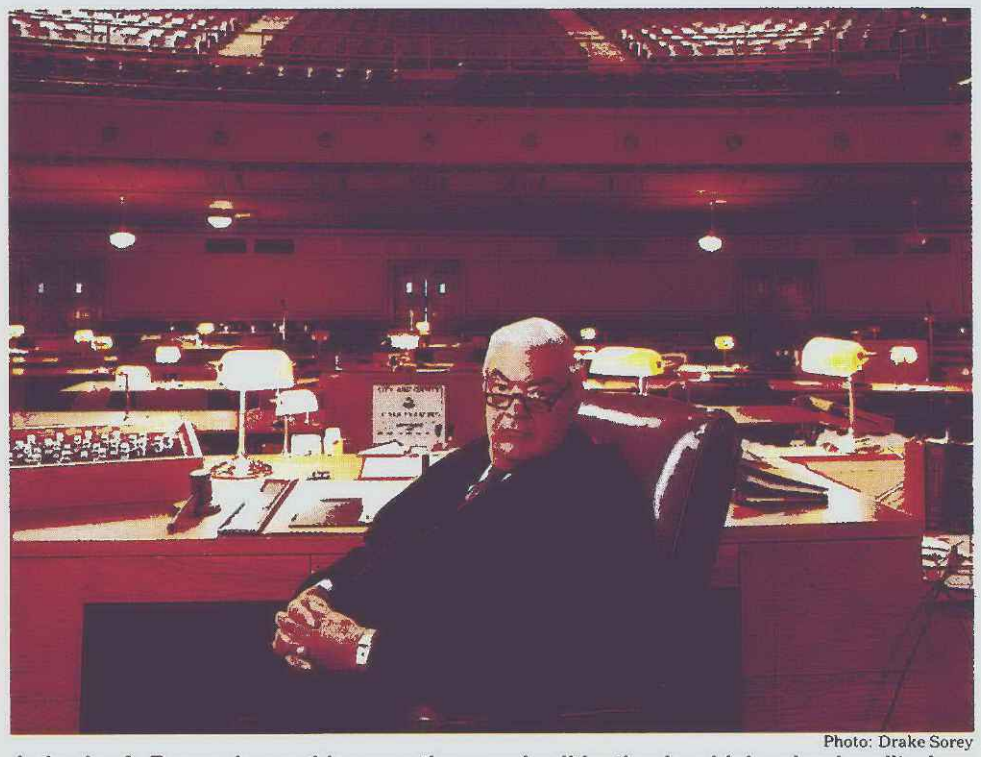


Photo: Drake Sorey

Judge Ira A. Brown Jr. presides over the massive litigation in a high school auditorium.

Federal appeals court upholds validity of pollution exclusion

By STACY ADLER

CINCINNATI—A decision by a federal appellate court could hurt policyholders embroiled in pollution coverage litigation nationwide, attorneys say.

In a major victory for insurers, the 6th U.S. Circuit Court of Appeals in Cincinnati last month upheld the pollution exclusion clause in comprehensive general liability policies.

Only two other federal appeals courts have ruled on the validity of the pollution exclusion clause: The 1st Circuit upheld the exclusion in 1984, while the 8th Circuit decided last year the exclusion did not bar coverage.

The pollution exclusion, which was incorporated in the standard CGL policy in 1973, bars coverage for pollution incidents unless "such discharge, dispersal, release or escape is sudden and accidental."

Courts nationwide have been split on how to interpret the exclusion—especially the term "sudden and accidental"—with policyholders maintaining that the exclusion should not be enforced because it is ambiguous.

While many courts interpreting the exclusion have ruled in favor of policyholders, attorneys point out that many recent decisions have favored insurers (*BI*, June 27; April 4; Aug. 17, 1987).

Attorneys for the defendant in the case, Star Fire Coals Inc., a subsidiary of Englewood, Colo.-based Cyprus Minerals Co., will

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Commissioners to study latest CGL modifications

By JUDY GREENWALD

NEW YORK—The National Assn. of Insurance Commissioners will scrutinize several coverage-limiting modifications to the Insurance Services Office Inc.'s commercial general liability insurance policy forms.

In addition, Arkansas Insurance Commissioner Robert M. Eubanks III, chairman of the NAIC's Commercial Lines Committee, said he will ask regulators in states where ISO policy form filings can be automatically approved to suspend that policy while the NAIC studies the endorsements.

The move follows sharp criticisms of the ISO proposals by the New York-based Risk & Insurance Management Society Inc.

The proposed modifications that concern RIMS would:

- Exclude all pollution-related losses from the CGL form.
- Exclude coverage for employment-related practices.
- Deny additional named insureds on a claims-made policy the right to purchase supplemental extended reporting—or tail—coverage.
- Limit liquor/host liability coverage.

An ISO official contends that the proposals are only clarifications of the coverage ISO intended to provide under the current occurrence and claims-made CGL forms.

ISO made its 80-page filing in July (*BI*, July 11).

Besides the modifications restricting coverage, ISO also has proposed an endorsement that would extend pollution coverage to on-site exposures and ongoing operations under a separate aggregate limit. Such pollution exposures currently are excluded under ISO's claims-made and occurrence CGL forms.

While risk managers say they would buy the endorsement expanding pollution coverage, observers believe the endorsement would not be widely used by insurers (*BI*, July 25).

ISO also has proposed expanding coverage for commercial automobile policies, pointed out ISO Senior Vp Carole Banfield.

"There are places where we are offering additional coverage," she said. "We are trying to provide individual vehicles that are responsive to individual risks."

RIMS ripped into the proposed modifications in a recent letter to Illinois Insurance Director John E. Washburn, chairman of the NAIC.

"We are deeply concerned that the present filing represents a continued attempt by ISO and the insurance industry to narrow coverage in the CGL form," which will lead to higher insurance costs, says the letter signed by Jon Harkavy, RIMS' director of governmental affairs.

"I just don't feel the policyholder will be well-served if these modifications go through unchanged," Mr. Harkavy told *BI*. "We don't want the modification pro-

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Update

Senate panel OKs reversion tax

Continued from previous page

The committee included the pension reversion excise tax in a series of amendments to a previously cleared technical corrections bill (*BI*, Aug. 1). The earlier bill, among other things, makes substantial changes to COBRA penalties and Section 89 rules.

Senate consideration of the technical corrections bills and the latest amendments is likely to begin this week.

The Finance Committee last week also retroactively extended through Dec. 31 the tax-favored status of employer-provided educational assistance benefits. The old $5,250 limit on tax-free benefits, which expired on Dec. 31, 1987, would continue, but employees would be taxed on tuition reimbursement on most graduate-level work or courses involving games, sports or hobbies.

Antitrust suits consolidated

SAN FRANCISCO—More than 36 separate antitrust suits filed against the insurance industry will be consolidated in U.S. District Court in San Francisco.

The Judicial Panel of Multidistrict Litigation consolidated the suits last week. U.S. District Court Judge William W. Schwarzer will preside over the case.

"This was not an unexpected development," said Robert Schiff, a partner with the San Francisco law firm of Fisher & Hurst, which is representing reinsurance broker Thomas A. Greene & Co. Inc. in the litigation.

Earlier this year, 18 state attorneys general filed suits charging more than 30 defendants—including U.S. insurers, reinsurers, brokers and trade organizations and individuals and Lloyd's of London underwriting syndicates—with coercive and manipulative actions, such as restricting the limits of liability coverage available during the hard liability market in the mid-1980s (*BI*, June 27; March 28). In addition, about 20 private class-action suits were filed against the same defendants.

The defense requested the consolidation, which also would include future filings.

A Dec. 16 deadline has been set for the defense to file motions challenging the legal issues in the suits. A pretrial hearing is set for July 7, 1989.

Lloyd's hikes means test

LONDON—Lloyd's of London will increase the financial requirements of its members beginning in 1990, Lloyd's Chairman Murray Lawrence said last week.

Members will have to satisfy a means requirement showing they have 250,000 pounds ($420,000) in assets instead of the current 100,000 pound ($168,000) requirement. Members also will have to maintain funds held at Lloyd's equal to 30% of their gross premium underwriting limit instead of 20%.

Increasing members' financial requirements is just one of the many issues Lloyd's has been looking at over the last year, said Mr. Lawrence (*BI*, Aug. 29). Lloyd's also is considering limiting members' liability, but "it has become apparent that any proposals in this area. . .would require Parliamentary legislation," he said.

So far none of the proposals for limiting liability appear viable, he said, though Lloyd's continues to examine the subject.

Piper Alpha rig damage claims

LONDON—Physical damage claims stemming from the July 6 Piper Alpha oil platform explosion may be about $150 million less than insurers originally expected.

Underwriters next week are expected to pay Texaco Inc. subsidiary Texaco Britain Ltd. $150.2 million for the company's 23.5% share of the platform, London underwriters say.

Underwriters already have paid $127.8 million to Union Texas Petroleum Ltd., a subsidiary of Union Texas Petroleum Holdings Inc., for its 20% share of the platform and 80 million pounds ($134.4 million) to Thomson North Sea Ltd., a subsidiary of International Thomson P.L.C. in London, for its 20% share (*BI*, Aug. 22).

Including the expected Texaco payment, physical damage claim payments to the three companies for their 63.5% ownership of the rig would total $412.4 million net of any retentions or deductibles. If physical damage claim payments to the rig's fourth owner, Occidental Petroleum (Caledona) Ltd., a subsidiary of Occidental Petroleum Corp., are consistent with payments to the other owners, total physical damage payments would total $650 million.

But, Occidental's policy with the Bermuda-based captive OIL Insurance Ltd. differs from the other companies' policies: It is expected to pay the replacement value of the platform rather than the actual value. Occidental owns 36.5% of the rig.

Underwriters still expect the explosion to cost about $1.4 billion, including liability payments.

Insurers in WPPSS case settle

TUCSON, Ariz.—Insurers are funding a $20 million settlement between an engineering firm and claimants in litigation over the 1983 bond default by the Washington Public Power Supply System.

The settlement, which still must be approved by U.S. District Court in Tucson, Ariz., will be paid by three insurers that underwrote professional liability coverage for Seattle-based R.W. Beck & Associates, according to William Mayben, managing partner.

Mr. Mayben identified the insurers as Planet Insurance Co., a

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Errors & omissions

• Information on American Insurance Managers Inc. was received too late to be included in the directory of wholesale marketers in the Aug. 8 issue of *Business Insurance*. Information on the company appears on page 10.

Reinsurers see stable '88 despite soft primary market

By JUDY GREENWALD

Reinsurers' underwriting results will remain relatively stable or deteriorate only slightly during the remainder of this year despite the softening primary property/casualty insurance market, many U.S. reinsurance company executives predict.

However, the officials see reinsurers' combined ratios deteriorating in 1989.

And, reinsurance executives also state that reinsurers' premium volume will continue to decline both in 1988 and 1989.

"I think (combined ratios will be) pretty stable for 1988 unless we get a catastrophe," said Paul Ingrey, president of F&G Re in Morristown, N.J, a USF&G Corp. unit. "I really don't see much reason for them to go up or down sharply.

"There's no underlying rationale, either, in terms of catch-up for reserving or marked deteriorating in loss development that I've observed that would take them either way, up or down," Mr. Ingrey said.

However, next year, reinsurers' combined ratios will deteriorate, as the "pipeline effect"—the time lag between price changes and their reflection in reinsurers' results—takes hold, he added.

The U.S. reinsurance industry posted a 101.9% combined ratio for the first half, slightly higher than the industry's 101.5% combined ratio for the first half of 1987 and the 101.2% combined ratio in the first quarter of this year, according to a survey of 77 reinsurers by the Reinsurance Assn. of America.

The 20 largest U.S. reinsurers—in terms of net premium volume—reported a 101.6% combined ratio, compared with a 101.0% combined ratio in the first half of last year and a 100.8% combined ratio in the first quarter of 1988.

The RAA results do not include 16th-ranked Transamerica Reinsurance Co., a Stamford, Conn.-based reinsurer formed late last year that did not report comparable results for a year ago.

Net written premiums for the entire industry declined 4.7% to $6.1 billion in the first half of 1988 from $6.4 billion in the first six months of 1987. The industry posted a 4.6% decline in premium volume during this year's first quarter.

The Top 20 reinsurers' net written premium volume, excluding Transamerica Re, declined 4.6% to $4.7 billion in the first half from $5 billion in the first half of 1987. The Top 20's premium volume declined by 6% in the first quarter of this year.

The U.S. reinsurance industry's policyholder surplus increased 12.2% in the first half to $9.5 billion from $8.5 billion at June 30, 1987. This also was a 3.9% increase from the $9.1 billion in surplus posted at the end of the first quarter.

Barring any major catastrophes, reinsurers' combined ratios at year-end will "remain pretty consistent with where they are at the six months," said Michael Pinter, executive vp of treaty underwriting for

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Non-economic damage cap to appear on Florida ballot

By MICHAEL BRADFORD

TALLAHASSEE, Fla.—Physicians and attorneys are squaring off in the Sunshine State over a ballot proposal that would cap non-economic damage awards in bodily injury liability cases in Florida at $100,000.

However, business groups and insurance industry organizations largely are staying out of the fray, either because they think the cap is too low or because they do not think the proposal will be approved.

Florida voters will determine the fate of the proposed amendment to Florida's constitution, which will appear on the ballot in the state's general election in November, just 18 months after the Florida Supreme Court struck down a $450,000 cap on all non-economic damages established by the Tort Reform & Insurance Act of 1986 (*BI*, May 4, 1987).

In that decision, the court said "there currently exists a right to sue. . .and recover non-economic damages of any amount and that this right existed at the time the current Florida Constitution was adopted."

If voters approve the proposed constitutional amendment, no state court could strike down the limit.

The ballot proposal also would give the state Legislature the power to adjust the cap up or down according to changes in the Consumer Price Index.

Although there currently are no limits on non-economic damage awards in most cases, Florida Gov. Bob Martinez earlier this year signed a law that caps at $250,000 non-economic damages in medical malpractice cases settled through arbitration (*BI*, Feb. 8).

Under this law, a plaintiff or defendant in a medical malpractice case can request arbitration. If a case is sent to trial because a defendant requests arbitration and the plaintiff refuses, non-economic damages would be limited to $350,000. There is no limit if a case goes to trial because a defendant refuses arbitration.

Plaintiffs' attorneys say extended a $100,00 cap to all cases would not be fair to the clients.

The cap is "viciously unfair," said J.B. Spence, a Miami attorney who specializes in medical malpractice litigation. "I believe that a person is entitled to present his claim in court and also to recover full damages."

Mr. Spence said the amendment would be particularly unfair when children are injured or killed by negligent doctors.

While the effort to get the proposal on the ballot was sponsored by the Florida Medical Assn., Mr. Spence said it is actually the work of the physician-owned insurers and physician trusts set up to provide malpractice coverage in the state.

And, he charged: "There will be no savings" to physicians. "No one is saying that it will reduce premiums a nickel. Not one nickel."

But Dr. Harold Norman, president of the Dade County Medical Assn. and chairman of the Florida Medical Assn.'s Council of Medical Society Officers,

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Inside

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- Perspectives take a pro/con look at generic pharmaceuticals: On the pro side is Dee Fensterer, president of the Generic Pharmaceutical Industry Assn.; and on the con side is Gerald J. Mossinghoff, president of the Pharmaceutical Manufacturers Assn. **PAGE 47**
- In Speaking Out, Gerald Chalfin of INSURx says that generic drugs offer better value for benefit managers and employees in pharmaceutical benefit plans. **PAGE 50**
- Legislation mandating employee parental leave policies is picking up steam on Capitol Hill. **PAGE 64**
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10 to select Risk Manager of the Year

Ten distinguished leaders in risk management and commercial property/casualty insurance will judge nominations for the 1989 *Business Insurance* Risk Manager of the Year Award.

The judges will score nominations describing risk managers' accomplishments on 10 criteria (see story, page 24). The highest-scoring candidate will be named the 1989 *Business Insurance* Risk Manager of the Year.

In addition, as many as five other nominees may be named to the Risk Management Honor Roll at the judges' discretion.

Risk managers for corporations, financial institutions, public entities, and tax-exempt or not-for-profit institutions can be nominated for the award. And, for the first time this year, administrators or executive directors of self-insurance funds or pools are eligible for the competition.

The judges for this year's competition represent a broad range of perspectives on risk management, including risk managers, insurance company executives, insurance brokerage executives, a risk management consultant and an insurance academician. The risk managers on the panel are the 1988 Risk Manager of the Year and members of the Risk Management Honor Roll.



Judging the nominations for the 1989 award, the 12th to be awarded by *Business Insurance*, will be:

- Gary L. Countryman, president and chief executive officer of Liberty Mutual Insurance Co. in Boston. Mr. Countryman is serving on the panel for the first time, representing mutual insurance companies.
- Gregory L. Daniels, director of the risk management division at the American National Red Cross in Washington, D.C. Mr. Daniels was a member of the 1988 Risk Management Honor Roll, representing not-for-profit institutions.
- Stephen A. Finley, risk manager for the City of Lakewood, Colo. Mr. Finley was a member of the 1988 Risk Management Honor Roll, representing government entities.
- Robert E. Gallagher, president of Arthur J. Gallagher & Co. in Rolling Meadows, Ill. Mr. Gallagher is serving for a second year on the panel, representing national insurance brokers.
- Gerald A. Isom, president and chief executive officer of Transamerica Insurance Co. in Los Angeles. Mr. Isom is serving for a second year on the panel, representing stock insurance companies.
- William L. Mather, administrator of risk management for The Gillette Co. in Boston. Mr. Mather was the 1988 *Business Insurance* Risk Manager of the Year.
- H. Thorp Minister Jr., chairman of The McElroy-Minister Co. in Columbus, Ohio. Mr. Minister is serving for a second year on the panel, representing a regional insurance broker's perspective.
- William S. Mortimer, president of his own risk management consulting firm in Laguna Beach, Calif. Mr. Mortimer, a past national president of the Risk & Insurance Management Society, is serving for the first time on the panel, representing the perspective of risk management consultants.
- Ellen Thrower, president of The College of Insurance in New York. Ms. Thrower, who holds a doctorate in insurance and risk management from Georgia State University, previously was professor of insurance and director of The Insurance Center at Drake University. She is serving on the panel for the first time, representing the academic community.
- Edward G. Weiss, director of risk management and security for First of America Bank Corp. in Clawson, Mich. Mr.

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Lloyd's '85 profits decrease by 24% to $397 million

By STACY SHAPIRO

LONDON—Increased asbestosis, pollution and automobile claims, losses from syndicates with open account years and a reduction in income contribute to the 24.1% decline in Lloyd's of London's 1985 global profits.

Lloyd's announced last week that 1985 profits slid to 211 million pounds ($396.7 million at year-end 1987 exchange rates) from a record 278.8 million pounds ($412.6 million at year-end 1986 exchange rates) in 1984.

Last year, former Lloyd's chairman Peter Miller had predicted that 1985 profits would top 1984 profits, but "unfortunately that has not proved to be so," current Chairman Murray Lawrence said last week.

Lloyd's reported that total income decreased 2% to 6.8 billion pounds ($12.8 billion) in 1985 from nearly 7 billion pounds ($10.4 billion) in 1984. Contributing to the decrease was gross investment income, which declined by 81 million pounds ($152.3 million)—or 15%—to 458.2 million pounds ($861 million) in 1985, according to Mr. Lawrence.

The decrease in investment income was "primarily due to lower interest rates throughout the period," he said.

Other factors, besides reduced income, that helped to reduce Lloyd's profits included syndicate expenses, which increased by some 45 million pounds ($84.6 million), he said.

And, claims from long-tail liability policies written in the United States escalated, particularly affecting the 1985 account, said Mr. Lawrence.

The market's overall loss from general liability risks increased 58.2% to 268.4 million pounds ($504.6 million) from 169.7 million pounds ($251.2 million) in 1984.

An increase in pollution and asbestos claims also caused 76 syndicates to leave open 120 years of accounts as of Dec. 31, 1987, said Mr. Lawrence. Losses attributed to runoff accounts, including losses from years that have been left open, skyrocketed 250% to 180.5 million pounds ($339.3 million) from 72.7 million pounds ($107.6 million) in 1984.

"To have so many syndicate years left open must be considered unacceptable to underwriters, members and agents alike," said Mr. Lawrence in a statement that accompanied the results. "Consideration is, therefore, being given by the Council of Lloyd's to ways of dealing with this problem."

The losses of one syndicate whose 1982 accounts were left open—syndicate 317/661 managed by R.H.M. Outhwaite Underwriting Agencies Ltd.—alone caused the Lloyd's non-marine market to post an overall loss for 1985, pointed out Michael Williams, chairman of Lloyd's Underwriters' Non-Marine Assn.

The estimated Outhwaite losses of 85.4 million pounds ($160.6 million) resulted in the non-marine market's loss of 5.3 million

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Photo: U.S. Synchronized Swimming

Synchronized swimmers Karen (left) and Sarah Josephson will represent the United States in Seoul.

Olympic risks

Property/casualty risks covered by Koreans

By MARK A. HOFMANN

SEOUL, South Korea—A leading bank and a consortium of insurers in South Korea—with some encouragement from their government—are lined up to cover most of the property/casualty risks at the XXIV Olympiad in a climate of political instability.

South Korea opens its doors Saturday to 17,478 athletes, coaches and team officials as well as 250,000 spectators from across the globe for the Summer Olympics, which run until Oct. 2.

The government-backed Korean Exchange Bank has guaranteed the Seoul Olympic Organizing Committee up to a $500 million line of credit that would cover both television broadcast revenues the SLOOC would lose if television networks worldwide pull the plug on the Games and damage to Seoul Stadium, where

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BC/BS policy covers U.S. team members

By DONNA DiBLASE

SEOUL, South Korea—Bumps and bruises sustained by the U.S. Olympic Team at the 1988 Summer Games will be covered by a health insurance program written by the Blue Cross & Blue Shield Assn.

The health insurance is being provided for the approximately 900 U.S. Olympic delegates—including athletes, coaches, physicians and trainers—participating in the Games in Seoul, South Korea, as part of a $2.5 million fund-raising effort by the Chicago-based Blues supporting the delegation.

That effort also includes various sponsorship programs of the U.S. Olympic team, such as financial support for the training activities of some athletes. The program also involved coordinating and paying for health insurance for the participants in the 1988 Win-

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CGL changes

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cess to represent a continued unbundling of coverage under the basic policy," which then must be bought with expensive "and often unavailable" endorsements.

In the letter, RIMS seeks a forum on the proposals at the NAIC's annual winter meeting, to be held Dec. 11-16 in New Orleans, at which policyholders and producers would participate.

Mr. Harkavy says in the letter that in light of the mammoth antitrust litigation faced by the insurance industry and recent congressional review of the McCarran-Ferguson Act, "the eyes of Congress and state attorneys are on the state regulation of insurance" (*BI*, March 28).

McCarran-Ferguson grants the insurance industry limited exemption from antitrust laws and grants states primary regulatory authority over the insurance industry.

"Whatever ultimate decision an individual state insurance department makes on ISO's proposed CGL changes, regulators should have the benefit of a national forum to consider a nationwide filing," the letter states. Such a forum "is a far more accessible vehicle for consumer and producer input than 50 state hearings which may or may not be held by insurance departments."

And, in a letter sent to all insurance commissioners along with a copy of the letter to Mr. Washburn, RIMS asks state insurance departments to delay consideration of the ISO proposals until after the national forum.

Mr. Eubanks says he has no objections to holding a forum at the NAIC convention. But, he says he plans to take the request one step further and set up at this month's NAIC's zone meeting at Mackinac Island, Mich., both a working group of NAIC members and an advisory committee, including both RIMS and ISO representatives, to study RIMS' concerns.

"A forum won't accomplish what I'd like to see accomplished," which is to study the issues and get back to ISO, Mr. Eubanks said.

Mr. Eubanks said he plans to have the committee prepare recommendations for ISO by early November. This will result in a "better and more informative discussion in December," he said.

And, he said he will ask state insurance regulators to block any automatic approval of the endorsements until after the forum.

"RIMS makes a very good case in the letter," Mr. Eubanks said. "These are very valid points. We would like to see a response as to what compelling reasons there are for these changes."

Mr. Eubanks also commented that he "would like to see more than six months go by" before ISO proposes any more modifications to the CGL forms.

Mr. Harkavy is pleased with Mr. Eubanks' plans. "I think it's a very, very hopeful sign."

The insurance industry tends to be "more highly motivated" to respond to RIMS concerns once regulators have expressed their interest in them, Mr. Harkavy said.

"I think it's a very good way to go, where everybody has an opportunity to make their points and respond," said ISO's Ms. Banfield, referring to Mr. Eubanks' plans to set up a working group.

Ms. Banfield said she believes the working group will be more effective than a forum. "I don't mind giving speeches. I just think everyone benefits more if you can actually sit down and penetrate it more." She also noted that the NAIC has set up similar working groups on other issues in the past.

Pointing to the proposed ISO endorsements, RIMS letter to Mr. Washburn states: "Whenever coverages are permitted to be unbundled from basic policy forms, policyholders will find that purchasing such coverages or increased limits in the future will be far more expensive."

Specifically, Mr. Harkavy says in his letter to Mr. Washburn:

- The proposed endorsement that would eliminate all pollution coverage is "designed to 'put the nail in the coffin' for any pollution coverage in the CGL."

The letter points out ISO's stated reason for proposing an endorsement for an absolute pollution exclusion was to give insurers the flexibility of offering CGL coverage—other than pollution coverage—to policyholders they would not otherwise insure because of the great pollution risks they pose.

However, "In the real world, RIMS is concerned that this laudatory intent will be transformed into a blanket exclusion which will find itself in the CGL policies of most insureds," RIMS states.

Mr. Eubanks said RIMS makes a "very solid point" regarding the proposed pollution endorsements.

"This could be a double-edged sword" for policyholders, he said. While ISO states the proposed changes will be beneficial to the policyholder, "there's certainly room for skepticism," he said. There is a need to take a "close look" at the proposal and determine whether what ISO proposes "is what in fact we could anticipate happening."

RIMS further states in the letter that it is "similarly skeptical" that ISO's other proposed endorsement expanding pollution coverage would ever be used in the market "with realistic limits afforded."

While RIMS does not expect gradual pollution coverage to be included within the CGL policy, sudden and accidental pollution coverage should be, it says in the letter.

"Rather than forcing ISO to delineate between 'sudden and accidental and gradual,' the regulatory community during the last ISO filing permitted insurers to drop all pollution coverage entirely, leaving a gaping coverage exposure which could bankrupt the insurance consumer."

However, both ISO's occurrence and claims-made forms do cover both sudden and gradual pollution coverage for product liability and completed operations and certain off-site pollution risks.

RIMS says ISO's current filing presents an "excellent opportunity" to send ISO "back to the drawing board" with a proposal that distinguishes between the two types of pollution.

The letter includes a sample of policy language, which it states is currently in use in the market, that accomplishes this. That language would extend coverage for bodily injury or property damage arising out of a pollution incident provided that the occurrence commenced during the policy period; was neither expected nor intended by the policyholder; is identified as commencing at a specific time and becomes known to the policyholder within 40 hours; and did not result from the policyholder's intentional and willful violation of any government statute, rule or regulation.

ISO's Ms. Banfield said RIMS' letter is "resurrecting the old issue" of whether there should be a pollution exclusion at all. She said that ISO's proposal gives both consumers and insurers more options.

- The question of whether losses stemming from employment-related practices are covered under the CGL is "subject to conflicting judicial and legal interpretation, although many RIMS members have been indemnified by their carriers for these losses."

"We never really intended to cover" employment liability in the CGL policy, explained ISO's Ms. Banfield. "This is more of a clarification" that is being proposed be-

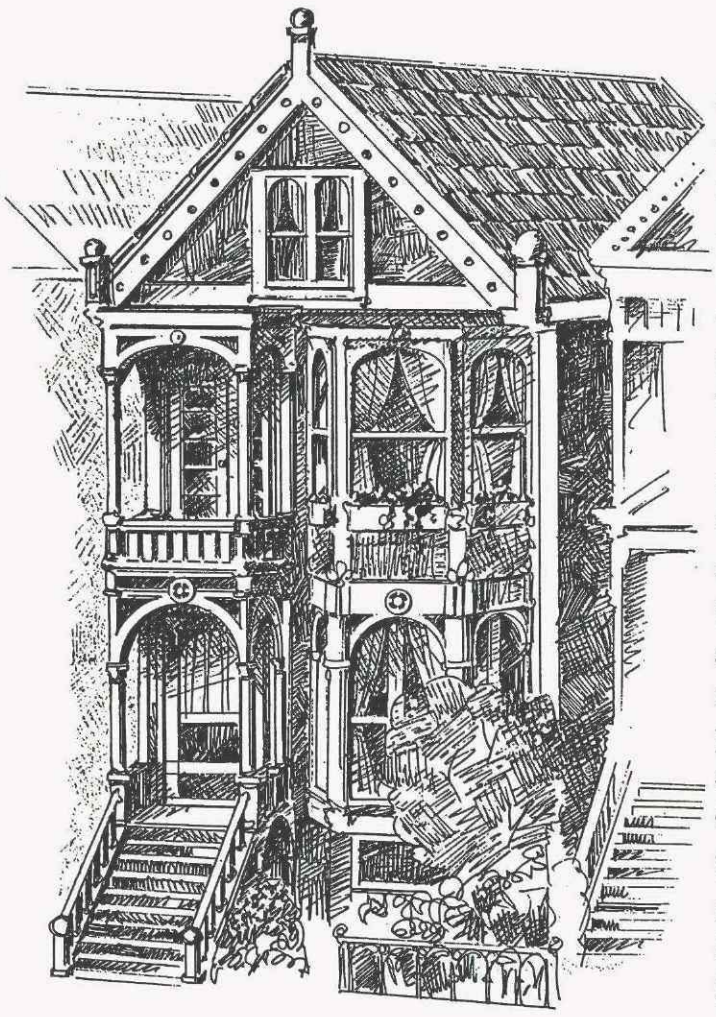
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Cure Your Rising Healthcare Costs With Our Easy Home Remedy.

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Hospitals offer employees managed care

By GLENN HUNTLEY

A majority of service employees at seven San Francisco area hospitals are expected to switch their health care coverage to a new managed care option to be offered by the hospitals under a new labor contract approved last month.

The employer-paid managed health care option was a key element of the hospitals' contract settlement with all 1,700 employees represented by the Service Employees International Union Local 250, according to union and management spokesmen.

Union members voted Aug. 16 by a 93% margin to approve the new contract. However, their return to work was delayed until Aug. 29 while a strike by the California Nurses Assn. against the same employers was resolved.

The nurses strike, which involved salary issues, ended last week.

"It's a major victory for health care employees," Hugh Lucas, a hospital employee and member of the union negotiating team, said of the service workers' contract. Management had asked that employees pay part of the premiums for any coverage offered to them, he said.

The managed care option will not require any employee contribution while an alternative fee-for-service plan includes cost sharing, said Mr. Lucas.

Under the contract, each hospital will offer a managed care option in addition to a restructured fee-for-service plan. While the specific managed care plans will vary from hospital to hospital, at least three hospitals are expected to offer Bay Pacific Health Plan, a San Bruno-based health maintenance organization owned in part by several of the hospitals, a union spokeswoman said.

If employees elect the Bay Pacific HMO, they pay no premiums and only minimal copayments on certain services, like prescription drugs.

Employees may also elect coverage under the restructured version of the old fee-for-service plan. However, because premiums are employer-paid under the managed care option, most hospital workers are expected to switch from the restructured health plan, a management spokeswoman said.

Under the fee-for-service plan, which in May was modified to include deductibles and copayments, monthly premiums are $15 for regular full-time employee only; $40 for an employee and one dependent; and $75 for families. Employees who work from 20 to 30 hours per week will pay different amounts depending on the number of hours they work, up to a maximum of $100 a month.

The restructured plan requires an annual deductible of $200 per individual or $400 per family and has a lifetime maximum benefit of $1 million per individual. It pays 100% of expenses at an employer's hospital and 90% of the first $10,000 and 100% thereafter at other affiliated hospitals.

The contract agreement also yielded a paid time-off program that designates the first six days of annual sick leave for any short-term use, including vacation or illness, while reserving the next six days solely for long-term illness.

In the course of negotiations, the hospitals had lumped all vacation and sick leave under one program.

But the new contract protects accumulated sick leave, she said.

The San Francisco-area medical facilities involved are: Mount Zion Hospital & Medical Center; Pacific-Presbyterian Medical Center; St. Mary's Hospital; Children's Hospital; Marshal Hale Memorial Hospital; St. Francis Hospital; and Seton Medical Center.

Benefit beat

Colorado employees

The state of Colorado will switch to a triple-option health care plan administered by Blue Cross & Blue Shield of Colorado on Jan. 1, 1989.

Among other things, the new plan will provide the state with consolidated billing and administration of its health care plan. The state currently offers a self-insured indemnity plan, administered by BC/BS of Colorado, along with several health maintenance organizations.

"The purpose (of the switch) is to maintain the integrity and stability of the plan," said John Ehnes, Colorado employee relations director.

Under the existing plans, HMO rates were expected to climb 25%, while premiums for indemnity coverage were expected to increase 27%, he said.

Of Colorado's 23,000 employees, about 8,600 are covered by the current HMOs, Mr. Ehnes said. They will have to elect one of the Blue Cross options by the end of the year.

Colorado will pay $50.60 monthly for each employee under any of the Blue Cross options, he said.

Under the plan, the employee will pay $42.32 for one individual per month, $120.56 for one employee plus a dependent, and $184.92 for a family.

In addition, a $6 monthly discount for non-smokers also will be applied.

Annual deductibles under the PPO option will be $100 per person or $200 per family, while the annual deductible under the indemnity option will be $150 for one person and $300 for family.

Copayments under the HMO option will be $5 per physician visit and $5 per prescription.

Many state employees are expected to opt for the PPO because of the lower deductible and ultimately lower out-of-pocket costs, Mr. Ehnes said. About 25% to 30% are likely to choose the HMO, he added.

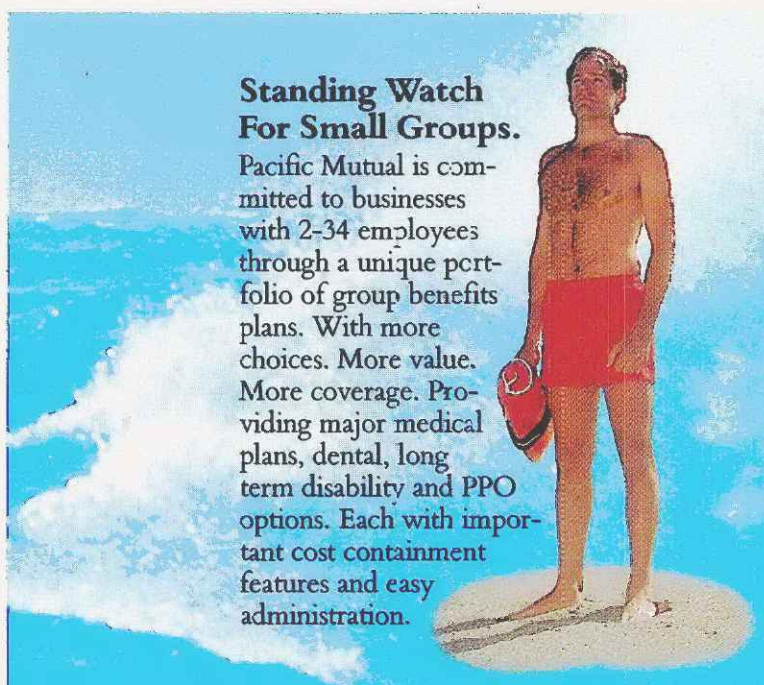
Current employees will be allowed to continue HMO coverage under Kaiser Permanente Health Plans, the only HMO available after contracts with the others expire next year, Mr. Ehnes said.

Officials hope to keep the state's contribution to the health plan "fairly flat" under the new Blue Cross contract, but they also plan to keep increases in the employees' costs at a minimum, he said.

The new triple-option plan will be offered to new employees and made available to workers who were covered under expired HMOs.

●

Made any benefit changes? Write Glenn Huntley, Associate Editor, Business Insurance, 6404 Wilshire Blvd., Los Angeles, Calif. 90048; 213-651-3710.



STANDING

In These Turbulent Times, Somebody



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Federal workers' health care costs rise

By JERRY GEISEL

WASHINGTON—The federal government and its employees soon will be hit with big increases in group health insurance premiums.

Premiums paid by employees covered under the Federal Employees Health Benefit Program, the nation's largest with more than 9 million participants, will rise an average of 26% next year.

In addition, federal government contributions to workers' health care coverage will climb an average of 24%.

The government pays up to 60% of non-postal employees' health insurance premiums and up to 75% of postal employees' premiums.

The latest increases, effective Jan. 1, are slightly less than the premium increases that took effect at the start of this year.

For example, at the beginning of the year, premiums paid by participants were boosted 31%, while premiums paid by the federal government rose 32%, according to the federal Office of Personnel Management.

As in previous years, the OPM, which administers the program, blames the premium increases on greater use of health care services and higher charges by health care providers.

In addition, the OPM noted that the program has been a victim of adverse selection. The elderly and other heavy users of health care services tend to enroll in the most generous indemnity plans, such as those sponsored by Blue Cross & Blue Shield Assns., which drives up the costs of those plans, according to the OPM.

"Essentially, elderly and other high risk enrollees have become isolated in high-option plans, where they can pay as much as $4,500 (annually) for family coverage. Younger, healthier enrollees are concentrated in other plans and can pay less than $1,000 (a year) for such coverage.

"The isolation of those most in need of health care from the larger, healthier population is inconsistent with the fundamental purpose of group health insurance," the OPM said.

For example, in some plans sponsored by BC/BS where adverse selection has occurred for some time, participants' premiums will rise far more than the 26% average.

Employees covered by the BC/BS high-option family plan next year will pay monthly premiums of $378.67, up 65.9% from $228.25. The monthly premium for the government will climb 28.4% to $215.54 from $167.88.

The total monthly premium for BC/BS high-option family coverage will increase 50% to $594.21 from $396.13.

Employees receiving individual coverage from the BC/BS high-option plan will pay monthly premiums of $183.03, up 66.1% from $110.16, while the monthly premium paid by the government will increase 27% to $98.46 from $77.50.

Altogether, the total monthly premium for the BC/BS high-option plan offering individual coverage will increase 50% to $281.49 from $187.66.

The premium increase next year in the standard BC/BS family and individual plans, though, will be much less compared to the richer, high-option plans.

For example, for family coverage under the standard BC/BS plan, participants next year will pay monthly premiums of $68.77, up 19.4% from $57.58, while the federal government will pay monthly premiums of $206.33, up 22.9% from $167.88.

The total monthly premium for BC/BS standard family coverage next year will increase 22% to $275.10 from $225.46.

For individual coverage under the standard BC/BS plan, participants next year will pay monthly premiums of $32.72, up 10% from $29.75, while the federal government will pay monthly premiums of $98.17, up 26.7% from $77.50.

The total monthly premium for BC/BS standard individual coverage next year will increase 22% to $130.89 from $107.25.

Monthly premium increases also will be less than average for participants in the popular National Assn. of Letter Carriers plan, which is self-insured.

For example, participants obtaining family coverage in the letter carriers plan will pay monthly premiums next year of $103.13, up 15.7% from $89.11, while the government will pay premiums of $215.54, up 28.3% from $167.88.

The total monthly premium for family coverage in the letter carriers' plan next year will be $318.67, up 24% from $256.99.

The monthly premium for individual coverage in the letter carriers' plan next year will increase 19.4% to $61.51 from $51.50; premiums paid by the government will rise 27% to $98.46 from $77.50.

The total monthly premium for letter carriers' individual coverage will be $159.97, up 24% from $129.

However, in some indemnity plans, premiums actually will be decreasing.

For example, federal employees who choose family coverage with the Foreign Service Benefit Plan, underwritten by Mutual of Omaha, will pay monthly premiums next year of $139.25, down 11.3% from $157.03, while the monthly government premium will increase 28.4% to $215.54 from $167.88.

The total monthly premium for family coverage in the Foreign Service Benefit Plan next year will be $354.79, up 9.2% from $324.91.

For those opting for individual coverage in the Foreign Service plan, monthly premiums will decline 15.4% to $47.47 from $56.12, while the monthly government premium will increase 27% to $98.46 from $77.50.

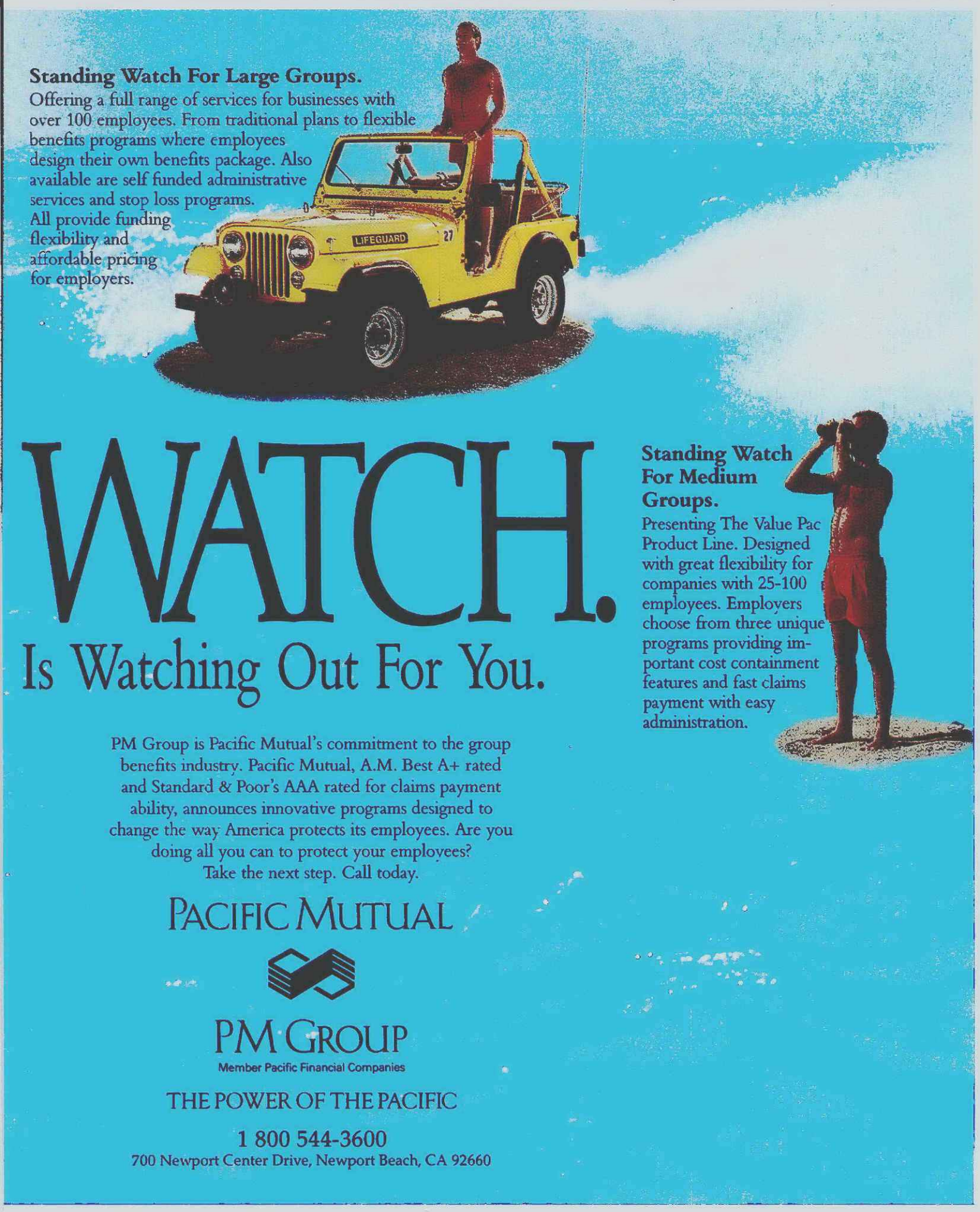
The total monthly premium for individual coverage next year in the Foreign Service will increase 9.2% to $145.93 from $133.62.

Following the trend of the last several years, premium increases for employees enrolled in the program's health maintenance organizations generally will be smaller than the program's average premium increase.

For example, participants receiving family coverage through the Kaiser Foundation Health Plan of Northern California will pay a monthly premium next year of $57.73, up 14.1% from $50.58, while the government premium will be $173.19, also up 14.1% from $151.74. The total monthly premium will be $230.92, up 14.1% from $202.32.

For individual coverage in the Kaiser plan, the monthly premium next year will be $24.63, up 14.1% from $21.58, while the government premium will increase 14.2% to $73.89 from $64.72. The total monthly premium for individual coverage next year in the Kaiser plan will be $98.52, up 14.2% from $86.30.

Employees will be allowed to change health care plans between Nov. 14 and Dec. 9 during the federal government's annual "open season." ■



Letters

Continued from page 8

precise definition does not appear in Webster's New World Dictionary. Unfortunately, that *interpretation* tends to negate the truest sense of the word, which is "a traditional story. . .(used) to explain some phenomenon of nature, the origin of man. . . ." A myth, therefore, represents a way to explain the unexplainable, about which we insist on speculating—such as the origin of man and the cosmos.

The continued use of the word myth to mean a lie—especially a malicious, purposefully created one—will continue to degrade the original myths that form the basis of the world's religions and already have been so eroded as to leave the world with little or no basis for moral behavior.

My suggestions for alternate words for Mr. Downes and Ms. Adler are: fabrication, prevarication, cock-and-bull story, etc.

Sandra E. Knapp
Risk Management Analyst
Times Mirror Co. Inc.
Los Angeles

Time has come to give space to minority issues

To the editor: Over the past several years a considerable amount of space has been given to women in risk management on your pages. However, little or no space has been given to the slow but steady growth of minorities in risk management and insurance nor to the problems and obstacles they face in their careers.

Since the 1986 Risk & Insurance Management Society conference in Toronto, there has been a formal program for minority risk managers. This group of risk management professionals first met in Toronto with 13 individuals. In 1988, there were more than 75 minorities participating in the minority risk managers' common interest group program at the Washington, D.C., RIMS conference. And, while *Business Insurance* has given coverage to the women's issues addressed at the RIMS conferences since 1980, it has not seen fit to cover the minorities' issues with an equal commitment.

Now we read about Logic Associates' risk management compensation survey (*BI*, Aug. 22; Aug. 15) and once again read about women, but nothing about minorities.

The time has come for the insurance industry to start giving credit to the role minorities are playing. It is time for the many minority insurance professionals to stand up and be counted, to speak out and be heard. The saying goes that the squeaky wheel gets the oil. In the insurance and risk management professions, the oil represents greater visibility, better chances for advancement, increased responsibility and the economic rewards that come with these.

The time has come for fairness. If surveys are going to focus on women's issues, then equal focus should be given to minorities. RIMS, in its membership data, should identify its minority deputy members and make this data available to those interested in networking.

The Independent Insurance Agents of America and the National Assn of Professional Insurance Agents need to identify their members whose agencies are minority-owned and controlled. This would improve opportunities for these agencies to enter into joint venture and co-brokerage relationships among themselves or with with majority-owned agencies and brokerages.

Minority risk managers must have the strength and courage to utilize the brokerage and consulting services offered by qualified minority-owned firms. They must take the lead in establishing insurance purchasing goals and encourage minority business enterprise development and supplier programs to include and use minority insurance agents, brokers and consultants.

Majority risk managers, male and female, must also have the courage to work with and support minority agents through their organizations' minority business development programs. They must adopt a positive attitude toward doing business with minorities and stop stereotyping minorities as incompetent, unprofessional and looking for business to be given to them without earning it. They must give us an equal opportunity to compete and treat us fairly and equitably and not make rules designed to eliminate minorities and protect relationships with incumbent majority brokers.

As a veteran black insurance professional with more than 17 years of experience in many facets of the industry, I have seen the many contributions minorities have made and are making to the industry. I have met many individuals who exemplify the highest degree of professionalism and are skilled, knowledgeable and polished professionals. And yet, I continue to hear: "I'd like to hire a minority for this position, but can't find anyone qualified."

Maybe, just maybe, if the industry's trade press and chroniclers stop ignoring minorities, we will no longer hear this phrase or have our abilities questioned. The major players in this industry will know who we are and how to go about finding us, then they will have no excuses and we will have no need to complain.

Michael J. Glapion
Vp/General Manager
Insurance & Surety Specialists
Shakopee, Minn.

Broker omitted from directory

Information on the following company was received too late to be included in the directory of wholesale marketers in the Aug. 8 issue of *Business Insurance*.

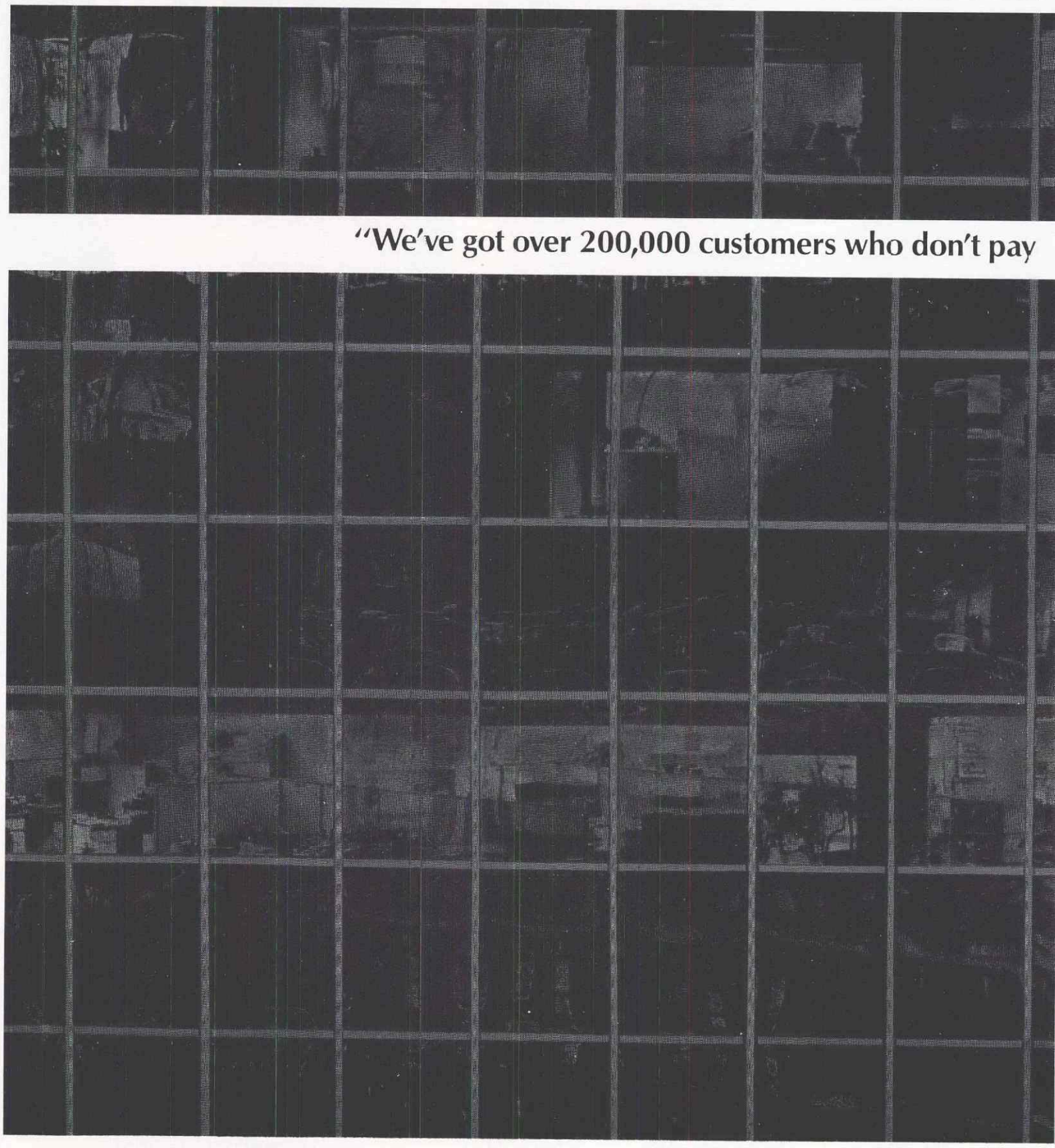
American Insurance Managers Inc.

300 Interstate Parkway, Suite 500,
Atlanta, Ga. 30339; 404-980-0591

	1987	1986
Premium volume	$9,132,469	$12,969,492
Gross revenues	$754,745	$1,010,894
Employees	12	11
Commercial lines	100%	100%
Admitted business	54%	40%
Non-admitted	46%	60%

Year founded: 1983.
Parent company: American Insurance Management Group.
Type of business: 30% managing general agent, 70% broker.
MGA for: United National Insurance Co.
Broker for: Primarily Old Republic Insurance Co., Life Insurance Co. of the Southwest, Security Life Insurance Co. of America.
Specialties: Excess workers compensation, medical stop-loss.
Principal officers: David Dennett-Smith, president; James G. Marsh, executive vp; William R. Downey, secretary/treasurer; John Detora, vp.
Membership: AAMGA, NAPSLO, Georgia Surplus Lines Assn., Professional Insurance Agents of Georgia, Self Insurance Institute of America. ■

Comments to Letters to the Editor, Business Insurance, 740 N. Rush St., Chicago, Ill., 60611.



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tion. We know that insurers are going to act in concert as they always have, so why don't they do it to keep a jump ahead of us rather than the way it's done now:

Stacy Adler in her article, "Trial Lawyers Aim at Insurers, Manufacturers."

A myth is not necessarily a lie. That

Continued on page 10

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Lloyd's 1985 global results

(In millions of pounds[1])

	Income[2]		Expenditures[3]		Profits[4]	
	1985	1984	1985	1984	1985	1984
General liability	2,244.0	2,314.3	2,512.4	2,484.0	-268.4	-169.7
Ships damage & liability	1,815.0	1,981.9	1,675.1	1,748.6	139.9	233.3
Property	1,010.3	939.6	764.9	806.5	245.4	132.8
Aircraft	569.3	576.0	508.4	533.6	60.8	42.5
Motor	555.7	491.9	593.6	516.0	-37.7	-24.1
Goods in transit	420.9	447.7	369.3	420.9	51.6	26.8
Accident & health	201.6	236.7	183.4	200.6	18.2	36.1
Life	4.8	4.7	3.8	3.8	1.0	0.9
Pecuniary loss	1.1	1.1	0.9	0.9	0.2	0.2
Totals	6,822.6	6,993.8	6,611.6	6,715.0	211.0	278.8

[1] Exchange rates: British pound=$1.88 (1985); $1.48 (1984)
[2] Net premiums, reinsurance premiums received from previous year, net investment income, currency exchanges.
[3] Net claims, reinsurance premiums paid to close the year, syndicate expenses, annual subscriptions and levies, and other expenses.
[4] Before profit commissions by underwriting agents, which totaled 103 million pounds for 1985 and 97 million pounds for 1984.

Source: Lloyd's of London

Lloyd's results

Continued from page 3

pounds ($10 million) in 1985, he said.

However, Mr. Lawrence noted that the fact that Lloyd's 1985 profits decreased "does less than justice to some of the underlying trends, which are encouraging."

One "healthy trend" in 1985 was the 38.3% increase in Lloyd's syndicates' underwriting profits to 190.5 million pounds ($358.1 million) from 137.8 million pounds ($203.9 million) in 1984, he said.

Lloyd's has only reported a pure underwriting profit in two of its last five accounting years, according to exhibits that accompanied the 1985 results.

"This (underwriting) result was achieved despite the serious deterioration of back years and the relative weakness of the U.S. dollar coupled with exchange rate volatility, which made it more difficult to plan the efficient utilization of capacity ahead of time," said Mr. Lawrence.

Lloyd's global accounts are a compilation of results for the 1985 accounting year from all Lloyd's syndicates. The accounts were closed Dec. 31, 1987, under Lloyd's unique three-year accounting system.

In 1985, there were 26,050 members belonging to 384 syndicates with a total gross market capacity of 6.7 billion pounds ($12.6 billion), up 31% from 5.1 billion pounds ($7.5 billion) in 1984.

Lloyd's 1985 accounts include results from syndicates that have stopped writing business as well as open syndicates that are running off their business and, thus, treated as if they were closed.

For the first time since the 1982 underwriting year, the results do not include losses from syndicates formerly managed by PCW (Underwriting Agencies) Ltd. Under a settlement accepted by virtually all PCW members last year, the PCW syndicates have ceded all their business to syndicate 9001 for the purpose of running off the accounts.

Syndicate 9001 is then fully reinsured by Lioncover Insurance Co. Ltd., a fully authorized U.K. insurance company owned by the Corporation of Lloyd's.

"Transactions since the date of the settlement which relate to assenting members have therefore been excluded from the global accounts," says the Lloyd's accounts.

For the first time ever, Lloyd's global accounts break out the market's gross premiums, gross claims, gross investment return and the profit commissions that are charged to members by underwriting agents.

Lloyd's gross premiums in 1985, excluding reinsurance premiums received to close previous year's accounts, totaled 4.4 billion pounds ($8.3 billion), up 5% from 4.2 billion pounds ($6.2 billion) in 1984.

Net premiums increased 3.4% to 3.06 billion pounds ($5.75 billion) in 1985 from 2.96 billion pounds ($4.38 billion) in 1984, while net premiums plus reinsurance premiums received from previous accounts decreased 1.7% to 6.47 billion pounds ($12.16 billion) in 1985 from 6.57 billion pounds ($9.72 billion) in 1984.

Meanwhile, gross claims, excluding reinsurance premiums paid to close the accounts, dropped 8.2% to 3.8 billion pounds ($7.1 billion) from 4.2 billion pounds ($6.2 billion) in 1984.

Net claims, after reinsurance recoveries, totaled 2.31 billion pounds ($4.34 billion) in 1985, down 5.7% from $2.43 billion pounds ($3.6 billion) in 1984. Total claims, including reinsurance premiums paid to close the account, dropped 2.7% to 6.27 billion pounds ($11.79 billion) in 1985 from 6.43 billion pounds ($9.52 billion) the previous year.

Gross investment income dropped 15% in 1985 to 458.2 million pounds ($861.4 million) from 539.2 million pounds ($798 million) in 1984.

Profit commissions totaled 103 million pounds ($193.6 million) in 1985, up 6.2% from 97 million pounds ($143.6 million) in 1984.

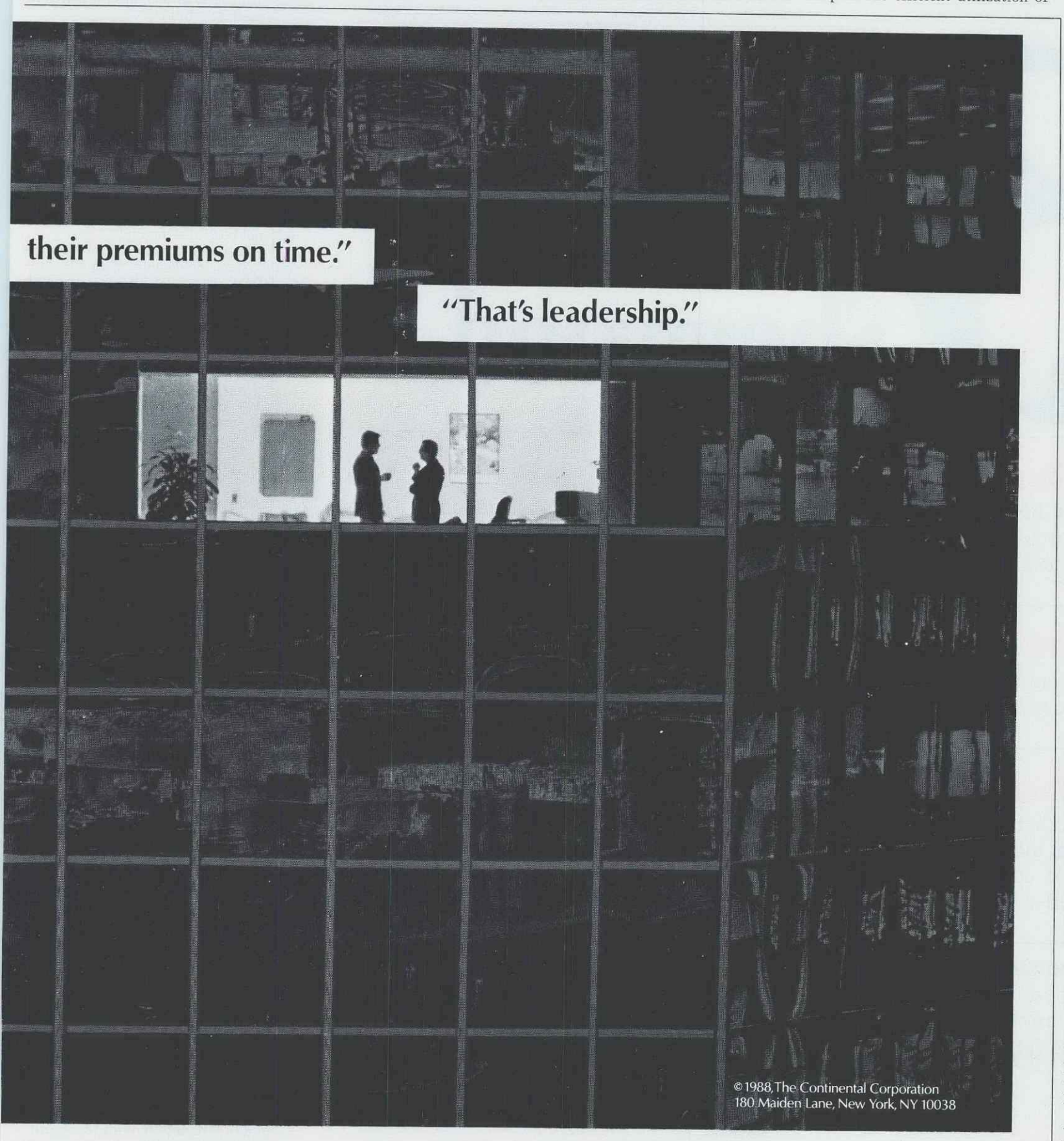
Thus, after profit commissions are subtracted, Lloyd's members received total profits of 108 million pounds ($203.4 million) in 1985, down 40.6% from 181.8 million pounds ($269.1 million) in 1984.

Non-marine business comprised 43.6% of Lloyd's net premium volume in 1985. Marine business contributed 36.6%; motor business comprised 11.5%; and aviation risks generate 8.3% of Lloyd's net premium volume.

Lloyd's reported that overall income decreased in 1985 in three classes of business (see chart):

- General liability income

Continued on next page



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Lloyd's 1985 results

Continued from previous page

dropped 3% to 2.2 billion pounds ($4.1 billion) from 2.3 billion pounds ($3.4 billion) in 1984.

- Aircraft damage and liability income dropped 1.2% to 569.3 million pounds ($1.1 billion) from 576 million pounds ($852.5 million) in 1984.
- Goods in transit income dropped 6% to 420.9 million pounds ($791.3 million) from 447.7 million pounds ($662.6 million) in 1984.

Bottom-line losses were reported for two classes of business: general liability and motor.

The general liability account showed a loss of 268.4 million pounds ($504.6 million), up 58.1% from 169.7 million pounds ($251.2 million) in 1984, even though gross claims actually dropped 16.7% to 669.9 million pounds ($1.3 billion) in 1985 from 804.5 million pounds ($1.2 billion) in 1984. General liability income—including both premiums written in 1985 and reinsurance premiums carried forward from previous years—also declined.

The motor account—for the first time split into separate accounts for U.K. and overseas business—produced a combined 37.7 million pound ($70.9 million) loss, compared with a 6.9 million pound ($10.2 million) profit in 1984.

Leaders of Lloyd's markets generally were pleased with the 1985 accounts.

The marine market in 1985 had "an acceptably good result," said Christopher Rome, chairman of Lloyd's Underwriters' Assn. Marine underwriters produced an overall hull and cargo profit of 192 million pounds ($361 million) and an underwriting profit of 213 million pounds ($315.2 million), he said.

However, "there are clear warnings of factors which will combine to ensure that the result from 1987 onwards will be much less satisfactory," he said.

Recent losses in the marine market, highlighted by the Piper Alpha platform explosion, "may well halt the slide in rates over wide areas of the market," he said (see story, page 12).

Meanwhile, the Outhwaite losses coupled with motor losses produced overall losses of 5.3 million pounds ($10 million) in the non-marine market, said Mr. Williams. The loss represents 0.4% of the market's total premium income of 1.3 billion pounds ($2.4 billion), he said.

Property classes produced "substantially improved profits" of 245.4 million pounds ($461.4 million) from 132.8 million pounds ($196.5 million) in 1984, according to Mr. Williams, despite natural disasters in 1985 like Hurricanes Elena and Gloria in the United States and the Mexico City earthquakes.

Improvements in property as well as accident and health insurance results are "in part attributable to the hardening market which started towards the end of 1984," said Mr. Williams.

The non-marine market's main worry now, however, is increasing asbestos-related claims—which rose to 2,000 per month in 1987 from 700 per month in 1985—and pollution claims in the United States.

Meanwhile, the aviation market posted a 61 million pound ($114.7 million) profit in 1985, which is "satisfactory" compared with a 29 million pound ($42.9 million) profit in 1984, said John Tilling, chairman of Lloyd's Aviation Underwriters' Assn.

The aviation market recorded the profit even though 1985 was the worst year ever for airline crashes.

Lloyd's overall 1985 profits were slightly better than projections by the Assn. of Lloyd's Members. The ALM predicted that Lloyd's profits would drop 25% in 1985 to about 209 million pounds ($392.9 million), compared with the actual 24.1% decline to 211 million pounds ($396.7 million). ■

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Disasters show need for Lloyd's, Lawrence says

By STACY SHAPIRO

LONDON—Two recent catastrophes, both of which are among the largest insured losses ever, highlight the need for insurance, says the chairman of Lloyd's of London.

The October 1987 windstorm that whipped southern England, Western Europe and Norway, costing a total of $3 billion in insured losses, "is being described as the world's largest insured loss," said Lloyd's Chairman Murray Lawrence last week in releasing Lloyd's 1985 global results.

In addition, the July explosion of the Piper Alpha oil platform in the North Sea, which killed 167 people, is the largest insured man-made loss, with claims estimated to reach $1.4 billion.

The two tragedies emphasize the "vital role" of insurance, in particular Lloyd's of London, said Mr. Lawrence.

"Both events were grim reminders of the force and unpredictability of nature and of the pivotal role played by insurers—none more so than underwriters at Lloyd's—in providing the protection that assureds require and without which progress and enterprise or even normal daily life is not possible," he said.

In the aftermath of the two disasters, policyholders should "reflect" upon the financial strength and security that has been an abiding feature of the Lloyd's market, said Mr. Lawrence.

Following the disasters, Mr. Lawrence expected "an upward revision" in reinsurance rates and a determination by marine and non-marine underwriters to increase insurance prices.

"This should have a beneficial effect on future profitability," he said.

In Lloyd's 1985 global accounts published last week, Christopher Rome, chairman of Lloyd's Underwriters' Assn., said that the current estimate of loss from the Piper Alpha explosion of $1.4 billion "is certainly not exaggerated."

"This loss may well halt the slide in rates over wide areas of the market, and there is every expectation that rates in the drilling sector will increase, with particular emphasis on the premiums charged for North Sea platforms," Mr. Rome said.

Mr. Rome believes that underwriters will impose minimum rates on oil rigs in the North Sea, which they have done in the past, and then negotiate higher rates for north sea oil rigs based on the type of rig (*BI*, Sept. 5)

There is no doubt that rig rates in the North Sea will go up, he said.

The Piper Alpha loss will inevitably reduce capacity and bring on a strong demand for increased premiums and retentions, he said.

The fallout from the October windstorm, however, still is not expected to increase property insurance rates in the United States, where rates have been softening all year, according to Michael Williams, chairman of Lloyd's Underwriters' Non-Marine Assn.

While Lloyd's 1987 results—which close at year-end 1989—may be "adversely affected" by the windstorm, "I should sound a warning that there has been a softening in certain classes and areas, especially in U.S. property classes," Mr. Williams said. However, "for a number of reasons, the downturn in the cycle which many feel we are now entering is likely to be of shorter duration than the last." ■

Blue Cross countersues in Ohio PPO fight

CLEVELAND—Blue Cross & Blue Shield Mutual of Ohio has filed suit against a Toledo hospital, charging that the hospital is trying to "bully its way" into a new preferred provider organization.

The BC/BS suit is a countersuit to an action filed in April by Toledo, Ohio-based Toledo Hospital, which charged the Cleveland-based association with fraud and antitrust violations because it excluded the hospital from Super Blue, a PPO first offered by BC/BS this spring (*BI*, May 16).

The hospital signed a "universal contract" in October 1987 that included "all products marketed by Blue Cross," which would have automatically made it a provider in Super Blue, explained Clifton E. Johnson, the hospital's general counsel.

However, Blue Cross maintains that its contractual agreement with Toledo Hospital is for traditional health care products—not PPOs.

While the eight remaining Toledo-area hospitals submitted first and second bids in response to Blue Cross' November 1987 request for proposals to participate in the PPO, only Toledo Hospital responded that the prices negotiated in its October contract should apply to the PPO as well.

But this was unacceptable to Blue Cross and, as a result, Toledo Hospital was not among the five area hospitals—representing about 65% of the Toledo market—participating when Super Blue opened in March, according to the suit.

The Blue Cross countersuit also alleges Toledo Hospital launched a media campaign to discredit Blue Cross and encourage Super Blue members to continue to seek medical services at Toledo Hospital. The countersuit says that the hospital announced it would absorb a 20% penalty imposed on Super Blue members who went to hospitals that were not part of the network.

The suit refers to this as "predatory pricing" and also accuses the hospital of making false membership allegations. Further, it alleges that the negative media campaign was designed to "blacken the name of Blue Cross."

The Blue Cross countersuit is seeking $25 million in compensatory damages and $250 million in punitive damages from the hospital, while the Toledo Hospital suit seeks $20 million in punitive damages from Blue Cross.

Both parties have filed motions to dismiss each other's actions, which were filed in Lucas County Court of Common Pleas. No trial date has been set for the litigation.

Toledo Hospital has 814 registered beds and is the largest tertiary care center in northeast Ohio, according to Mr. Johnson. The hospital controls approximately 30% of the Toledo market, according to Blue Cross.

—By Linda J. Collins

Champion suit

BATON ROUGE, La.—A.M. Best Co. and three former deputies of former Louisiana Insurance Commissioner Sherman T. Bernard have been added as defendants in a $55 million lawsuit filed by a Baton Rouge insurer that charged that the regulator was trying to damage its business.

Champion Insurance Co. filed the supplemental petition earlier this summer amending the original August 1987 lawsuit, which charged that Mr. Bernard and the Insurance Department abused their official powers and violated the insurer's constitutionally protected rights by continuing an unnecessary examination of the company's books and records.

Around the states

The supplemental suit names A.M. Best Co., the publisher of Best's Insurance Management Reports; former Louisiana Deputy Insurance Commissioner John T. Browne; former Chief Examiner Max H. Moseley Jr. of the Louisiana Insurance Department; and former Assistant Chief Examiner Myron E. Hissong.

The suit, which seeks $55 million from the Insurance Department, Mr. Bernard and the former deputies, also seeks $35 million from A.M. Best, charging the publishing company cost the insurer future earnings and damaged its reputation when it placed Champion on its "watch list" after receiving false information from Louisiana regulators.

Emile Rolfs, an attorney with the Baton Rouge firm of Mangham, Hardy, Rolfs & Abadie, which is representing Champion, said Mr. Moseley sent correspondence to A.M. Best in August 1987 that contained a copy of a letter from Mr. Bernard to the insurer.

Mr. Bernard's letter called for Champion to appear at a hearing and show why its certificate to operate should not be suspended for failure to comply with an examination of its books and records, according to Mr. Rolfs.

The correspondence sent by Mr. Moseley "in effect" advised A.M. Best that a hearing was to be held, even though regulators knew when they sent the material that the hearing already had been canceled by a court order, according to Mr. Rolfs.

Mr. Rolfs said A.M. Best kept Champion on its watch list even after being told no hearing would be held.

In May, Mr. Moseley was arrested in connection with the correspondence he sent to A.M. Best and charged with extortion, defamation and malfeasance in office (*BI*, May, 23).

According to arrest warrants, Mr. Moseley's correspondence with Champion contained information he knew was false. In addition, warrants indicate the former chief examiner threatened to cause regulatory problems if the insurer did not pay an additional $200 for damages in an accident involving his sons and a Champion-insured driver.

The Louisiana district attorney's office says it is currently investigating the charges.

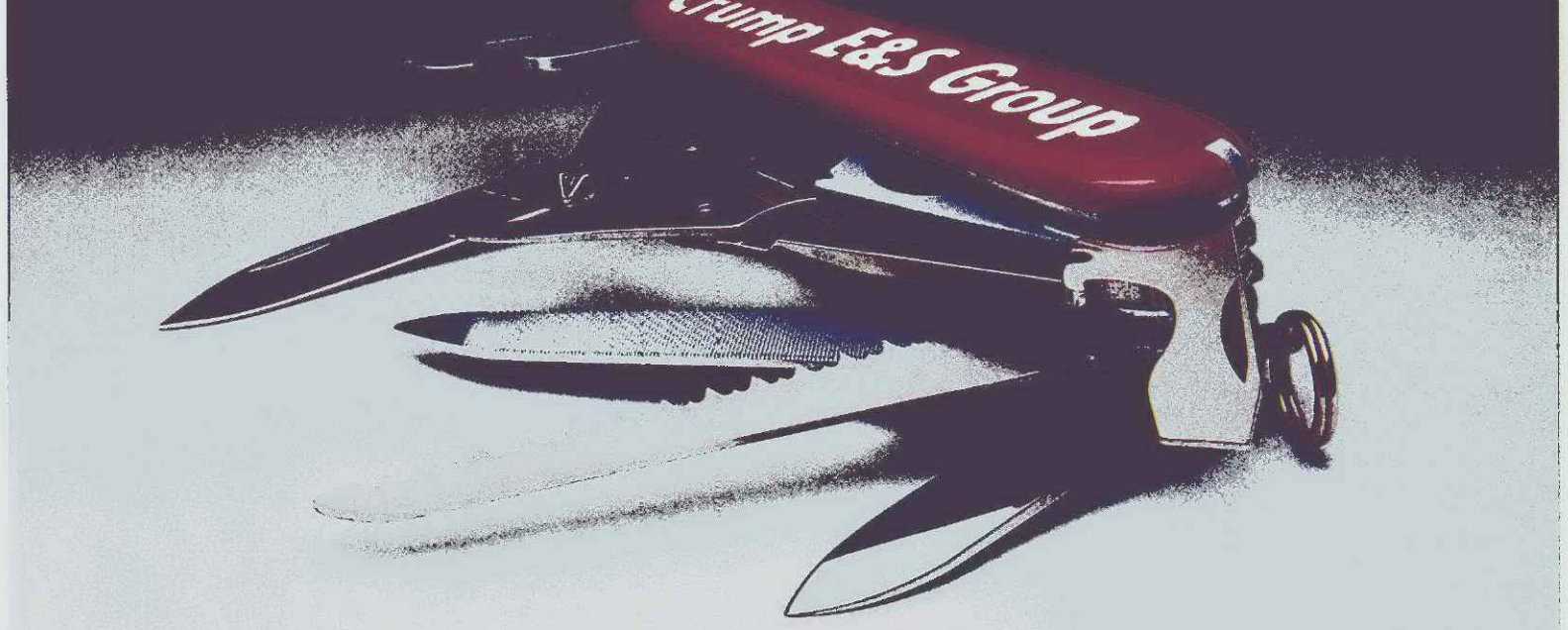
John Grillos, general counsel for Oldwick, N.J.-based A.M. Best, said the information it published was intended to alert subscribers that the Louisiana Insurance Department was questioning the insurer's authority to operate.

"The basic fact of a conflict between an insurance company and the licensing authority is undeniable," said Mr. Grillos, and even though a hearing was not held, the conflict remained unresolved.

Mr. Grillos said Champion remained on the watch list through

Continued on next page

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Around the states

Continued from previous page

April 1988, when newly elected Commissioner Doug Green gave the insurer a clean bill of health. Instead of making a formal announcement that Champion was coming off the list, both sides agreed that A.M. Best would simply publish the insurer's 1987 results as scheduled, he added.

But, according to Mr. Grillos, Champion "requested that we not publish their report." He would not say why the insurer made the request.

"That is absolutely incorrect," Mr. Rolfs remarked refusing to elaborate.

Current Commissioner Green is a defendant in a lawsuit filed by the Louisiana State Board of Ethics charging loans to his campaign came not from individuals and businesses listed in campaign filings, but from United Financial Services of Baton Rouge Inc., whose owner also owns Champion (*BI*, July 25).

—By Michael Bradford

Oregon smoking bill

PORTLAND, Ore.—Voters will decide in November whether smoking will be allowed in any enclosed workplaces in Oregon.

Measure 6, which would revise the state's Indoor Clean Air Law to ban smoking in most public spaces including all but federal workplaces, has qualified for the Nov. 8 ballot, a spokeswoman for the secretary of state's elections office said.

The initiative, if it receives a simple majority favorable vote this fall, would ban smoking of tobacco products in enclosed public spaces except taverns, bars, hotel rooms and workplaces in private homes.

—By Glenn Huntley

Hartford Group promotes Kiviat to director of employee benefits

Comings & goings: buyers

Randall I. Kiviat has been named director of employee benefits for Hartford Insurance Group in Hartford, Conn. In this position he oversees benefits for all Hartford units. He replaces **Robert M. Dean**, who retired from the insurer, and reports to John Loomis, assistant vp and director of corporate personnel and headquarters personnel. Mr. Kiviat joined Hartford in 1982 as assistant director of employee benefits. He received a bachelor of science degree in mathematics from the Polytechnic Institute of New York in Brooklyn and is a member of the American Payroll Assn.

* * *

J. Barry Leonard, 47, has been named administrator-risk management at Illinois Power Co. in Decatur. In this newly created position he coordinates the risk analysis and loss control activities of the gas and electric utility. He reports to Gary L. Secor, assistant treasurer and director of risk management. Previously, Mr. Leonard was an account assistant with Frank B. Hall & Co. in Tulsa, Okla. He holds a bachelor of arts degree from Benedictine College in Atchison, Kan.

* * *

Christina R. Hashem, 32, has been named manager-risk management at Rorer Group Inc. in Fort Washington, Pa. In this newly created position she oversees property/casualty insurance coordination and development. She reports to Thomas D. Lewison, director-risk management. Prior to joining the pharmaceuticals concern, Ms. Hashem was risk manager at IU International Corp. in Philadelphia. She received a bachelor of arts degree from Pennsylvania State University in University Park. Ms. Hashem holds the Associate in Risk Management designation and serves on the Products and Services Subcommittee of the Risk & Insurance Management Society Inc.

* * *

Todd Dillon, 36, was promoted to vp-risk management at Consolidated Grain & Barge Co. in St. Louis. In this newly created position he oversees property/casualty, marine and other insurance coverages, as well as workers compensation and safety. He reports to Herb Jones, president. Mr. Dillon, who joined Consolidated in 1980 in the freight merchandising department, most recently was director of risk management. Mr. Dillon holds a bachelor of arts degree in economics and a master of business administration degree from the University of Kansas at Lawrence. He is a deputy member of the Risk & Insurance Management Society.

* * *

Robert E. Victory, 38, has been named safety coordinator for Akron General Medical Center in Akron, Ohio. In this newly created position he is responsible for safety, regulatory compliance, waste management, and environmental safety and health classes. He reports to J.M. Plavecski, director of maintenance. Prior to joining Akron General, Mr. Victory was deputy mayor for economic development for the city of Tallmadge, Ohio. Prior to that, he served as director of safety at The University of Akron. Mr. Victory received a bachelor's degree in criminal justice and technical education from the University of Akron. He is a member of the Ohio Assn. of Public Safety Directors, the American Criminal Justice Assn. and the American Society for Industrial Security.



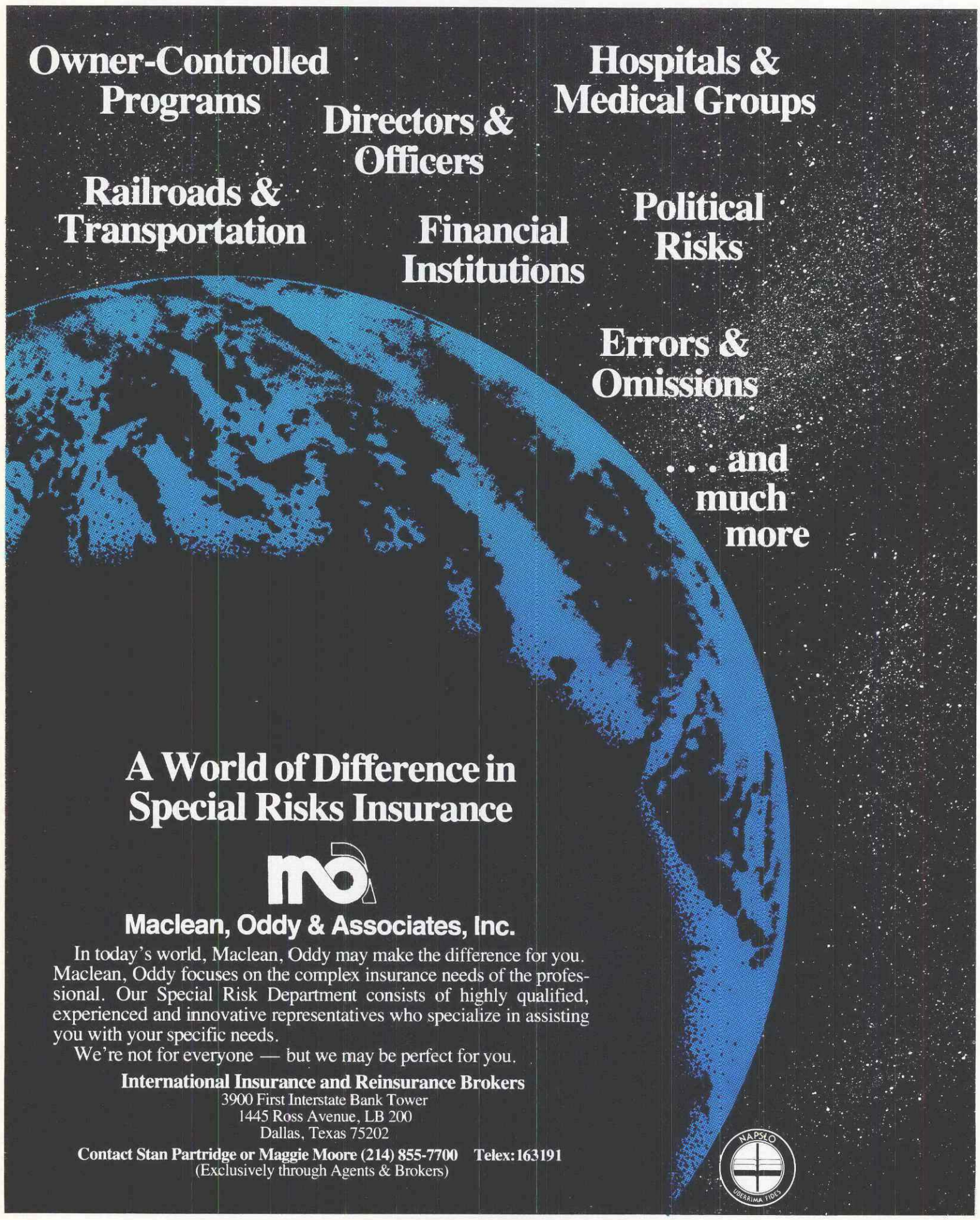
Mr. Victory

* * *

Dorothy Corey, has been promoted to insurance manager at U.S. Rentals Inc. in Irvine, Calif. Ms. Corey, most recently insurance administrator, continues to oversee group benefits and risk financing and now also is responsible for liability claims and managing the risk management department of U.S. Rentals' Riverside, Calif., office. She reports to Edward Godwin, vp and director of risk management. Prior to joining U.S. Rentals, Ms. Corey served as risk administrator of Butterfield Savings & Loan in Brea, Calif. Ms. Corey holds the Associate in Risk Management designation and is secretary of the Orange Empire Chapter of the Risk & Insurance Management Society.

•

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Posgate files new suit against A&A

By STACY SHAPIRO and CAROLYN ALDRED

London

LONDON—Former Lloyd's of London underwriter Ian R. Posgate, who is awaiting trial for his role in the alleged misappropriation of millions of dollars at Alexander Howden Group P.L.C., is initiating new civil litigation.

Mr. Posgate last month filed a civil suit in High Court against Alexander & Alexander Services Inc., which purchased Howden in 1982, three subsidiaries and London-based Sphere Drake Insurance P.L.C., which was a Howden unit until it was sold last year.

The latest action stems from a November 1984 lawsuit filed by Sphere Drake, against former Lloyd's underwriter Mark Edmund Denby, who was an underwriter for former Lloyd's syndicate 701 managed by Posgate & Denby (Underwriting Agencies) Ltd.

Mr. Posgate also underwrote for the syndicate, the suit alleges.

In its original suit, which is still pending, Sphere Drake asked the court to validate reinsurance arrangements between the company and Lloyd's syndicate 701, which stopped underwriting in 1985. The suit alleges Mr. Posgate agreed to the arrangements on behalf of syndicate 701.

Sphere Drake claims that because the reinsurance arrangements have not been recognized by syndicate 701's Mr. Denby, Sphere Drake is owed more than $1.5 million in losses.

Mr. Posgate was brought into the litigation as a third party in June of this year. Subsequently, last month, Mr. Posgate sued A&A, Sphere Drake, Alexander Howden Holdings P.L.C., Alexander Howden Underwriting Ltd. and Alexander Howden Insurance Brokers Ltd. for damages, indemnity or contribution for any losses for which he may be held responsible.

Sphere Drake contends in its 1984 lawsuit that it agreed in August 1982 to reinsure business written by Mr. Posgate's syndicates 126 and 129 that had been reinsured with SNA Re (Bermuda) Ltd. and United Handcraft Insurance Co. Ltd. and retroceded to Southern International Re S.A.

Sphere Drake only agreed to the arrangement, however, if syndicate 701 accepted 100% of Sphere Drake's excess-of-loss retrocessions for the business, the suit alleges. Sphere Drake would write the coverage only if "the plaintiff suffered no loss by issuing the reinsurance," the suit says.

Sphere Drake and syndicates 126, 129 and 701 agreed to the arrangement at meetings attended by Mr. Posgate on behalf of syndicates 126, 127 and 701; Alan Williams of Alexander Howden Insurance Brokers Ltd. as broker for syndicates 126 and 129; and representatives of Sphere Drake, Howden Group and auditor Deloitte Haskins & Sells, the suit says.

Mr. Posgate confirmed the agreement for syndicate 701 in September 1982, the suit alleges.

However, "in breach of the agreements" Mr. Denby of syndicate 701 refused and failed to sign slips through the Lloyd's Policy Signing Office that would reinsure Sphere Drake, the suit alleges. And, Mr. Denby's syndicate "has denied that it is liable in respect of reinsurance to the plaintiff," the suit says.

In his action filed Aug. 11, Mr. Posgate sued A&A, the Howden subsidiaries and Sphere Drake for "damages and/or an indemnity and/or a contribution pursuant to the Civil Liability (Contribution) Act 1978 for procuring a breach of contract and/or intimidation and/or unlawful interference and/or conspiracy and/or conspiracy to procure a breach of contract and/or to intimidate and/or to unlawfully interfere" in relation to the allegations in the Sphere Drake action.

Mr. Posgate said in his action that he is accused by Mr. Denby of breach of duties owed by him to syndicate 701 and its members for agreeing to the reinsurance contract with Sphere Drake.

Mr. Denby's law firm, Norton Rose, did not return calls. Sphere Drake's attorneys, Denton Hall & Burgin, would not elaborate. Mr. Posgate's law firm, Piper & Piper, would not comment.

A spokesman for Howden in London said that A&A and its subsidiaries had not yet seen Mr. Posgate's lawsuit.

In addition to this litigation, Mr. Posgate last year sued A&A for nearly 700,000 pounds from an earlier settlement because the A&A stock he held was not as valuable as he was told it would be by a former A&A director (*BI*, Aug. 10, 1987).

That suit is still pending.

PCW probe

The Office of the British Director of Public Prosecutions is considering whether to bring charges against former executive of PCW Underwriting Agencies Ltd., a London newspaper says.

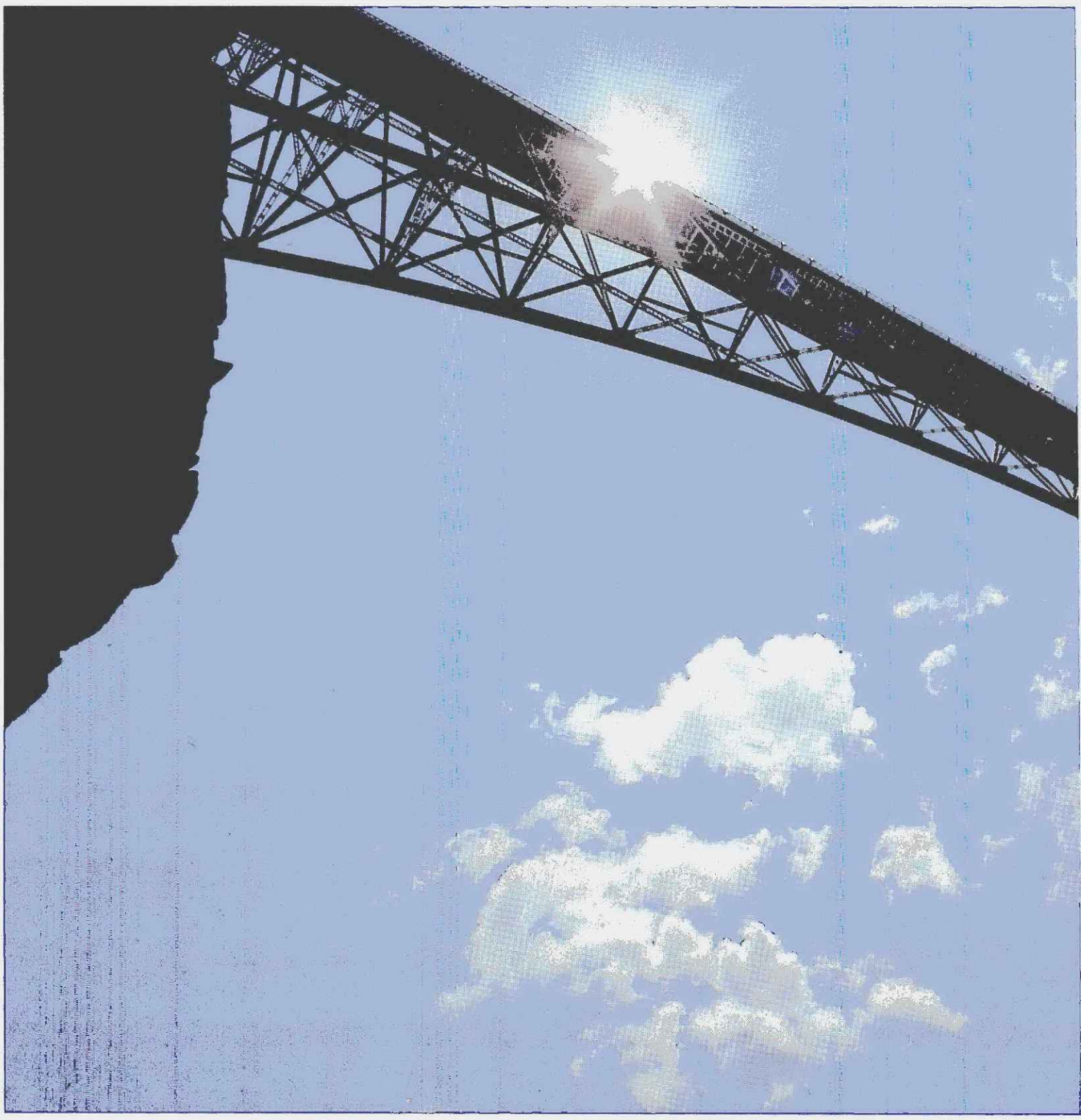
As a result of a six-year investigation by the City of London Police Fraud Squad into the alleged theft of millions of pounds from syndicates formerly managed by PCW, Allan Green, the public prosecutions director, is considering charges against former PCW executives Peter Cameron-Webb and Peter Dixon, says the report in The Independent.

If charged, the two men would have to be extradited from the United States, where they are believed to live.

A DPP spokesman referred questions to the Serious Fraud Office, which reportedly would be in charge of any extradition proceed-

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Continued from previous page
ings. A spokesman for the office would not comment on the report.

Mr. Dixon was expelled from Lloyd's and fined 1 million pounds ($1.68 million at current exchange rates) for his role in the misappropriation of 39 million pounds ($65.5 million) in Lloyd's syndicate funds. Lloyd's said in disciplinary proceedings that Mr. Cameron-Webb played a major role in the plot to defraud the syndicates, but Lloyd's did not charge the former underwriter because he was no longer a member of Lloyd's (*BI*, Nov. 18, 1985).

PWS upheaval

Lloyd's of London broker PWS Holdings P.L.C. will hold talks this week with Glenn, Nyhan & Associates Inc., its San-Francisco brokerage subsidiary, to clarify GNA's financial difficulties.

"California is coming to London and we will have meetings," said PWS Chairman Malcolm Pearson. After the meetings, PWS may decide to sell GNA, liquidate it or "consider all the options that are open for troubled subsidiaries."

Troubles at GNA and PWS came to light Aug. 3 when PWS Chairman Ronnie Ben-Zur, whose family owns 43% of PWS, resigned because of the losses PWS had incurred by purchasing GNA in February, said Mr. Pearson's letter to shareholders last week.

Deputy chairman Ron Peet succeeded Mr. Ben-Zur, but Mr. Peet resigned Aug. 30 because the PWS board did not agree with his strategy. Mr. Peet said in his public resignation letter that he believed PWS should make no comment about the reasons for Mr. Ben-Zur's departure other than because he took primary responsibility for the GNA loss.

However, other board members leaked information to two British publications, an action that Mr. Peet said in his letter was "seriously damaging both to Mr. Ben-Zur and to the company."

"It seems that we are now likely to see a bitter personal battle taking place in public between Mr. Ben-Zur and certain members of the PWS board. It is my view that such a battle is likely to be highly detrimental to the interests of PWS shareholders and that it could and should have been avoided," he said.

In one of his first acts as chairman, Mr. Pearson wrote shareholders to clarify the problems at PWS and GNA and the resignation of Mr. Ben-Zur.

"The (GNA) acquisition was seen as an opportunity for PWS to participate in the growing market in the U.S.A. for special purpose insurance programs, particularly risk retention groups, focusing on the health care field," wrote Mr. Pearson.

However, following the acquisition, 'GNA's prospects were diminished by its failure to secure a major new account for which negotiations were well advanced at the time of the acquisition," he told shareholders. "During the same period we discovered that GNA's working capital position was much worse than we had been led to believe."

As a result, PWS's total investment in GNA and GNA's losses since its acquisition amount to some 7 million pounds ($10.4 million), Mr. Pearson said. However, PWS will only take a write-off of 4.4 million pounds ($7.4 million), he said.

"We are examining several financial options with regard to GNA, including the possibility of a sale to third parties," he said. "In addition, although the legal implications of the acquisition and subsequent events are extremely complex, we have been advised that we have good prospects of substantial recoveries from third parties."

Meanwhile, PWS and Mr. Ben-Zur have had discussions about the possible sale of Mr. Ben-Zur's family's 43% stake in the company. Mr. Ben-Zur had told PWS that he is willing to sell the shares at the right price, said Mr. Pearson. But the company's stock price has fallen to 130 pence per share ($2.18) when Mr. Peet resigned Aug. 30 from 205 pence ($3.04) per share on Aug. 4. PWS stock was trading at 148 pence ($2.49) on Sept. 1.

Mr. Pearson said that PWS would be willing to sell all of its stock to a suitable bidder as long as the group remained a Lloyd's broker with its own identity. "We would favor a new owner and sell the whole company providing that the company is left intact," he said.

Sedgwick profits drop

Pretax profits of Sedgwick Group P.L.C., the world's second largest insurance brokerage company, have dropped 23.6% in the first half of this year due to the soft commercial insurance market, the company says.

Sedgwick reported last week that six-month pretax profits decreased to 61.9 million pounds ($105.8 million at applicable exchange rates) from 81 million pounds ($132 million) in the first half of 1987. Revenues decreased 10.6% to 319.7 million pounds ($546.7 million) from 357.7 million pounds ($583.1 million) in last year's first half.

However, due to a 12.4 million pound ($21.2 million) gain from the sale of stock and property, Sedgwick's bottom-line earnings rose 4.8% to 54.5 million pounds ($93.2 million) from 52 million pounds ($84.8 million) in the first half of 1987.

"Our results reflect the environment in which we operate," stated Sedgwick Chairman Carel Mosselmans. "Insurance rates worldwide continue to be depressed and this affects our income."

Sedgwick, however, reduced its expenses 7.9% to 256.1 million pounds ($437.9 million) from 278.1 million pounds ($453.3 million) at June 30, 1987, noted Mr. Mosselmans. And the company has instituted a "thorough review" of all of its activities, he said. "We are confident that the results of this review will have long-term benefit for the group."

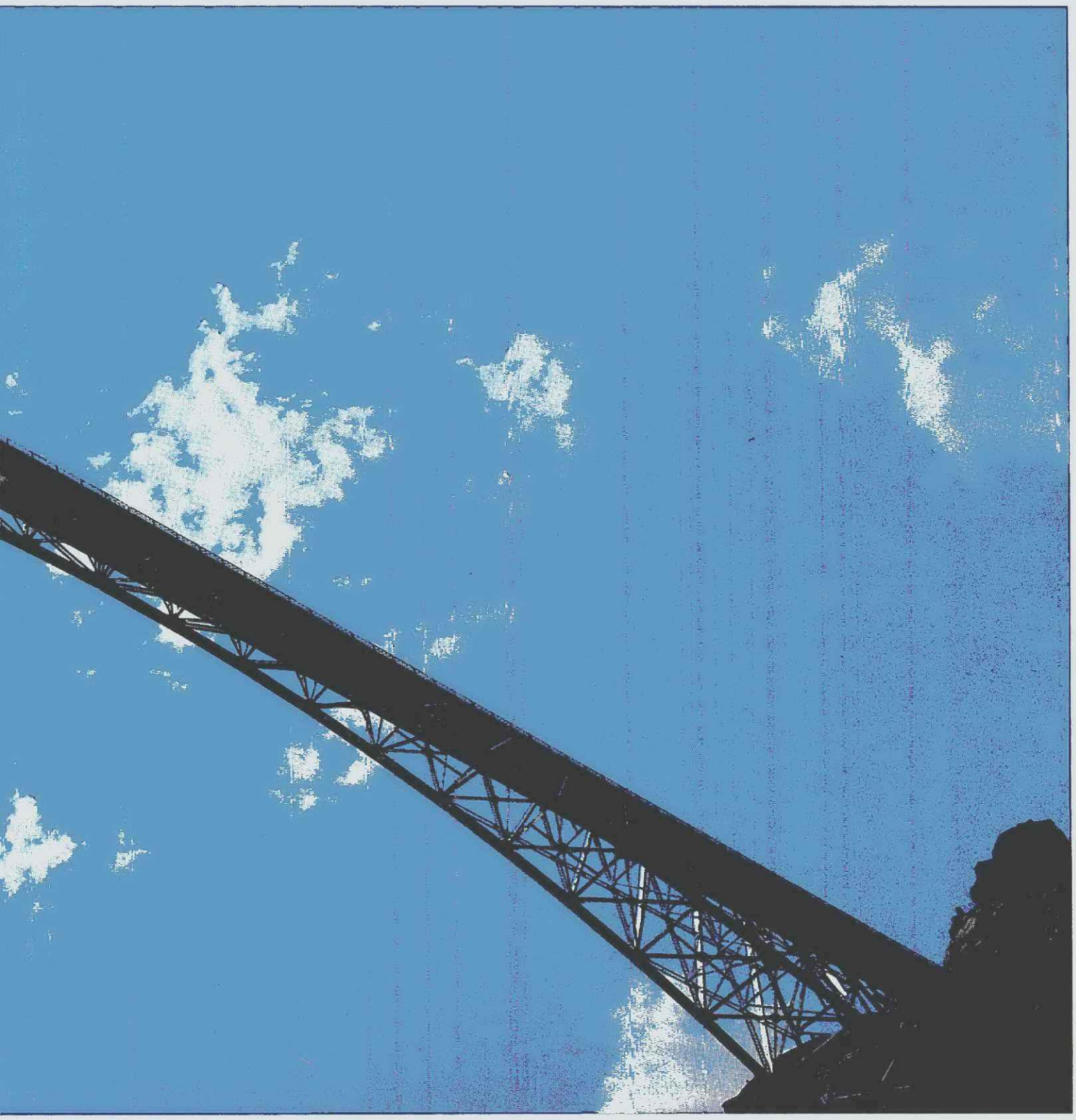
Comings and goings

Julian Goodhew has been appointed treaty underwriter for American Re-Insurance Company (U.K.) Ltd.

Andrew Bathurst has succeeded **Derek Hepworth** as underwriter of Lloyd's of London marine syndicate 697/695, following Mr. Hepworth's retirement.

Richard Lark succeeds **Ronnie Hampton** next month as underwriter for non-marine syndicate 179, managed by Anton Underwriting Agencies Ltd., following Mr. Hampton's retirement. ■

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Travis offers complete Section 89 system

The second phase of Travis Software Corp.'s two-part Section 89 benefit discrimination testing system is now available from the Houston-based employee benefits software producer.

Travis released the first phase of its two-part program, Section 89 Data Collection System, in June. That software program is designed to help employers gather data in compliance with Section 89 of the Internal Revenue Code, as well as provide a repository for the data.

Data gathered using the Data Collection System can be easily transferred to the Phase 2 Section 89 Testing System and used as input for Section 89 testing, according to the software manufacturer.

Travis' Section 89 Testing System will:

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- Calculate who is a highly compensated employee in any employer group.
- Perform all of the tests prescribed by Section 89 of the Internal Revenue Code, including the 80% alternative test, the 50% eligibility test, the 90%/50% benefits test and the 75% availability test.
- Calculate the results for each test, showing specific pass/fail percentages, together with discriminatory excess for each participating highly compensated employee.
- Provide a "what if" capability for redesigning benefit plans to solve discrimination problems.
- Provide flexibility in choices to allow for user decisions concerning the various ambiguities and current interpretations for Section 89.

The Phase 1 Data Collection System is available to employers for $895, while employers can purchase the Phase 2 Testing System for $1,995.

A multiemployer version of Travis Software's Testing System is available for $8,995 for benefit consultants, third-party administrators, insurers, brokers and certified public accountants.

For more information, contact Travis Software at 1001 S. Dairy Ashford, Suite 206, Houston, Texas 77077; 713-496-3737.

Church coverage

Atlantic Mutual Insurance Co., a major insurer of religious institutions, has developed a new package policy for churches and synagogues.

The new policy increases limits previously offered to religious institutions, according to the New York-based insurer.

For example, the new policy covers—up to $500,000—costs to repair or rebuild damaged property to comply with the enforcement of building, zoning or land use laws. Previously, a $100,000 limit was available for this exposure.

In addition, the new policy provides up to $10,000 in coverage for certain kinds of pollution cleanup and removal.

The enhancements to the package policy were made as part of Atlantic Mutual's longstanding commitment to serving religious institutions, explained John F. Gubernat, vp-commercial lines.

"We at Atlantic Mutual have always dedicated ourselves to providing the best insurance coverage and loss control service" to churches, synagogues, mosques and other institutions, he said.

Among the other provisions of Atlantic Mutual's Insurance for Churches policy are:

- Up to $5,000 in medical expense coverage for participants of church-sponsored athletic events who sustain minor injuries such as broken bones.
- Up to $500,000 in property coverage for newly acquired buildings.
- Up to $25,000 in coverage for the personal property of officers, employees or volunteers.
- Up to $15,000 in coverage for personal property off premises.
- Up to $50,000 in coverage for employee dishonesty.
- Up to $5,000 in coverage for stolen money and securities both on and off premises.
- Up to $15,000 in coverage for property in transit.
- Up to $250,000 in coverage for recently acquired personal property.

Atlantic Mutual also offers policyholders loss control advice and a self-inspection program to help prevent accidents and property damage.

Minimum premium for the program is $2,500.

For more information on Atlantic Mutual's religious institutions package policy, contact Steven DeVito, Marketing Segment Manager, Atlantic Mutual Insurance Cos., 430 Mountain Ave., Murray Hill, N.J. 07974; 201-771-7839.

Multiple-option plan

Blue Cross & Blue Shield of Maryland is now offering a multiple-option group health insurance program that expands employees' health care coverage alternatives.

Known as the Gold Option, the plan allows employers with 10 or more employees to offer through a single benefit package the choice of a traditional BC/BS indemnity plan; the Columbia-FreeState Health System, Maryland's largest health maintenance organization network; and a new product that combines features of both the indemnity and HMO plan, called Personal Choice, with a preferred provider incentive.

Gold Option subscribers also receive BC/BS of Maryland's new LifeCard, the company's state-of-the-art identification card that contains a microchip that stores each subscriber and dependent's demographic and insurance data and, upon request by the employee, emergency medical information.

The card is "read" when it is inserted into read-write units connected to the BC/BS of Maryland LifeCard Provider Network system, a statewide computer network accessed by physicians and hospitals across the state.

Medical and administrative staff at medical offices not connected to the LifeCard network use the card as a traditional health insurance identification card.

BC/BS of Maryland also has established a Gold Option service division to process claims and answer inquiries from employers and employees.

"Employers today are looking for a single, flexible health insurance program that allows them to better control the risk and man-

Continued on page 20



WHY IN THE WORLD IS AN AUSTRALIAN SOFTWARE COMPANY SO INTERESTED IN THE AMERICAN INSURANCE INDUSTRY?

Computations, an international supplier of financial services software, recently acquired Dyer Wells & Associates, one of America's leading insurance software vendors. Robert J. Bramston, president and chief executive officer of the American subsidiary of Computations, explains why this is a significant event for the life and health insurance industry—and ultimately, the financial services industry.

Q. Who is Computations?
A. We're an international software company based in Sydney, Australia. Over the last twelve years, we have achieved an 80% growth rate — largely due to penetrating markets in such places as Canada, the United Kingdom, New Zealand, Ireland, Norway, Belgium, Malaysia, Singapore and Japan. Our corporate mission is to become the world's leading supplier of software for the financial services industry.

Q. What steps are you taking to achieve that goal?
A. By almost any measure, the United States is about 50% of world financial markets. To progress as a company, Computations must succeed here. So the acquisition of Dyer Wells is one piece of a larger strategy: to become a major software supplier in the United States.

Our products can produce dramatic benefits for insurance companies, so that's where we're concentrating initially. Since 1986, when we established our American headquarters in Atlanta, Computations has invested millions in evolving systems to help the insurance industry escape from 20-year-old software technologies.

Q. Who is Dyer Wells & Associates?
A. A highly regarded innovator of insurance-related software products. They're known for superior products, dedicated people and outstanding customer service.

Q. Who benefits from this acquisition?
A. All parties. Dyer Wells has an excellent client base in the insurance industry, so the acquisition gives Computations a sound foundation for growth. In Computations, Dyer Wells has a partner that understands the software business — a partner that will invest for future growth. Our products in the life and health, and property and casualty arenas are very complementary. Frankly, both companies have a lot in common — and a lot to gain from the marriage. And the insurance industry itself benefits from the synergy. Together, the two companies are much better positioned for long-term service to this market.

Q. The history of insurance automation is riddled with software failures. How will Computations succeed where others have failed?
A. Like all financial services, insurance is rapidly becoming a global industry, where the old geographic barriers and product distinctions are crumbling. We offer advanced systems already proven in some of the world's most innovative markets. So, as our slogan says, we really are bringing "a world of experience" to the United States.

Also, we don't simply focus on short-term results. We have the patience and the resources to build long-term, mutually beneficial relationships with our clients.

And finally, Computations is already an internationally successful company, and Dyer Wells is already an American success story.

Q. So Computations has the capital to be a major factor in the United States?
A. Absolutely. Our investors, who are some of the world's most prestigious financial organizations, have demonstrated a serious commitment to serving the U.S. life and health insurance industry. We're here to stay.

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Products & services

Continued from page 18

age the cost of health care coverage while still satisfying their employees' needs," said Kenneth J. Arruda, BC/BS of Maryland vp.

"Gold Option offers both managed care and complete freedom of choice to employees," said Mr. Arruda, adding that the plan also "eases the administrative burden on employers by allowing them to receive all their health care options from a single source."

Coverage under the indemnity option is paid at 80% after the employee satisfies deductibles that are negotiated by the employer contracting with BC/BS. There is no lifetime limit on benefits.

Coverage under the HMO option is paid at 100%, with no copayment for office visits and no lifetime limit on benefits. In addition, HMO enrollees receive prescription drug coverage with a $2 per-prescription copayment.

Under the Personal Choice option, employees are free to choose where they will receive medical care each time they need it, although lower copayments and deductibles when a preferred provider is selected.

For example, employees who choose providers from the preferred provider network staffed by physicians of the Columbia-FreeState Health System will receive 100% coverage for most medical services and preventive care after nominal copayments of $5 per office visit or prescription. There is no lifetime limit on the coverage provided through the PPO.

However, employees who choose physicians outside the PPO will receive 80% coverage for the same services after the $5 copayments. Lifetime coverage is capped at $1 million per individual.

The PPO is staffed by 2,500 physicians located in more than 100 primary care sites throughout Maryland.

When Personal Choice subscribers seek care outside of the PPO, regular Blue Cross & Blue Shield managed care programs apply, including preauthorization for elective hospital admissions, mandatory second surgical opinion, individual case management and utilization review.

Gold Option also is available as part of Spectraflex, a "cafeteria benefits' plan introduced last year by Blue Cross & Blue Shield of Maryland.

For more information about Gold Option, contact Mr. Arruda, at Blue Cross & Blue Shield of Maryland, 700 E. Joppa Road, Baltimore, Md. 21204; 301-561-7547.

Real estate E&O

A new surplus lines errors and omissions insurance program for residential real estate professionals is available from underwriting manager Media/Professional Insurance Inc. of Kansas City, Mo.

SAFEPRO is available to medium-sized residential real estate sales offices that have been in operation at least three years, have good claims experience and emphasize loss control.

The policy, which is underwritten by a subsidiary of Seattle-based SAFECO Insurance Co. of America, features:

- No exclusion for punitive damages.
- Specific coverage for personal injury exposures including libel, slander and violation of an individual's right to privacy.
- Option for defense of discrimination cases up to $50,000 in costs (included within the policy limit.)
- Option for services involving property in which the insured has limited equity interest.
- Independent contract sales persons included as additional named insureds.

Limits of up to $5 million are available on a primary claims-made form written on a non-admitted basis. Minimum premium is $2,500.

For more information, contact Media/Professional Insurance Inc., 1001 E. 101st Terrace, Suite 300, Kansas City, Mo. 64131; 816-941-3880.

Coal mine umbrella

A $5 million coal mine umbrella liability program is now being offered to coal mine operators and owners throughout the United States by two subsidiaries of Hatboro, Pa.-based Delaware Valley Underwriting Agency Inc.: DVUA Pittsburgh and DVUA West Virginia.

Dubbed the "CUP 5" umbrella program, the coverage is written with following form provisions for explosion and collapse hazards, said Rusty Ellis, manager of DVUA's Charleston, W.Va., office.

"In the decade and a half that DVUA has been involved in the coal mining industry, we think that this coverage is the best of its kind ever offered," he said.

While $5 million in umbrella liability limits are provided under the policy, higher limits are available from other sources, according to Mr. Ellis.

He declined to name the underwriters, however.

"To take advantage of 'CUP 5' coverages," explained Mr. Ellis, "minimum underlying requirements are $1 million each for general, auto and employers liability. Following forms employers liability is available only to surface mining operations."

In addition, "a general subsidence exclusion applies, and there is a minimum premium of $8,000," Mr. Ellis said.

For more information about the coverage, contact either Mr. Ellis in Charleston, W.Va., at 302-342-4835, or Dennis Alkson in Pittsburgh at 412-369-2500.

Books/videos

"Employer's Handbook: A Practical Guide to Section 89 Compliance," plus monthly bulletins, is available for $197 plus $5.50 postage and handling from Thompson Publishing Group, P.O. Box 76927, Washington, D.C. 20013; 800-424-2959.

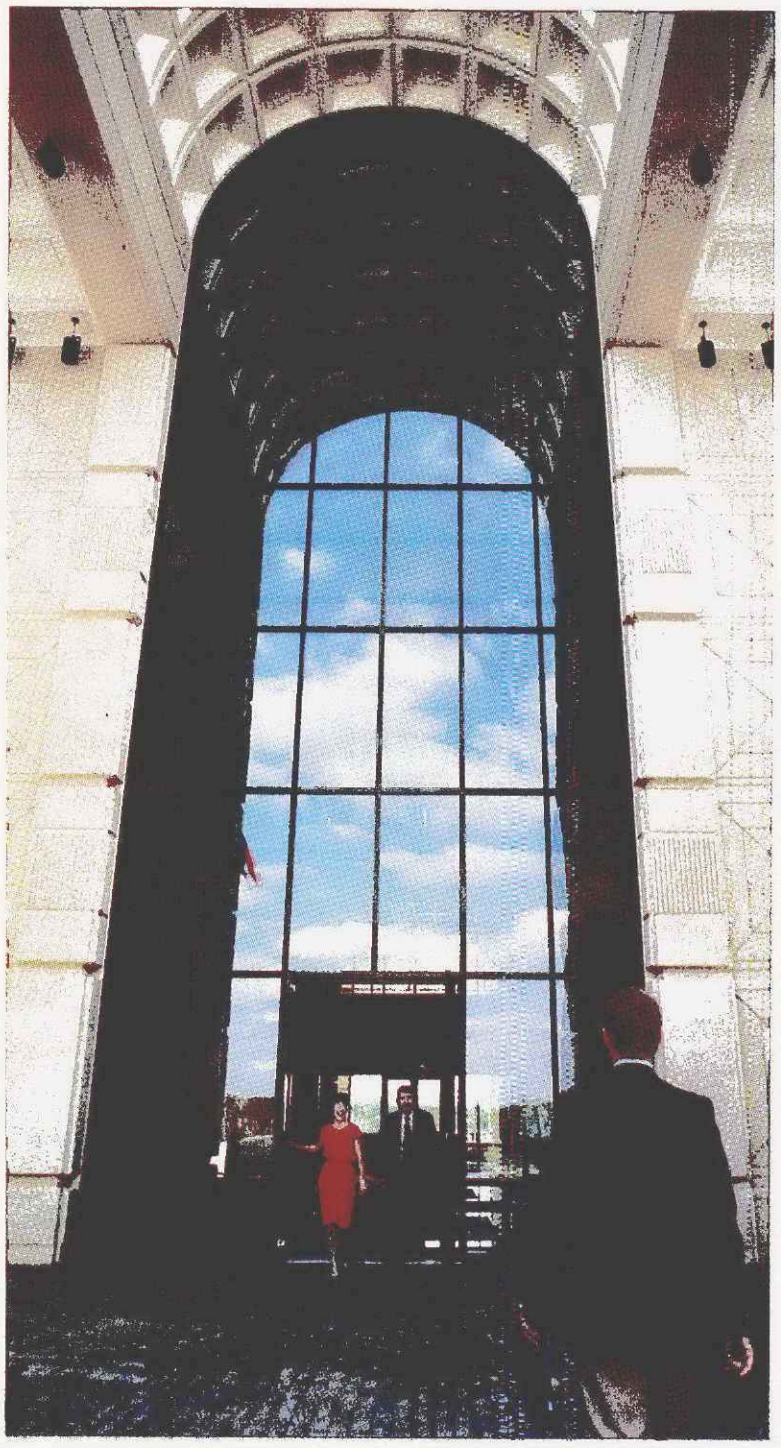
"The Emergency Response Guidebook: A Tool for Safety," the third videotape training program produced for emergency response personnel by the National Chemical Response & Information Center, is available in half-inch and three-fourths-inch formats for $35 to members of the Chemical Manufacturers Assn. and $52.50 for non-members. Contact Publications Fulfillment, CMA, 2501 M St. N.W., Washington, D.C. 20037; 202-887-1100.

The 1988 edition of **"Communicating Employee Benefits: Ideas and Strategies"** is available for $59 each from the Institute for Management, 14 Plaza Road, Greenvale, N.Y. 11548; 516-484-0006.

Copies of the Center for Study of Responsive Law's controversial 200-page **report on the power and influence of Lloyd's of London in the United States** are available for $40 each to businesses and $25 each for non-profit organizations. Contact: Center for Study of Responsive Law, P.O. Box 19367, Washington, D.C. 20036, Attention: Lloyd's of London report.

"With Safety, Everybody Wins," a new 18-minute live action video program produced by ITS Corp., provides a basic overview of the safety process to all employees. The program, which also includes a comprehensive leader's guide, offers hints for using the videotape in a training session, review questions and a reproducible quiz, is available in any video format for $460. Contact Doug Batezel, 20 W. Stow Road, Marlton, N.J. 08053; 609-983-7300, or in Canada: 416-333-4310. ■

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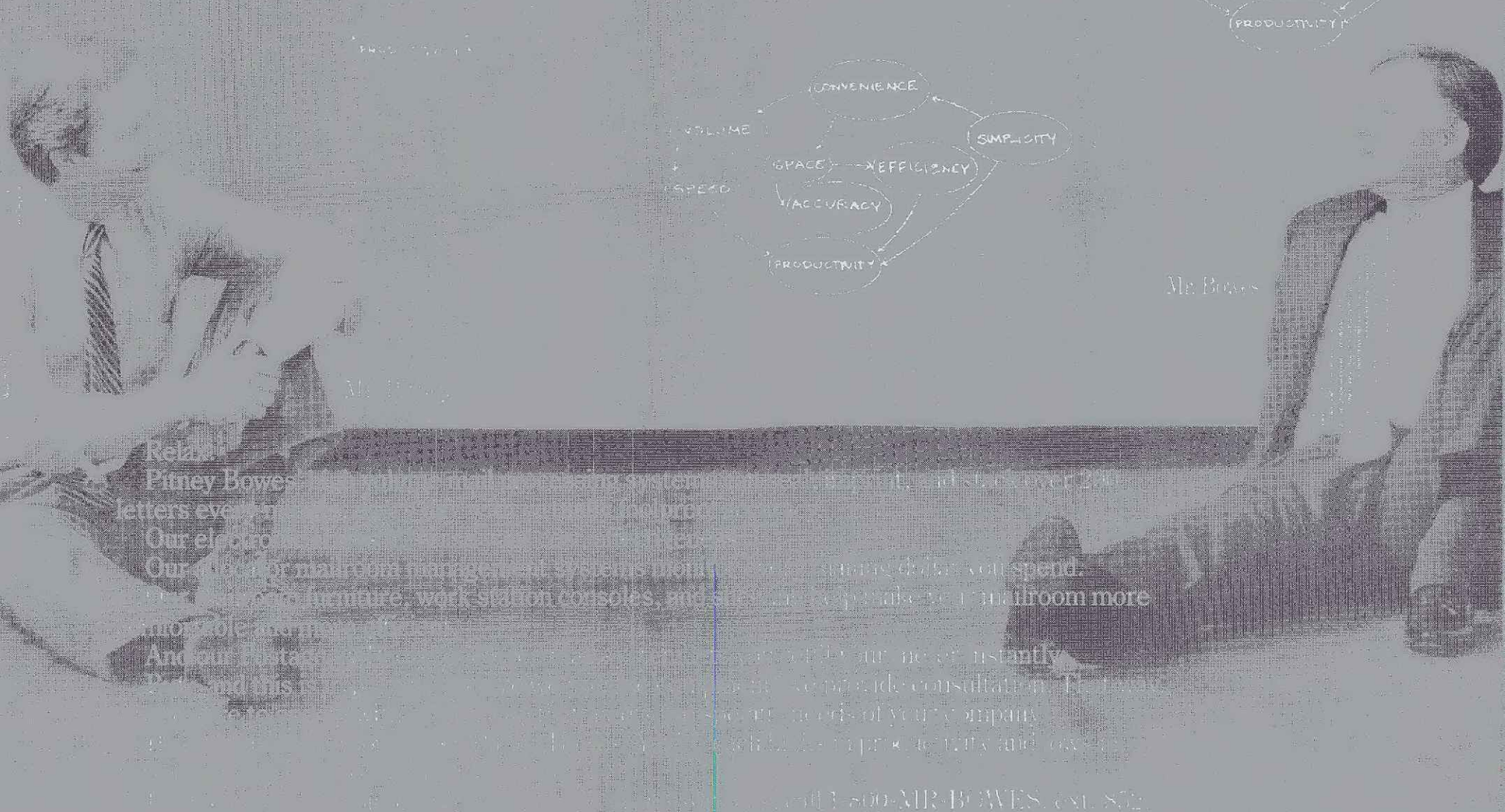
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Proposed tax caps may hurt flex plans

By JERRY GEISEL

While the flexible benefit plan tax cap was killed last year, many observers expect that the issue will not go away as legislators hunt for new revenue sources to reduce the swollen federal budget deficit.

NEW YORK—More than 40% of employers would consider terminating or not adding a flexible benefits plan if Congress places a tax cap on flexible benefit plans.

Depending on the level of the cap, some 42.7% of employers surveyed by New York-based benefit consultant William M. Mercer-Meidinger-Hansen Inc. said they would consider eliminating or not implementing a flexible benefits plan.

"A tax cap, at least in the short term, would have a very dramatic effect on flexible benefit plans," said Richard Rose, a principal in Mercer's Denver office.

Another 37.8% of employers said they would limit the cash option to the amount of the cap, while 16% said they would eliminate some of the benefits for which cash is an option and 12% said they would eliminate their flexible benefit plan's cash option.

In addition, 12.3% said if Congress imposes a tax cap on flexible benefit plans they would probably increase the number of non-taxable benefits offered through the plan. Some 21.2% of employers said they would not make any changes to their flexible benefit plans even if Congress passes a cap.

These reactions to a flexible benefit plan tax cap are based on the responses of 3,350 employers surveyed in February by Mercer, the world's largest employee benefits consultant.

Of the respondents, some 2,203, or 65.8%, offered a flexible benefit plan, while 1,147, or 34.2%, did not.

The survey was triggered by last year's congressional attack on flexible benefit plans in which legislators attempted—unsuccessfully—to curb the plans' tax advantages to raise some $4 billion in revenue over the next three years.

In a move that triggered a massive employer-led lobbying campaign, the House included a provision in budget legislation that would have placed a $500 cap on the amount of pretax salary that employees in flexible benefit plans could contribute toward uncovered benefit expenses.

In addition, employees covered by flexible benefit plans that offer a choice between non-taxable benefits and cash would have been taxed on the amount of cash they could have received from the plan over a $500 threshold, even if they rejected the cash and selected additional tax-free benefits (*BI*, Nov. 9, 1987).

Such a cap would have had a major effect on flexible benefit plans. For example, allowing employees to use pretax dollars through salary reduction to pay for uncovered health care expenses makes it easier for employers to impose higher deductibles and coinsurance requirements.

In addition, flexible benefit plans typically give employees "flex dollars" to buy different benefit options, which are assigned a cash value. To the extent that employees do not use all the flex dollars, the balance can be collected in cash.

But the legislation would have crushed such a feature.

For example, if an employee had a right to $1,000 in flex dollars as cash, but instead opted for $500 of extra dental coverage, the employee would have had an additional $500 in income for federal and Social Security tax purposes.

Such changes, though, never came to pass. A congressional conference committee stripped the $500 tax cap from the budget bill after members were flooded with hundreds of protest letters from employers.

While the flexible benefit plan tax cap was killed last year, many observers expect that the issue will not go away as legislators hunt for new revenue sources to reduce the swollen federal budget deficit.

Indeed, 38.8% of employers surveyed believe that Congress eventually will impose a flexible benefit tax cap. Just 7.9% of employers doubted that a cap will be enacted, while 53.3% were not sure.

Given the importance employers attach to the tax-favored status of flexible benefit plans, it is not surprising that so many employers say they would terminate or not implement a flexible benefit plan if Congress imposes a tax cap.

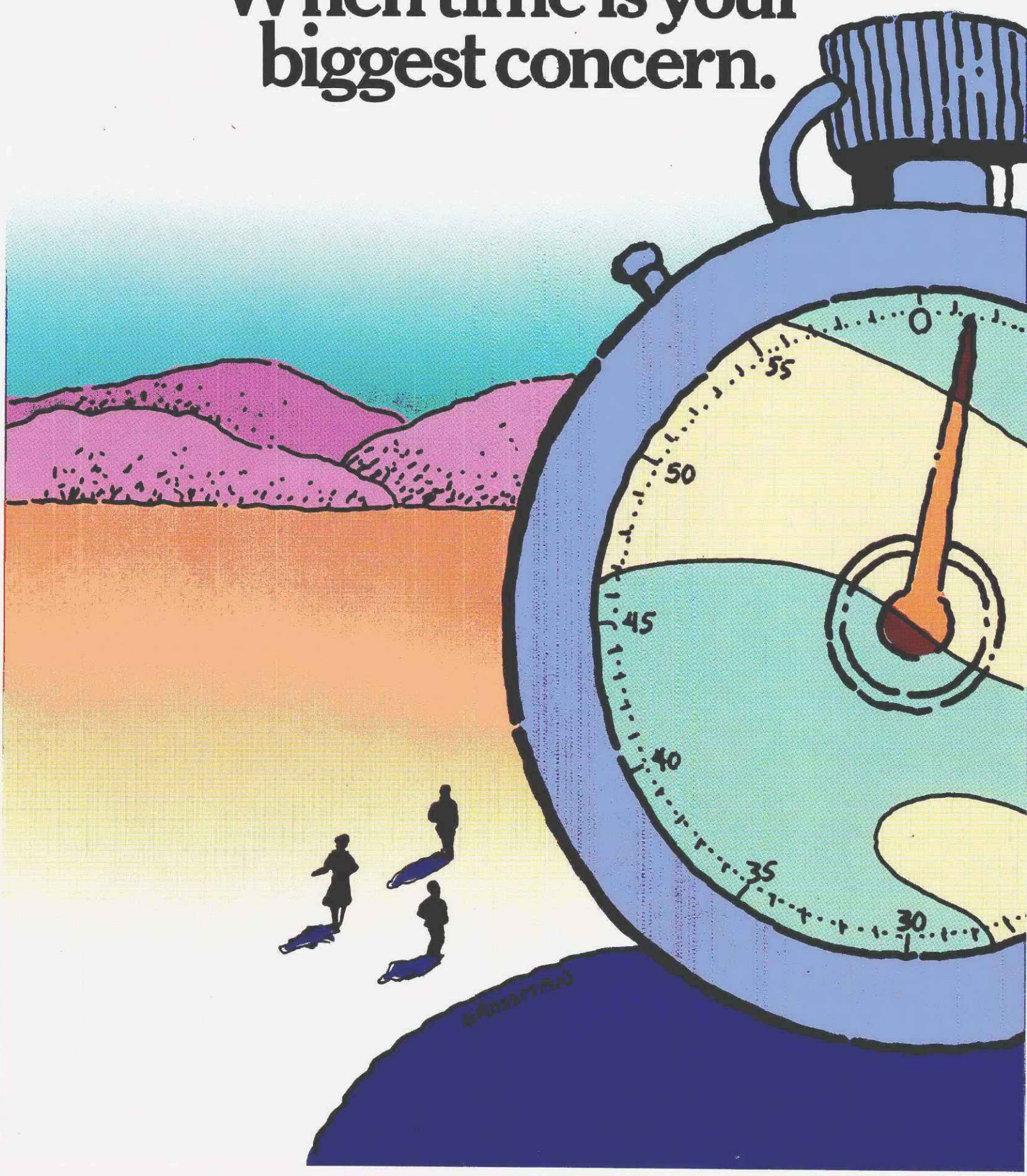
In fact, flexible benefit plans' ability to provide tax-effective benefits is the No. 1 reason employers have set up or plan to establish flexible benefit plans.

For example, some 42.2% of employers said being able to provide tax-effective benefits was the most important reason for establishing or planning to sponsor a flexible benefit plan, compared with the 31.1% who cited giving employees the ability to design a benefit package to meet individual needs.

Other reasons listed by employers as most important motives for

Continued on next page

When time is your biggest concern.



Continued from previous page
establishing flexible benefit plans include: to help control benefit costs, 20.1%; to provide a competitive benefit program, 3.6%; to share benefit costs with employees, 3%.

However, these percentages, which suggest that tax considerations are the predominant reason employers set up flexible benefit plans, may be skewed by respondents who maintain premium conversion plans and flexible spending accounts. Both arrangements are technically considered flexible benefit plans.

In a premium conversion plan, an employee can elect to have his or her salary reduced to pay with pretax dollars a portion of a contributory premium, like a premium charged by an employer for dependent health care coverage.

In a premium conversion plan, an employee can elect to have his or her salary reduced to pay with pretax dollars a portion of a contributory premium, such as a premium charged by an employer for dependent health care coverage.

In an FSA, pretax employee contributions are used to pay for uncovered benefit expenses, like health care deductibles. In such arrangements, tax advantages—rather than choice—are the most attractive plan feature.

However, employers with multiple-option flexible benefits—arrangements in which employees can choose from a menu of benefits—report that choice is far more important than tax considerations in sponsoring a flexible benefit plan.

For example, among employers with multiple-option flexible benefit plans, 44.8% said giving employees more benefit choices was the most important reason for establishing their flexible plans, compared with 29.5% who cited controlling benefit costs and the 25.2% who said providing benefits on a tax-effective basis were the most important reasons for setting up their flex plans.

"These percentages show that companies are adopting full-fledged flexible benefit plans to promote choice and to control costs. Flex plans help companies obtain the maximum investment on their benefit dollars," Mr. Rose said.

Among surveyed employers with flexible benefit plans, some 86% said the plans have met their corporate objectives, while 13.3% were not sure. Just 0.7% of employers said flexible benefit plans did not meet their objectives.

While flexible benefit plans may be meeting corporate objectives, only a minority of employers said the plans have helped control health care costs.

Some 16.9% of employers said the plans have helped control health care costs, while 26.2% said the plans "somewhat" helped to control costs.

By contrast, 24.5% said flexible benefit plans have not helped to control costs, while 32.3% were not sure.

Mr. Rose said employers simply may not have the data to help them measure the effectiveness of flexible benefit plans in controlling costs.

While there has been concern circulating in congressional circles that low-income employees in flexible benefit plans are waiving medical care coverage to receive extra cash, this may be somewhat of a misplaced fear, according to the Mercer survey.

For example, some 45.5% of employers said they do not allow employees to waive medical coverage, while 20.6% of employers allow such waivers only if employees prove they have coverage elsewhere. However, 33.9% of employers do allow employees to waive medical care coverage.

Not surprisingly, most employers are opposed to a flexible benefit tax cap as a revenue-producing device. Some 70.6% of employers said they were against a tax cap to raise revenue, 11.8% endorsed a tax cap as a/ way to raise revenue, while 17.6% were not sure.

Some 64.7% of employers said that a flexible benefit plan tax cap would be the first step toward taxing employees on all benefits provided by their employer. However, 16.1% did not believe that such a cap would lead to making all benefits taxable, while 19.3% were not sure.

If Congress does pass legislation to tax employee benefits, respondents were fairly evenly divided on the method in which such taxes would be imposed.

For example, if Congress taxes all employee benefits, 34.8% said the way to implement such a tax would be to set an overall cap on all non-taxable benefits received, while 33.5% favored a limit on non-taxable benefits based on employee compensation.

In addition, if benefits were taxed, 21.4% favored a cap on pretax contributions to non-taxable benefit plans, while 10.4% favored an individual cap on each non-taxable benefit received.

Currently, employers can provide an unlimited amount of health care benefits, including hospital, physician, dental and vision care, without employees being taxed on their employers' premium or claims costs.

In addition, employers can provide up to $50,000 of group term life insurance on a tax-free basis to employees.

Next year, though, when Section 89 of the Internal Revenue Code goes into effect, an employer's highly compensated employees will be taxed on all or a portion of their benefits if not enough low-paid employees are covered by their welfare plans or if the lower-paid are eligible for sharply smaller benefits than the higher-paid (*BI*, April 18).

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Free single copies of the "Cafeteria Benefit Cap," survey are available from William M. Mercer-Meidinger-Hansen Inc., Public Relations Department, 1211 Ave. of the Americas, New York, N.Y. 10036-8855; 212-997-6939.

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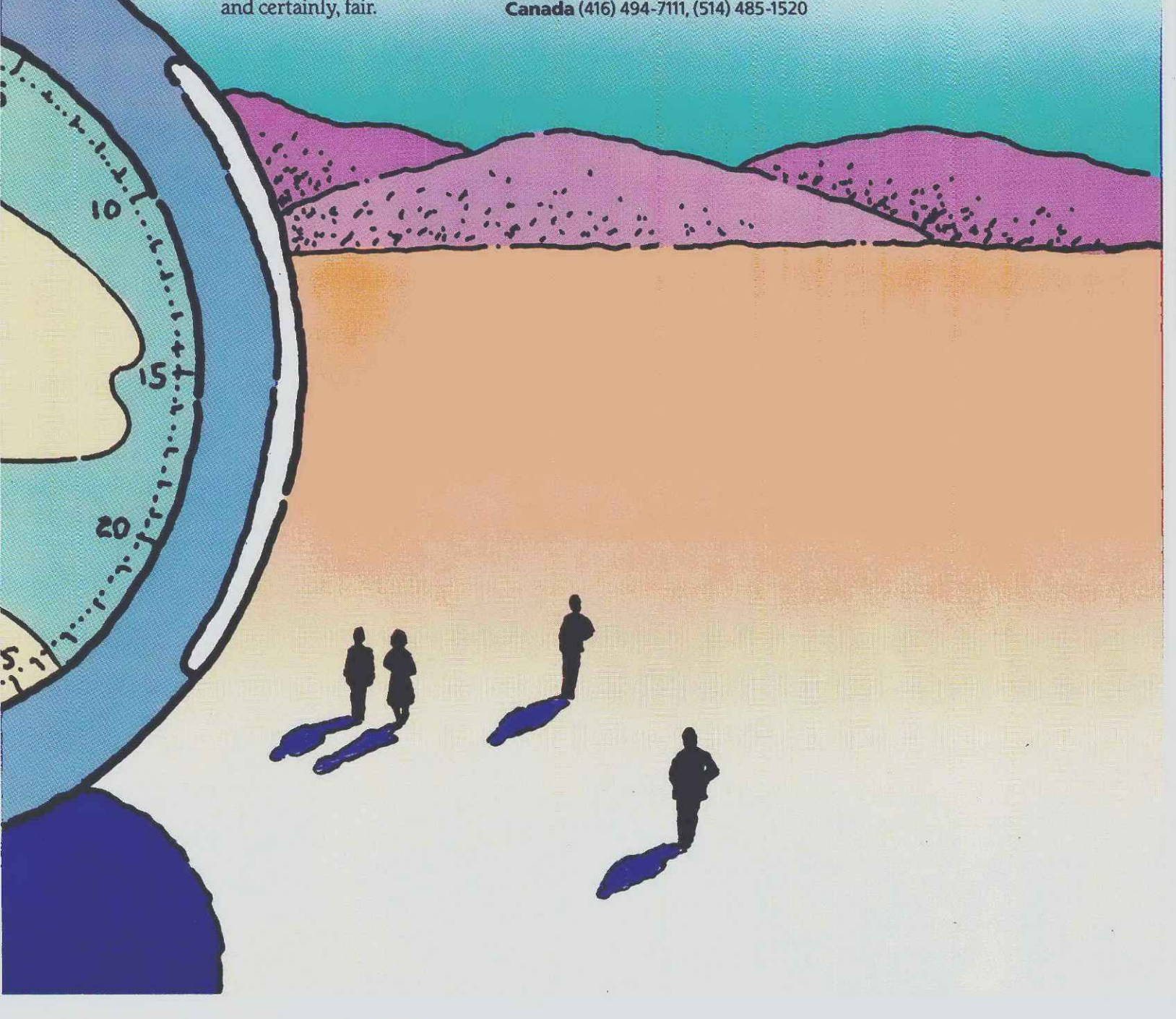
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1989 judges

Continued from page 3

Weiss was a member of the 1988 Risk Management Honor Roll.

"We are delighted to have such a distinguished panel of judges for the 1989 award," commented Kathryn J. McIntyre, associate publisher and editor of *Business Insurance*. "These very busy leaders in risk management and commercial insurance are giving their time to judge the nominations, and we are very appreciative."

The 1989 Risk Manager of the Year and Risk Management Honor Roll will be announced in the April 9, 1989 issue of *Business Insurance*, which will coincide with the 27th annual Risk & Insurance Management Society conference to be held in Atlanta.

In addition to the Risk Manager of the Year, as many as five candidates may be named to the Risk Management Honor Roll. This distinction was established in 1980 to recognize the achievements of risk managers in different types of employment settings.

The candidate receiving the highest score from the panel of judges is selected as the Risk Manager of the Year. And, beginning with the 1981 competition, the remaining candidates have been separated by employment categories: corporations with sales exceeding $300 million; companies with sales of less than $300 million; government entities; and tax-exempt or not-for-profit institutions.

A fifth category was added in 1985 to recognize achievements by risk managers employed by financial institutions. And, this year, a sixth category has been added to recognize the achievements of managers of self-insurance funds and pools (*BI*, Aug. 22).

According to the rules of the competition, the employment category represented by the Risk Manager of the Year is eliminated. Then, in each of the remaining categories, the highest-scoring candidate is named to the Risk Management Honor Roll, at the discretion of the judges.

'We are delighted to have such a distinguished panel of judges for the 1989 award,' says Kathryn J. McIntyre, *BI's* associate publisher and editor. 'These very busy leaders in risk management and commercial insurance are giving their time to judge the nominations, and we are very appreciative.'

A candidate need not spend all of his or her time on the job handling risk management, but the candidate must be a full-time employee of the organization for which he or she directs the risk management program.

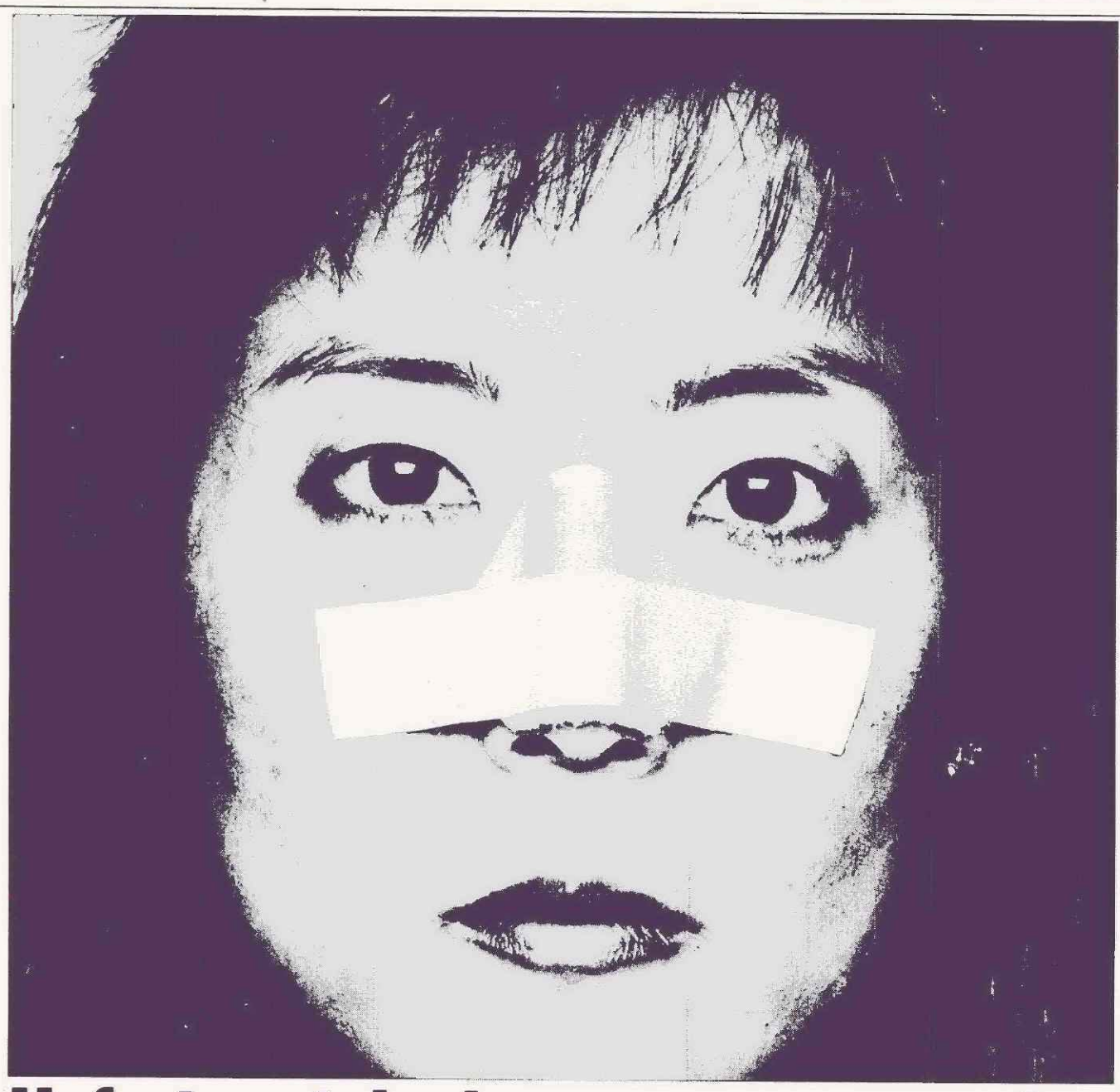
A candidate can be nominated by anyone familiar with the risk management professional's work.

For example, any employee or group of employees can nominate the organization's risk manager; a broker, insurer, consultant or other service supplier can nominate a client; or a risk manager can nominate a colleague.

Nominations must be submitted according to the detailed instructions contained in a special nominating form available by writing *Business Insurance*, Risk Manager of the Year Award, 740 N. Rush St., Chicago, Ill. 60611-2590.

The deadline for submitting nominations is Nov. 23.

Information supplied in the nominating statement, which must be endorsed for its accuracy by the candidate's superior, will be kept in strictest confidence. *Business Insurance* will announce only the names of the winners. ■



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10 criteria form basis for *BI* award

Ten criteria will be used by judges to score the nominations that are submitted for the 1989 *Business Insurance* Risk Manager of the Year Award and Risk Management Honor Roll.

The 10 independent judges of the annual competition sponsored by *BI* will score each candidate on a scale from one to 10 on the basis of how well he or she:

- Established and implemented an effective risk management program within the organization.
- Tackled and solved one or more major problems for his or her organization.
- Innovatively applies the diverse tools of risk management and insurance.
- Creatively and effectively uses the insurance markets to structure an insurance program that serves the needs of the organization (specifically addressing the types of policies purchased and manuscripted policies, if any, developed).
- Established a workable intelligence system both inside and outside the organization, culminating in a flow of information about events and activities that affect the organization's risk management and insurance.

(The ways in which the risk manager secures information on risks from other departments and the use of risk management information systems are addressed in this criterion.)

- Skillfully performs the functions of management in the overall organization and within the risk management/insurance department.

(The functions include planning, organizing, directing and controlling.)

- Achieves the most effective program at the optimum cost over the long term.
- Developed technical expertise in any or all of the broad categories included within risk management, leading to a better managerial grasp of the operations aspects of the job.
- Exhibits an attitude and performs activities fostering the advancement of the risk management profession.

(This includes, for example, professional activities, speaking engagements, teaching and related activities).

- Develops in his or her career (as exhibited by job history, including current job description, education, honors and memberships). ■

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Bloom to lead Willis Faber Holdings

Thomas S. Bloom has been named president of Willis Faber Holdings Inc. in New York, the nation's second-largest surplus lines broker.


Mr. Bloom

In addition to this new position, Mr. Bloom will remain president of both McAlear Associates Inc. of Grand Rapids, Mich., and Stewart Smith Mid America in Chicago.

Mr. Bloom, 49, succeeds Patrick Osborn, who is planning to retire later this year.

Mr. Bloom joined McAlear Associates in 1975, and served in a number of capacities until he was named president of the surplus lines broker in 1981.

In addition, **Carol S. Vance** promoted to executive vp of Stewart Smith East Inc. in New York.

In other excess/surplus changes:

R. Brian Jarman named senior vp-Athena division and **David A. Montgomery** named vp-specialty risk division for St. Paul Specialty Underwriting in St. Paul, Minn., the surplus lines underwriting subsidiary of The St. Paul Cos. Inc.

John S. Willsey promoted to vp at S.H. Smith & Co. Inc. in West Hartford, Conn.

Katherine L. Schefsky appointed vp of Specialty Lines Underwriters, a surplus lines insurance broker based in Milwaukee.

Insurers

Robert H. Whitehead named president of Industrial Indemnity Co. in San Francisco, a unit of Crum & Forster Commercial Insurance. Mr. Whitehead joined Industrial Indemnity in 1963 and most recently was executive vp.

Also at Industrial Indemnity, **Richard Possanza** named vp and division manager in Seattle.

Royal Insurance U.S.A. President and Chief Operating Officer **William E. Buckley** has been named chairman and chief executive officer of Royal U.S.A. and president and chief executive officer of Royal's U.S. parent company, Royal Group Inc., effective Dec. 31. Mr. Buckley will succeed George W. Ansbro, who is retiring from these posts.

Merry K. Anderson, **Frank J. Bivona** and **Stephen D. Cooke** named senior vps of AMBAC Indemnity Corp. in New York.

Edward N. Bennett named executive vp at Hartford Insurance Group in Hartford, Conn.

Robert P. Jolly named vp-liability claims legal of Industrial Indemnity Co. in San Francisco, a unit of Crum & Forster Inc.

Richard L. Moll named vp-commercial lines underwriting at Unigard Insurance Group in Seattle.

Gregory K. Shives joined Interstate Insurance Group in Chicago as vp-casualty underwriting. Previously, he was a regional manager with SCOR Reinsurance Co.

William R. Story appointed president of National American Insurance Co. of California in Rancho Dominguez.

John Dupuis joined Superior National Insurance Group in Woodland Hills, Calif., as executive vp-elect. Previously, he was president of First California Property & Casualty Co.

Also, **James Messec** named vp-property/casualty operations for Superior National's Southern California property/casualty division.

Charles L. Allen joined Maryland Casualty Co. in Baltimore as vp-core large accounts division, in-

Comings & goings: industry

surance operations. Most recently, he was vp-special risks of CIGNA Corp.

Daniel T. Cox named president of The Life Insurance Co. of Virginia in Richmond, Va., a subsidiary of Aon Corp.

At Aviation Office of America Inc. in Dallas: Chairman **Jack G. Folmar** named to additional posts of president and chief executive officer; and **W.E. McDonough** promoted to executive vp.

Anthony J. Morano Jr. appointed vp-underwriting at First Security Insurance Corp. in Buffalo, N.Y.

William J. Marino promoted to vp-group operations for The Prudential Insurance Co. of America's northeastern group operations in Parsippany, N.J.

James F. Duffy appointed executive vp of The St. Paul Cos. Inc. in St. Paul, Minn.

St. Paul Fire & Marine Insurance Co. in St. Paul, Minn., a subsidiary of The St. Paul Cos. Inc., appointed the following: **Richard S. Banas** to vp-electronics industry; **Steven G. Brady** to vp-professional (nonmedical) industry group; and **Michael D. Markman** to vp-construction industry group.

Jack R. Powell named senior vp of Pacific Compensation Insurance Co. in San Bruno, Calif.

Domenick Pitrelli promoted to vp-group claims of The Mutual Benefit Life Insurance Co.'s Western home office in Kansas City, Mo.

Peter B. Aaronson named president of Naugatuck, Conn.-based Liberty Health Plans and Columbia Life Insurance Co., a majority owned subsidiary of Alternative Health Care Systems Inc.

David S. Helwig joined Blue Cross of California in Woodland Hills as vp and chief actuary. Mr. Helwig previously was chief actuary at Blue Cross & Blue Shield of Virginia.

William H. Buttner appointed senior vp of The North River Insurance Co. in Basking Ridge, N.J., a unit of Crum & Forster Commercial Insurance.

Also North River, **George M. Clark Jr.** in Parsippany, N.J., and **Gary L. Roth** in Towson, Md., named vps. Additionally, **Stephen C. O'Maley** joined the insurer in Lubbock, Texas, as vp.

Dennis C. Costello joined Reliance Insurance Co. in Philadelphia as senior vp/manager-claims. Previously Mr. Costello was vp-claims administration and financial management at Chubb & Son in Warren, N.J.

David A. Ferrante appointed executive vp of Orion Group's Western division in San Jose, Calif.

John Birmingham named president of Great American-West Inc. in Cincinnati.

David Engles promoted to vp-actuarial and chief actuary of Maryland Casualty Co. in Baltimore.

Continued on next page

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Continued from previous page

John Bibb appointed vp of Superior National Insurance Co. in Woodland Hills, Calif.

Raymond E. Derouin and **David J. Jackson** named senior vps of Selective Insurance Group Inc. and two of its subsidiaries, Selective Insurance Co. of America and Selective Way Insurance Co., all in Branchville, N.J.

Charles H. Sharpe and **Robert A. Fornshell** were each named vp of both Selective Insurance Co. of the Southeast and Selective Insurance Co. of South Carolina. Both companies are based in Charlotte, N.C.

Agents/brokers

John G. Despot and **Craig J. Nelson** joined Edward Jacobs & Co. in San Mateo, Calif., as executive vps. Both men previously were with Frank B. Hall & Co. Inc.: Mr. Despot was senior vp and Mr. Nelson was vp.

Frederick W. Shadrick named senior vp-business development at Frank B. Hall & Co. Inc. in Briarcliff Manor, N.Y.

Also, **Martha J. Stevens** appointed senior vp at Frank B. Hall & Co. of New York Inc.

Mary C. Jones and **Thomas L. Nygren** joined Energy Insurance International in Houston as vps. Previously, both were with Alexander & Alexander Services Inc. Ms. Jones was vp-financial services of the Gulf Coast region and Mr. Nygren was vp and regional director-financial services.

John Kitchen joined American Business Insurance Agency in San Francisco as senior vp. Previously, Mr. Kitchen was a marketing representative supervisor for Marsh & McLennan Co.'s Kansas City, Mo., office.

Dean W. Hunter named vp-marine insurance of Forbes Westar Aviation Inc. in Bellevue, Wash.

James S. Matthews named senior vp-national aviation for Rollins Burdick Hunter Co. in Chicago. Mr. Matthews will be based in RBH's New York office.

Donald F. Mackay joined Richard N. Goldman & Co. in San Francisco as vp and engineering manager. Most recently, Mr. Mackay was vp of Alexander & Alexander of California Inc.

Jay Lebenson joined Tanenbaum-Harber Co. Inc. in New York as vp. Previously, he was vp-marketing at RWP Group Inc.

Keith L. Potter promoted to executive vp of Bowles & Foster Inc. and Bowles & Foster Risk Management Inc., both in Southfield, Mich.

Corroon & Black of Illinois in Chicago announced the following promotions: **Patrick J. Doyle**, **Don H. Ball**, **Sandra J. Lalich** and **Robert J. Hogan Jr.**, to executive vps; **E.G. Van Cata** and **William D. Ryan**, to senior vps; **Ruth A. Joplin**, **Ralph Weiss**, **Richard G. Stack** and **Dahla J. Brown**, to vps.

Jerry L. Miller promoted to senior vp of Berwanger Overmyer Associates in Columbus, Ohio.

Deborah L. Moyano, **Kenneth J. Rosinski** and **Stephen R. Sawyer** promoted to vps of Woodruff-Sawyer & Co. in San Francisco.

Michael P. Dinstein named executive vp in the Production Services Group at Fred S. James & Co. Inc. in New York.

Neil C. Krauter joined Frank B. Hall & Co. of New York Inc. as senior vp and producer. Most recently, Mr. Krauter was senior vp/account executive of Marsh & McLennan Inc. in New York.

R. Wayne Newman joined Jardine Emett & Chandler Dallas Inc. in Dallas. Most recently, Mr. Newman was senior vp-marketing for Alexander & Alexander's Dallas regional office.

Joseph D. Roxe and **Theodore J. Fuller** named to the board of Johnson & Higgins in New York. Mr. Roxe is chief financial officer and senior vp and Mr. Fuller is executive vp of J&H of Pennsylvania.

Christine LaSala named executive vp of J&H of New Jersey in Parsippany and **Robert F. Powell Jr.** named executive vp of J&H of Tennessee in Nashville.

Also, **John R. Flautt** and **John A. Taylor** joined J&H's Dallas office as vps.

Reinsurance

Jon P. Kocourek joined Thomas A. Greene & Co. Inc. as vp and treaty broker. Previously, Mr. Kocourek was a treaty broker with E.W. Blanch Co.

Daniel V. Malloy Sr. appointed to senior vp and branch manager of the New York office of Sullivan Payne Co.

At American Re-Insurance Co. in New York, **John J. Varca** promoted to vp of the company's balance sheet protection department and **Stephen T. Morgan** promoted to vp-actuarial.

Also, at AM-RE Brokers Inc. in New York, a subsidiary of American Re-Insurance Co., **Bruce P. Reich** promoted to vp.

John L. Sybrandt joined Southern Intermediaries Inc. in Columbia, S.C., as vp. Before joining the subsidiary of The Seibels Bruce Group, Mr. Sybrandt was an assistant vp with RFC Reinsurance Intermediaries.

Philip C. Cawley appointed vp of O'Connor Associates Ltd. in Saddle Brook, N.J.

James T. Entwistle, **Winston E. Perkins** and **Michael A. Pero** promoted to vps in the Stamford, Conn., home office of General Reinsurance Corp.

Jeffrey E. Vosburgh joined Cologne Reinsurance Co. of America in Stamford, Conn., as executive vp. Previously, Mr. Vosburgh was director of excess and specialty lines and reinsurance with SAFECO Cos.

HMOs/PPOs

Patricia Moldovan joined HealthChicago, a health maintenance organization in Lisle, Ill., as vp-operations. Previously, Ms. Moldovan was director of operations with Share Health Plan of Illinois.

Dr. David McK. Lawrence promoted to senior vp of Kaiser Foundation Health Plan & Hospitals in Oakland, Calif., and named regional manager for Kaiser Permanente's Northern California operations.

Other suppliers

Peter J. Durkalski appointed president of Gallagher Bassett Services Inc. in Rolling Meadows, Ill., a risk management subsidiary of Arthur J. Gallagher & Co.

James A. Finkelstein joined the San Francisco office of C&B Consulting Group, Corroon & Black Corp.'s human resources consulting division, as president and chief executive officer. Previously, Mr. Finkelstein was the principal in charge of compensation consulting with The Wyatt Co. in Southern California.

Julia S. Tse joined Hazlehurst & Associates Inc., an Atlanta-based consulting actuary, as a principal.

Agnes Heersink named consulting actuary for Tillinghast, a division of Towers, Perrin, Forster & Crosby Inc., in Seattle. Also, **Eric Payne** joined the Seattle office as risk management consultant. Previously, Mr. Payne was risk manager for the State of Washington.

Sandra Wolff promoted to vp of Fred S. James & Co./Irvine in Irvine, Calif.

Edward A. Pouzar joined Betterley Risk Consultants Inc. in Worcester, Mass., as consultant-public sector entities. Previously, Mr. Pouzar was risk & employee benefits manager for the city of Hartford, Conn. ■



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IBM The Bigger Picture

Forum posts $7 million profit in fiscal '87

By ROGER SCOTTON

HAMILTON, Bermuda—Bermuda-based financial reinsurer Forum Reinsurance Co. Ltd. reported net profits exceeding $7 million for the year ending Jan. 15.

That is a $1 million increase from profits reported for its initial 17 months of business, ending Jan. 15, 1987.

Premiums written in 1987 totaled $81.1 million, down from $104.9 million for the first 17 months.

Dividends were maintained at $4.5 million while shareholders' equity rose to $9.1 million producing capital funds of $34.1 million. Assets grew to $148.7 million from $85.7 million.

Meanwhile, at affiliates of Forum:

Bermuda briefs

● John McGarrity resigned as president of Amberco Brokers Ltd., citing personal reasons.

Amberco is owned by Forum Re Group Inc., the U.S. affiliate of Forum in Bermuda previously named Veta Grande Cos. Inc. (*BI*, April 18).

● Aneco Reinsurance Co. Ltd., 72% owned by Forum in Bermuda, changed its name to Forum Re Group (Bermuda) Ltd. Its reinsurance underwriting subsidiary, which specializes in captive reinsurance, continues to use the name Aneco Reinsurance Underwriting Ltd.

● A new entity, Aneco Reinsurance Underwriting Agency Ltd., was formed to underwrite excess liability insurance and reinsurance for self-funding public entities on behalf of Titan Indemnity Co., a public entity insurer in San Antonio, Texas.

A maximum of $900,000 in capacity will be available to self-insured public entities, charitable trusts, risk retention groups and captives funding public entity liability risks.

Aneco Reinsurance Underwriting and Forum Re in Bermuda will reinsure Titan, with Titan retaining an "appropriate" amount of risk, said Jonathan J. Crawley, president of Aneco Reinsurance Underwriting.

Forum Re Bermuda owns 9% of Titan.

The new Aneco agency expects to write $2 million in premium volume on this public entity business by year-end and $5 million to $10 million in 1989, according to Mr. Crawley.

"We already have some public entity business on Aneco's books making up about 10% of our reinsurance programs with Bermuda captives," Mr. Crawley said.

"But our ability to expand and take on more of what we feel is potentially very profitable business has been inhibited through not being an admitted carrier," he said.

Titan is admitted in Kentucky, Indiana and Texas and is an approved surplus lines insurer in 36 other states, said Mr. Crawley.

Captive support

Four reinsurers, including three Bermuda-based companies, are teaming up to provide $1.5 million in capacity to captive insurers.

Belvedere Insurance Co. Ltd., Hudson Reinsurance Co. Ltd. and Brittany Insurance Co. Ltd. of Bermuda and Hanover Reinsurance Co. of Hanover, West Germany, have completed a joint underwriting agreement to provide the $1.5 million in gross capacity.

Separately, Belvedere and Hanover Re have agreed to underwrite financial reinsurance together, on a several liability basis.

Belvedere will accept submissions from brokers and write the coverage with input from its partners on the terms and conditions.

Belvedere is a subsidiary of New York-based Belvedere Corp., a reinsurance holding company with shares are traded on the American Stock Exchange.

Hudson is a subsidiary of Skandia International Insurance Corp. in Stockholm, which recently increased the Bermuda-based reinsurer's capital and surplus to $16.2 million with a cash injection of $7.1 million.

Brittany is a subsidiary of Petrofina S.A. and the largest treaty reinsurance underwriter in Bermuda.

"We wanted to improve the quality of capacity available to intermediaries and captive managers," said Belvedere President Colin O'Connor in a statement.

"We did not want to establish an agency because many professional brokers are disinclined to deal with agencies," Mr. O'Connor said. "We wanted all the companies to participate in the underwriting process and be visible so that we can stress the quality of our partners, their financial strength and their distinguished ownership."

Risks will be shared equally by the reinsurers.

"Although there are some restrictions on the classes of business that the facility will entertain, it is expected to be particularly attractive to buyers of excess casualty reinsurance," the statement from Belvedere said.

Separately, Hudson Re President Nicholas Dove said that Hudson's policyholder surplus was increased to make Hudson more acceptable to the world's reinsurance community.

"We're having an increasing battle with the security committees of the brokers and primary companies," Mr. Dove said. "Being positioned in Bermuda and having previously had less than $10 million in capital and surplus has tended to lose us business as a result of decisions being taken by these committees."

The increased capital and surplus does not signal additional underwriting by Hudson, which has no plans to increase its property and casualty reinsurance premium volume from the $16 million in gross premiums it wrote in 1987.

"Rather than pursuing volume we'll be waiting out the soft market and will be well positioned by the time it turns, which the industry is predicting will be in 1991," Mr. Dove said.

Hudson is forecasting gross premiums this year of $15.5 million and net premiums of $13.5 million. In 1987, Hudson's net written premiums totaled $12.7 million.

"Like other companies, we're retaining more of our book of business," Mr. Dove said. "And we're hoping this year to expand the small number of captive programs we handle." ■



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• "NADA ValuGuide Newsletter," published semiannually by NADA Valu Guide, covers current issues in **automated automotive valuations**. For a free copy, write 103 in the box on the reader service coupon.

• A brochure and sample diskette describing the company's **automated life insurance policy administration system** is available from Continental Software Inc. For a free copy, write 104 in the box on the reader service coupon.

• A flier available from Intelus details Paperflo, an **automated system used to track and manage paperwork and files** through the use of bar code labels. For a free copy, write 105 in the box on the reader service coupon.

• "This is Your Quality Systems Solution!" is a brochure detailing **computerized claim processing and risk analysis** systems offered by National Risk Management Inc. For a free copy, write 106 in the box on the reader service coupon.

• A brochure detailing "Computations Life Office Administration System," an **automated system designed to administer life insurance policies**, is available from Computations/Dyer Wells. For a free copy, write 107 in the box on the reader service coupon.

• The AIRS Information Kit includes **information on software products and services of interest to insurers** offered by Automated Insurance Resource Systems Inc. For a free copy, write 108 in the box on the reader service coupon.

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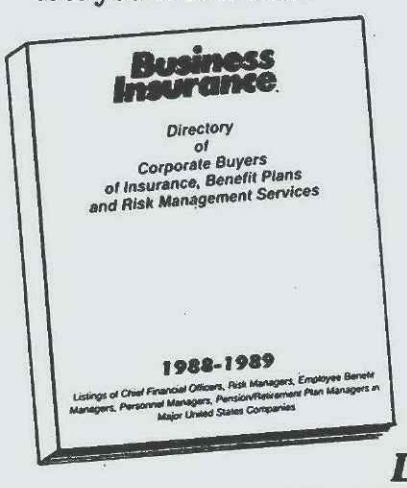
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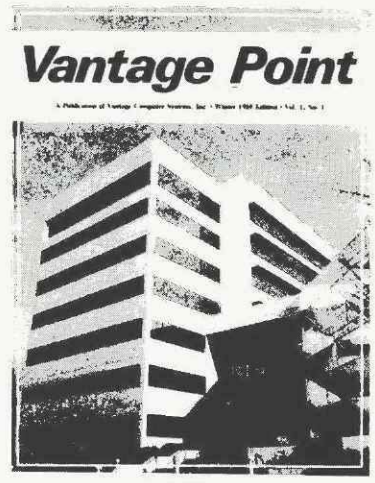
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The materials, all free of charge, are organized under these headings: automated systems and software for insurers; automated systems and software for agents and brokers; captives; commercial property/casualty insurance; employee benefits; employee benefit management information systems; fidelity & surety; financial services; international; loss control/people; loss control/property; reinsurance; risk management; risk management information systems; self-insurance services; and workers compensation.

To receive any of the free brochures, booklets, pamphlets or fliers described in this special section, please write the key numbers of the items you want in the boxes on the reader service coupons provided on several of the following pages.

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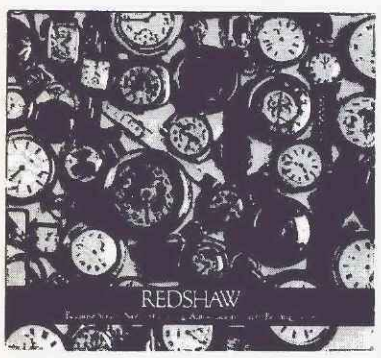
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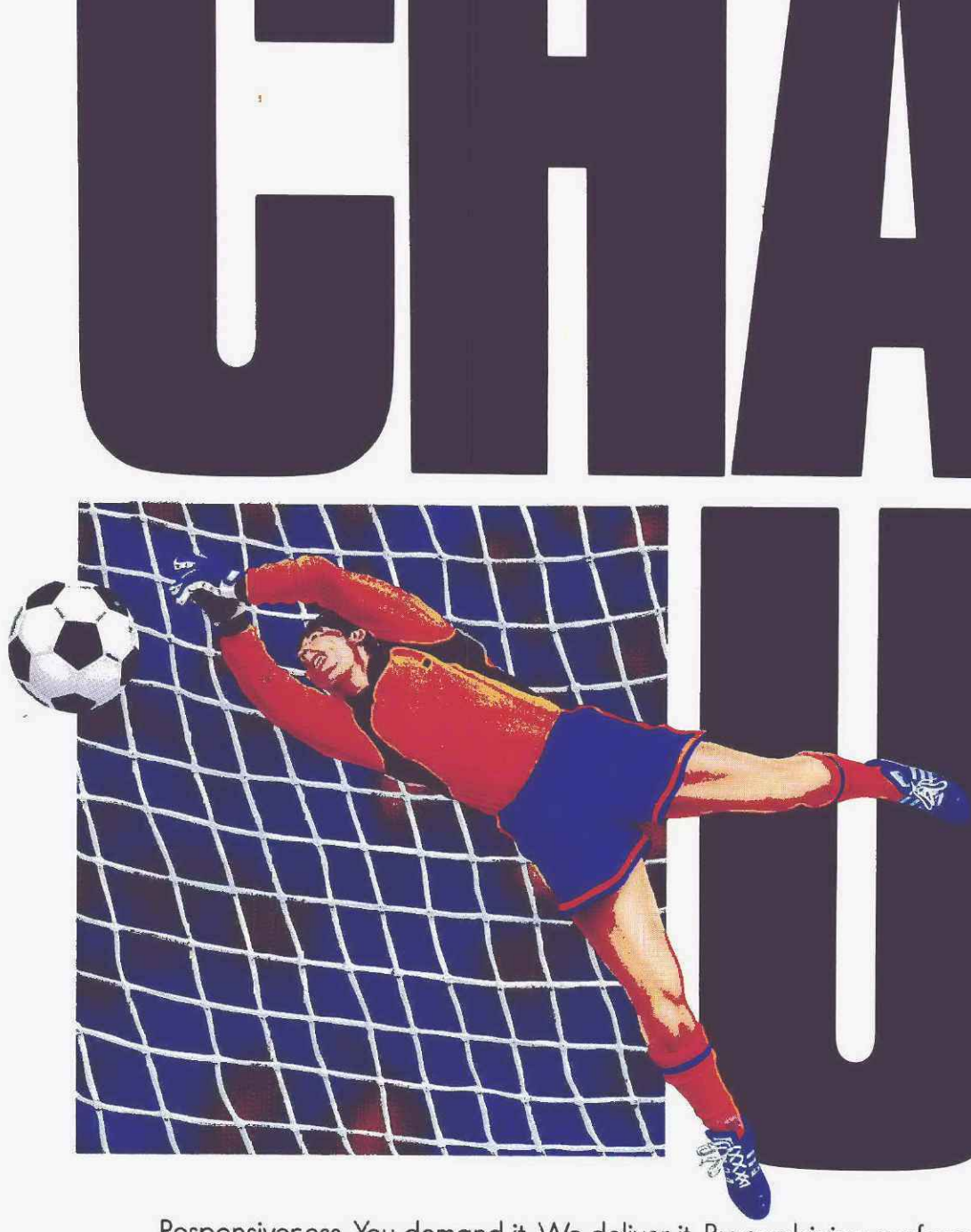
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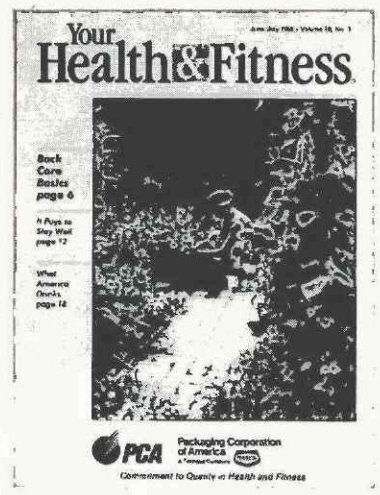
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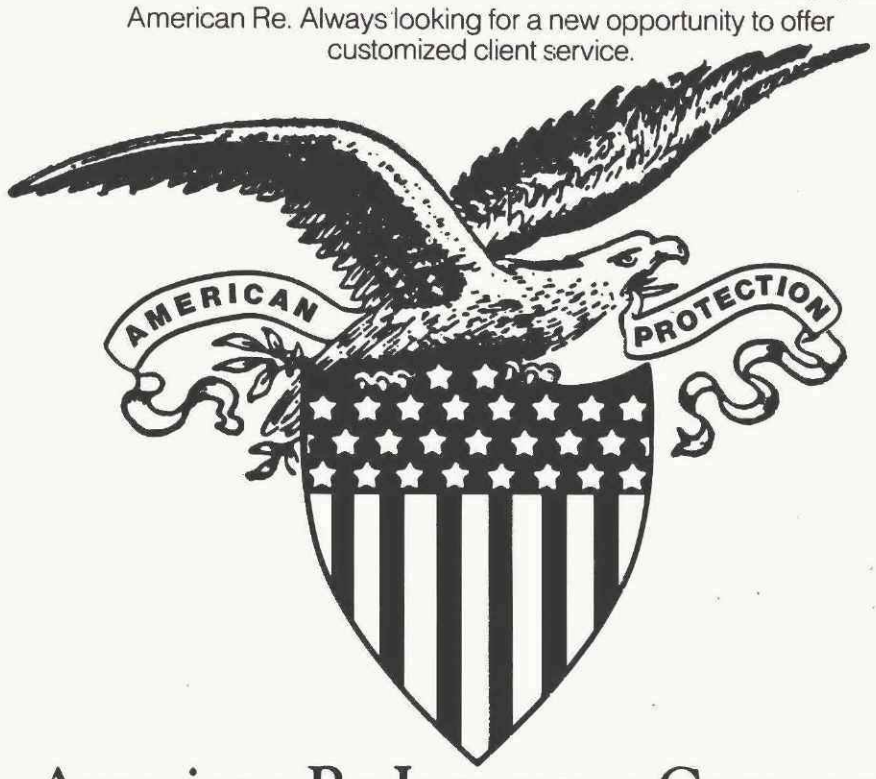
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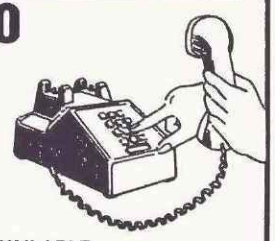
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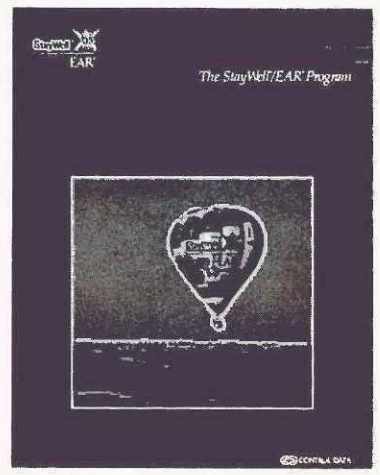
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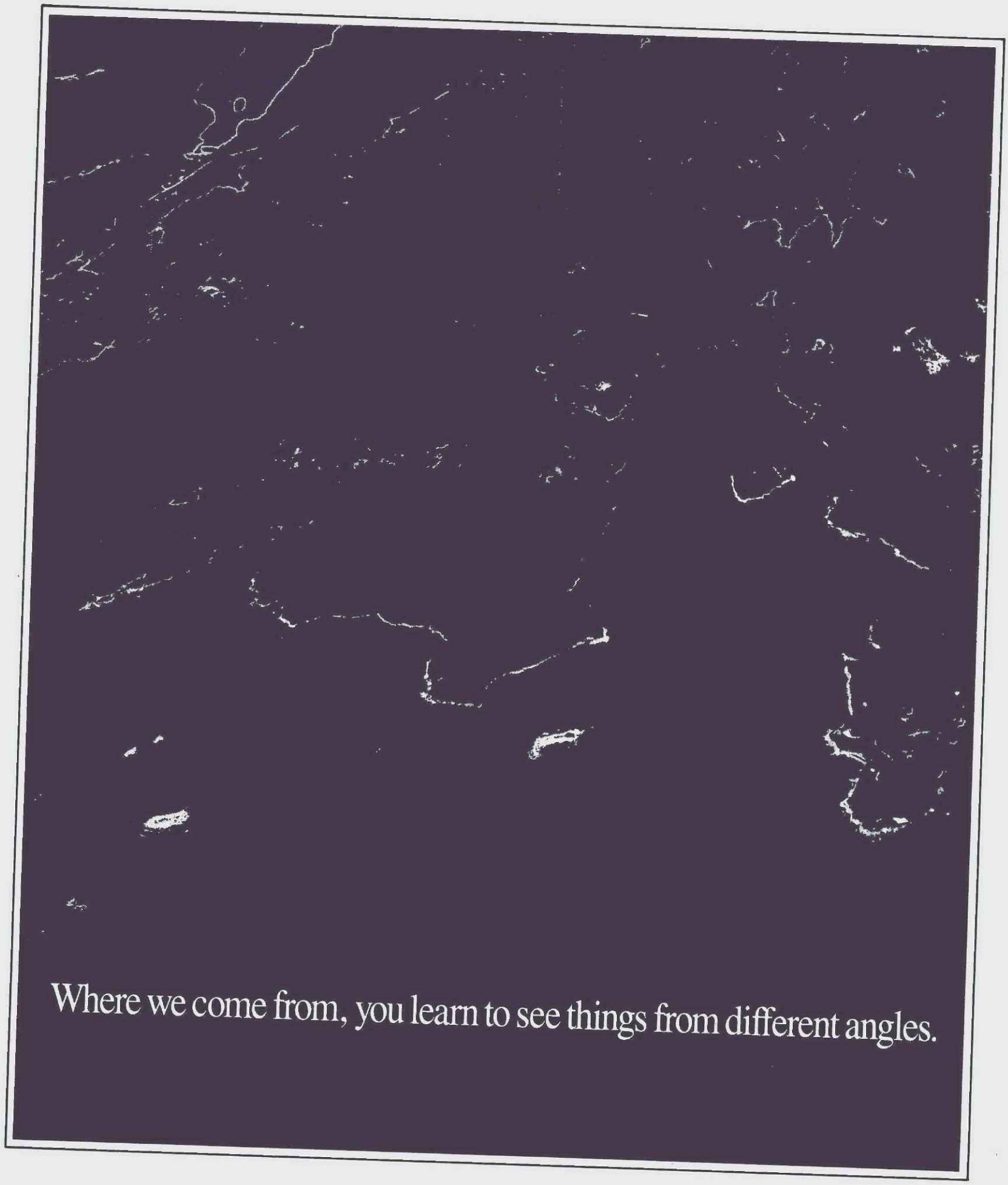
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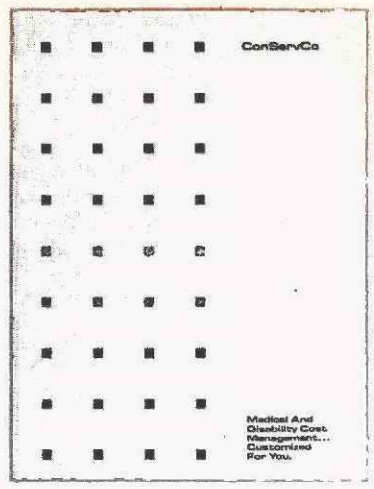
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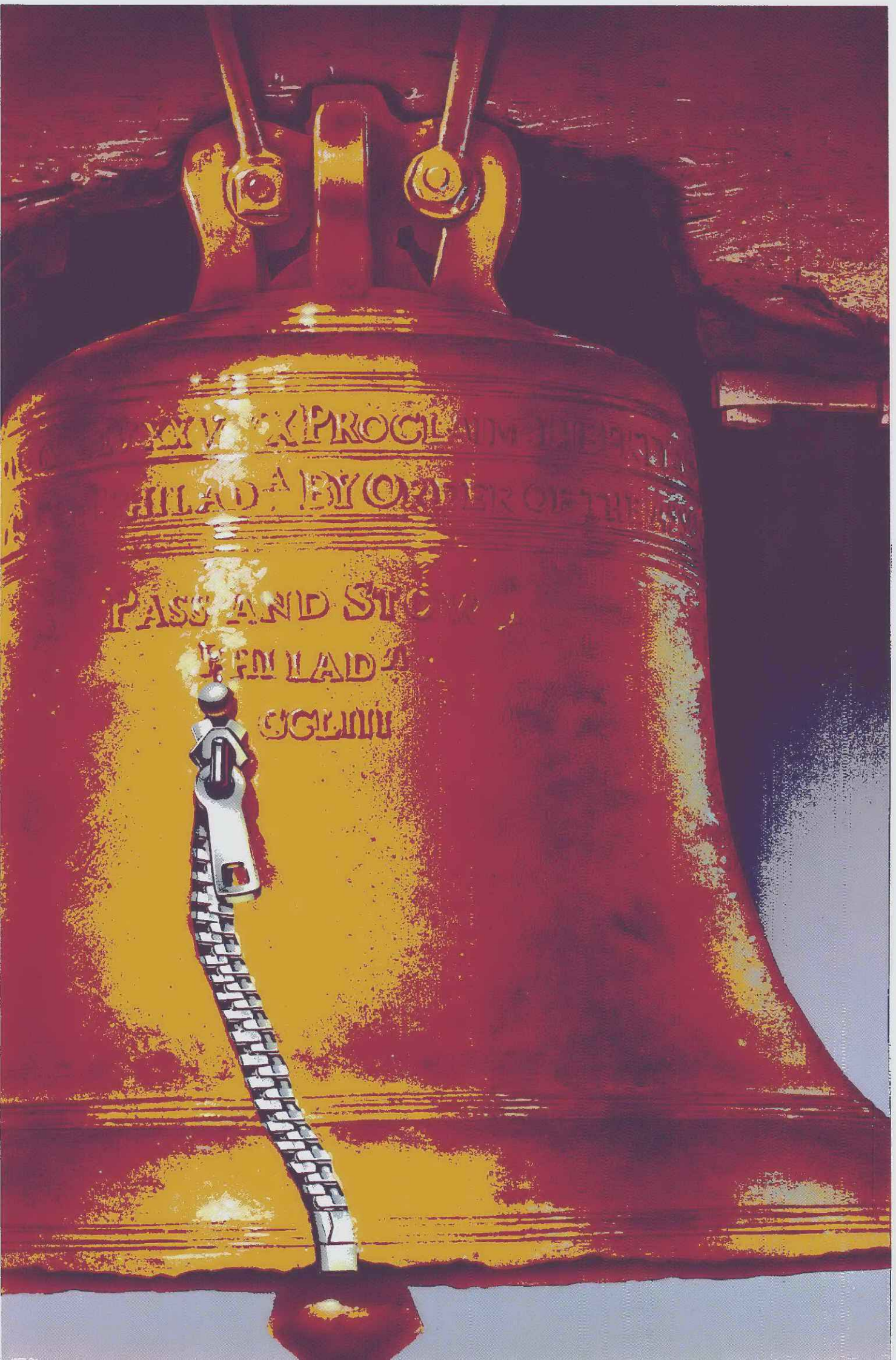
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Generics vs. brand-names

Therapeutic debate hides real issue

By Dee Fensterer

A SINGLE economic factor—market share—fuels the continuing debate over the therapeutic effectiveness of generic drugs.

The controversy is kept alive, not by pharmaceutical scientists, but by brand-name drug company marketing strategists who seek to retard product competition by fostering vague doubts and general confusion about the equivalency of generic pharmaceuticals.

Nevertheless, the use of generic prescription drugs has grown exponentially within recent years. More than 43% of prescriptions written for drugs that are available from competing manufacturers are now filled generically. Among some therapeutic classes of drugs, the use of generics is even higher.

There are several reasons for the growing use of generics:

- Federal legislation passed in 1984—the Drug Price Competition and Patent Term Restoration Act—codified requirements for efficient federal approval of generic drugs, based on pre-market bioequivalency testing designed to show therapeutic equivalence to brand-name counterparts.

Safety and efficacy testing, used to approve the original versions of drugs, but not designed to provide this necessary assurance of equivalency, was deemed to be repetitious and inadequate for generic approvals.

- Patents for many of the most frequently prescribed medications have expired in recent years. This has allowed generic manufacturers to produce these drugs for the first time.
- Prices of many brand-name prescription drugs have been rising so rapidly that prescription drug costs have become an important consideration.

From January 1980 through 1986, the cost of prescription drugs rose about 80%, 2½-times faster than the rise in consumer goods in general, according to a report from the General Accounting Office.

None of these factors, however, could account for the increased use of generic drugs if there was not also a growing recognition among physicians, pharmacologists and patients of the quality and equivalency of generic drugs. Availability and lower cost would not result in greater use if experience showed generics did not work as they should.

Evidence does, in fact, demonstrate that faith in generic drugs is justified. The Food and Drug Administration has reported that of the 8,000 generic drugs approved as therapeutically equivalent since 1970, there has never been a documented case of inequivalency to the brand-name counterpart.

Despite billions of patient exposures—many in institutional settings where exhaustive records are maintained—and despite ardent attempts by brand-name drug companies to identify instances of generic product failures, there have been remarkably few reports—even anecdotal reports—of such events, according to a study sponsored by Pfizer Inc., a leading brand-name

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Pro/Con

Patient health is heart of the debate

By Gerald J. Mossinghoff

"GENERICS are the same as brand-name products, only cheaper."

The debate about brand-name vs. generic pharmaceuticals is fraught with such misinformation. This statement illustrates how easily the controversy can be oversimplified as a battle between large companies that conduct research and small companies that wait for patents to expire and then make copycat drugs.

In reality the issue has many more dimensions. The real question involves patient health and the future of medical progress.

There obviously is a place in the U.S. free market economy for generic copies of pioneer drugs whose patents have expired. However, the Pharmaceutical Manufacturers Assn.—whose members discover, produce and market most prescription drugs in the United States—is concerned that generic drugs have been approved that are not therapeutically equivalent to the pioneer products.

At a Senate subcommittee hearing last October, PMA presented details of several reports in which drugs approved as therapeutically equivalent produced different clinical results than the pioneer products. These case reports demonstrate that patients with epilepsy, diabetes, cardiac disease and hyperactivity experienced problems following a switch from one version of a drug to another.

In one drug-switching example, which was published in Neurology, a young epileptic woman suffered her first seizure in three years a few days after being switched to a generic drug. She was driving home from school at the time of her attack and her car left the highway and struck a street sign.

In a second case reported by a physician in Diabetes Care, 14 diabetics who had been stable on a brand-name product experienced significant increases in blood sugar levels when switched to the generic product.

"It does not represent a controlled prospective clinical study," the physician reported in Diabetes Care, "but, rather, a retrospective series of cases in which loss of clinical control has been attributed to generic substitution."

A third example was reported in The Lancet, in which three patients reportedly suffered breakthrough epileptic seizures when switched from the brand-name product to a generic preparation.

PMA is particularly concerned about the indiscriminate switching of drug products, whether from brand-name to generic, generic to brand-name or from one generic to another. Because of the increase in state and federal laws encouraging substitution, coupled with increasing numbers of generic versions of innovator products, the potential for indiscriminate switching is great.

Patients on maintenance regimens whose daily dosage must be individualized are especially at risk when drug products are changed. Many such drugs are given to elderly

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Pro brand-name drugs

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patients whose illnesses, such as heart failure or diabetes, can have life-threatening consequences if treatment is inadequate. In fact, at a Senate Subcommittee hearing, FDA Commissioner Frank Young acknowledged that there are certain patients whose medication dosages must be controlled so closely that it would be inappropriate to switch the source of their drug product.

Another important problem is that of the approximately 6,000 multisource drug products listed in the FDA's Approved Drug Products and Therapeutic Equivalence Evaluations Book, about 20% have not been determined by the FDA to be therapeutically equivalent to the pioneer products. Many physicians and pharmacists are unaware that the FDA assigns different therapeutic ratings to marketed products and thus do not use this information when prescribing and dispensing. This obviously raises a serious question as to why more than 1,000 drug products are allowed to remain on the market although they have neither been tested for safety and efficacy nor determined by the FDA to be bioequivalent to pioneer products.

To help alleviate these problems, PMA has suggested ways to improve the process used to approve generic drugs:

- Tighten the standards the FDA uses to determine bioequivalence, whereby it is shown that the generic and pioneer products can be expected to have the same therapeutic effect when administered under conditions specified in the labeling.

Here's why: To be approved by the FDA, bioequivalence is not determined by testing the generic in patients with the condition for which the pioneer drug is prescribed, but by testing the generic in 16-20 healthy young men and comparing the blood levels of the two products. This approach does not adequately assure safety and effectiveness under all expected conditions of use, nor that two formulations determined to be bioequivalent will be equally effective when used interchangeably.

In these tests, a new formulation is allowed to exhibit up to a 20% variation in bioavailability in comparison to a pioneer product. Bioavailability is the rate and extent to which an active drug ingredient is absorbed.

We believe that the FDA should develop drug-by-drug bioequivalence criteria at the time a generic product becomes eligible for approval. After a thorough study of the "decision rules" that govern approval of generics, an FDA task force found that some drugs or drug classes may require tighter limits than the plus or minus 20% rule. As yet, the agency has taken no action to tighten the standards.

- Use existing FDA surveillance systems to collect and evaluate bioequivalence data on generic products.

To date, the FDA has disregarded reports of therapeutic failures with generic products, citing a lack of substantial evidence, such as blood-level data or other information that would be obtained through more clinical (human) trials. Such extensive data is unnecessary to seriously consider therapeutic failures concerning newly marketed patented drugs.

Furthermore, in order to keep track of both generic and patented drug failures, the manufacturer must be identified on drug adverse reaction reporting forms. Until earlier this year, this information was not required when reporting adverse drug reactions so it was difficult for the FDA to know the manufacturer of the product involved.

- Extend the FDA's warning about the risks of switching drugs to all maintenance drugs approved through bioequivalence testing and include this caution in the product labeling until such testing is scientifically demonstrated to assure safety and effectiveness. Currently, the warning only applies to drugs approved between 1938 and 1962.

The use of bioequivalence studies in approving generic drugs is a complex scientific process that has not yet been properly validated. However, federal programs are accelerating the use of generic drugs by speeding generic approvals at the FDA and by including generic product-selection incentives in government reimbursement programs. The Health Care Financing Administration recently published rules that encourage pharmacists to dispense generics for Medicaid patients. And Medicare catastrophic health care legislation recently passed encourages the use of generic drugs by Medicare outpatients.

The relatively new industry of companies that produce only generic drugs has captured an increasingly large share of the pharmaceuticals market. Generic drugs usually capture 30%-40% of the market within two years of their introduction and sales of generic products currently represent about 25% of the prescription drug market. By 1991, generic sales are projected to represent about one-third of the market.

But, an overemphasis on generics could be at the expense of future medical advances. Our way of life in the United States would be unimaginable without the modern medicines discovered and developed by pioneer companies through their research and development.

During 1987, PMA companies invested $5.4 billion in R&D, an increase of 15% over 1986. This year, the industry will spend more than $6.5 billion in discovering and developing new life-saving medicines. People are living longer, healthier and more productive lives as a direct result of that investment.

Using new knowledge about molecular biology and innovative methods of research and development, our member companies are developing new treatments and cures for such diseases as cancer, heart disease, Alzheimer's disease, leukemia and AIDS.

Research and development are the hallmarks of the PMA member companies. Moreover, there would be few generic drugs without the huge investment by the pharmaceutical industry in discovering and developing new drugs and educating physicians and other health-care professionals to use them properly and effectively.

Gerald J. Mossinghoff is president of the Pharmaceutical Manufacturers Assn. in Washington, D.C.



Pro generic drugs

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pharmaceutical manufacturers.

Partially as a result of the increased use of generic drugs, many brand-name drug manufacturers have experienced sharp erosions in revenues from their leading profit generators. Instances are not infrequent of products that have lost hundreds of millions of dollars per year within a relatively short time after the expiration of their patents and the introduction of competing generic drugs.

Every day that the increasing use of generic products can be retarded by even a few percentage points translates into millions of dollars in sales for these firms. Proof of any contraindication of generic usage is not necessary to achieve this purpose; merely the spreading of confusion and controversy.

Creating even the slightest doubt about the comparative safety and efficacy or therapeutic equivalence of generic drugs, or about the FDA's methodology and processes for assuring these factors, helps brand-name marketers to persuade physicians to preclude the substitution of equivalent generic drugs for their brand-name counterparts.

As a result, many patient-dependent drug manufacturers have embarked on campaigns of disparagement, both of specific, competing generic products and of the FDA's ability to adequately asses the bioequivalency and therapeutic equivalence of generic drugs. Individual companies have hired physicians, pharmacologists and other experts to act as spokespeople on media tours among the lay press, discussing unspecified "dangers" of substituting generic drugs. Others have sent telegrams to pharmacists warning of increased liability for dispensing generic drugs and to physicians, warning that their patients' health and welfare would suffer unless they insisted on brand-name products.

Tactics specifically aimed at bringing a similar message to the medical and scientific communities have included sponsored reports by supposedly independent symposia, institutes, journals and questionable practices by individual detail persons. Individual state formulary agencies also have been subjected to similar disinformation, as well as to "spontaneous" constituent telegrams that were actually originated and paid for by brand-name drug companies.

Such tactics have been widely reported in The New York Times, The Wall Street Journal, Consumer Reports and others. In hearings held to investigate rapidly escalating brand-name drug prices, Rep. Henry Waxman, D-Calif., chairman of the House Subcommittee on Health and the Environment, stated that the brand-name drug industry has been "engaging in a blatantly dishonest campaign to undermine the public's confidence in generic drugs."

Both the American Assn. of Retired Persons and the National Council of Senior Citizens have denounced the brand-name "disinformation" campaign.

In an extraordinary development, the FDA saw fit to prepare an article, published in the Newsletter of the National Assn. of Boards of Pharmacy, in which it exposed 10 "myths" frequently spread about generic drugs. That article concluded: "So long as $2 billion in annual sales are at stake, it is doubtful that we will see an abatement in the variety of tactics used by brand-name firms to maintain a monopoly in their markets."

These tactics continue, however, because they fit brand-name marketing strategies, despite the refutations. Confusion is all that is required. In general, rather than lower prices in response to generic competition, most brand-name companies began raising product prices even before generics are due to enter the market. This is based on projections that brand-name products will lose a large portion of their market upon generic entry, although another, significant portion of the market will be retained—essentially as a "captive" market—because of the confusion and doubt about generics. Higher unit prices to this captive market are used to help make up for lost volume. And, maximizing the confusion and controversy maximizes the captive market segment.

The FDA is universally recognized as providing the United States with the finest and most thorough pharmaceutical regulatory protection in the world. The brand-name drug industry would have patients and physicians believe that, although they can rely on the FDA to certify completely new drugs for first-time use in humans, it cannot be relied upon to assess the therapeutic equivalence of generic versions of drugs that have been marketed and used for years.

The FDA subjects both brand-name and generic drugs to the exact same standards of purity, uniformity, pharmacopoeial quality, stability and proper labeling. Quality control procedures are the same for both brand-name and generic manufacturers. And both are subject to the exact same systems of post-marketing surveillance and regular inspections of product and manufacturing facilities.

The only difference in FDA requirements is that, while new drugs must demonstrate that they are safe and effective, these clinical tests are considered duplicative, wasteful and inadequate for approval of generic copies of drugs that have already undergone these tests and been in use for years. Instead, generic versions are required to show that they produce the same therapeutic effect—or dosing level—as their brand-name counterparts. This is accomplished through bioequivalency testing, which demonstrates whether a generic version achieves the same rate and extent of absorption into the bloodstream as the brand-name drug.

Bioequivalency testing is exacting and precise, requiring that the tested drug achieve a parameter of not more than plus or minus 20% of the blood levels of the brand-name reference drug for the total amount of drug absorbed, the time taken to reach peak levels and the time taken to leave the blood. Although these are the accepted parameters within which drugs are

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Dee Fensterer is president of the Generic Pharmaceutical Industry Assn. in New York.

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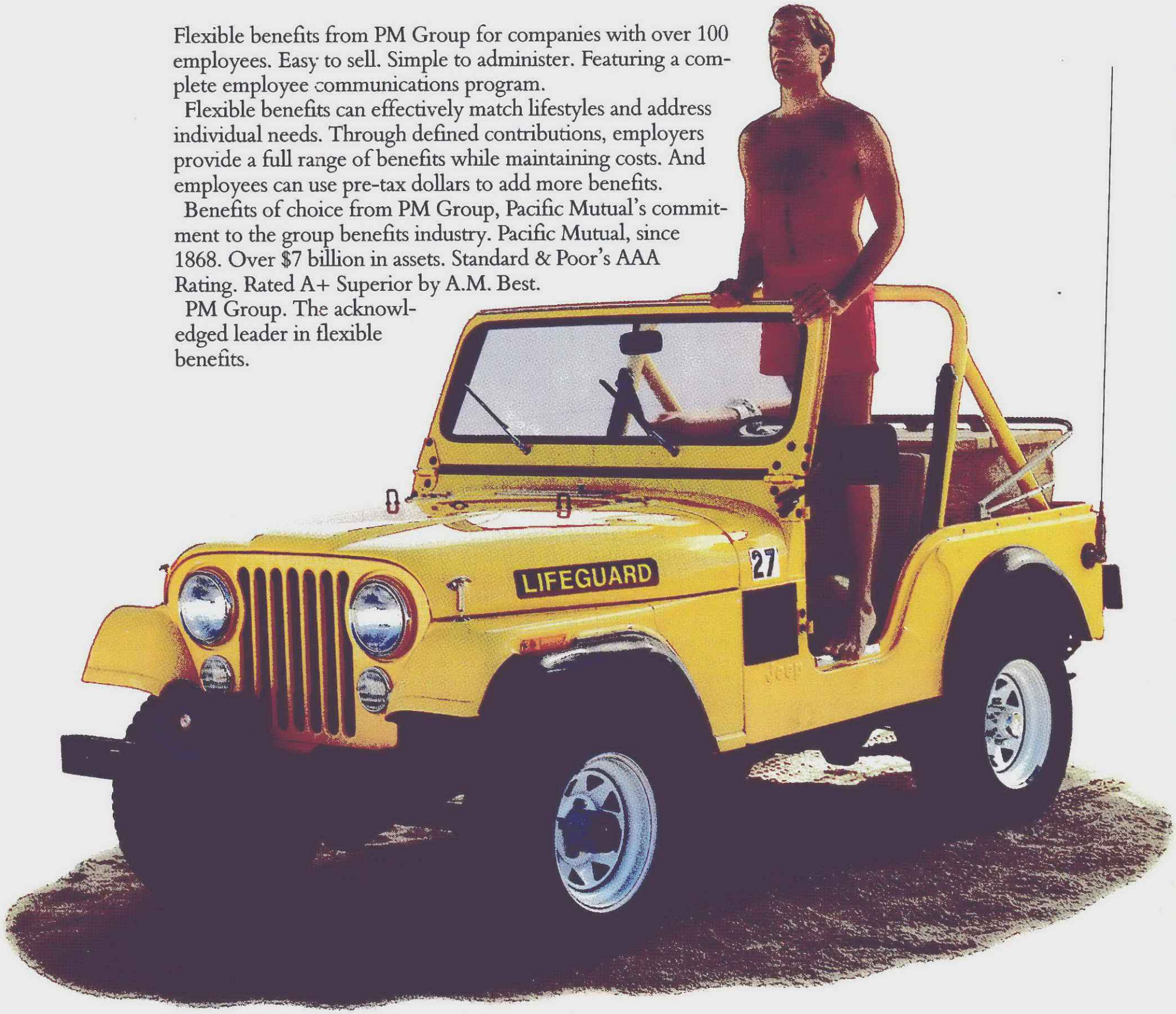
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Generic drugs yield most benefit

By Jerry Chalfin

HOW DOES THE BENEFIT MANAGER balance a manufacturer's need for return on costly and time consuming pharmaceutical research with the plan sponsor's need to provide prescription drug coverage and medical care at an affordable cost?

In the end, it gets down to *value*.

Value is the proper price—the estimated or assessed worth—to relate one product to another. How does the benefit manager relate the cost of a brand-name drug at $20 for an average 26-day supply to the generic equivalent at less than $5? At what point is all the research and development worth 400% over what the Food and Drug Administration identifies as an equivalent product, when the brand already has had its protected patent period of 17 years?

When one sees that the pricing of drugs available from a single source vs. drugs available from multiple sources follows classic marketing strategy, then one recognizes that the benefit manager's decision must be made on economic, not scientific, terms.

The brand-name pharmaceuticals of today and tomorrow are important contributors to the healthy lifestyle that we all desire. However, what responsibility do we have as insurers and plan sponsors to pay for the development of these brands beyond their protected patent periods once therapeutically equivalent generics become available at 25% to 50% of the brand-name price?

How can we ever expect to take command of this problem if we do not have the data to identify the prescribing patterns of physicians, the dispensing practices of pharmacies, or lack incentives for subscribers to ask for generics or are unable to identify to our own superiors the savings from these programs.

We estimate that for every 10,000 employees covered by a prescription drug program, a 1% shift in generic substitution saves more than $25,000 for the plan sponsors. A 10% increase in generic substitution—which is reasonably available to almost all plans—would account for a savings of $250,000 in the coming year. An 18% increase over the national average—a worthy goal that would bring the plan to only 28% generic substitution—would result in a $468,000 savings for each 10,000 employees.

How many benefit managers would like to be able to provide these savings to their employers this year?

To illustrate the economic impact of brand-name vs. generic pricing on an employer health plan, let's examine a "major medical" case of approximately 93,000 employees, of which about two-thirds are retirees and one-third are active employees. With the aging of America and the greater number of retirees with which the benefit manager must contend, this may be an ideal study group. The maximum generic substitution on the most widely used drugs is about 36% to 40%. These numbers change as new brands are introduced and patents run out. During the period examined, 55,000 prescriptions were written.

We found the prescriptions dispensed falling into three general categories:

- Brand-name drugs with no generic available (about 60% of all prescriptions in the example).
- Brand-name drugs that had either few generics available or had only recently become available for a generic substitution (about 18% of prescriptions).
- Generically substituted drugs, most of which have multisource availability (21% of prescriptions).

It was the pricing of the prescriptions in each of the three categories that proved most interesting. The single-source products had an average wholesale price of $18.33. When relatively few generics were available, the brand-name prescriptions actually dispensed had an average wholesale price of $12.17, while the generic equivalents that could have been utilized cost on average $5.93. In the third category, where generics were readily available, the equivalent brand-name drugs had an average wholesale price of $8.69, whereas the generics actually dispensed cost $3.82.

Classic marketing. When there is no competition, charge $18.33 for the drug. When you get some competition, drop your price on average to $12.17. As a manufacturer of generic drugs—when first able to compete with brand-names—charge closer to the brand-name cost at $5.93. When generics become readily available, charge $8.69 for the brand-name, while generic competition will drive the average generic price down to $3.82.

Speaking out

Overall, the average wholesale price for all brands dispensed was $16.90 vs. the $3.82 average for all generics dispensed. In this particular case, already in a pharmaceutical managed care system, the client is achieving a 21% generic substitution rate, approximately double the national average.

And which way are things going? The Bureau of Labor Statistics reports that in 1987, prescription drug costs were the highest component in the medical care inflation rate. Estimates are that prescription drugs have grown recently from approximately 7% of the health care dollar to more than 10%.

With increased hospitalization precertification and second surgical opinion programs redirecting delivery of health care services to an outpatient setting, the result is even more utilization of drug therapy. All of these new drugs are creating a new series of high-tech, high-cost preventive maintenance medications. And, with the national population aging, there will be continued higher utilization of maintenance drugs.

How do we lower average prescription claims costs from the $20 level down to the $3 level? One of the ways is with information.

It is obvious that information plays an important role in the success of any benefits program. And we don't mean just for benefit managers and employees. Physicians must have information not only on brand drugs, but on the availability of therapeutically equivalent generics. There must also be education of pharmacists to carry an inventory of multi-sourced products and *volunteer* the availability of a generic product. We must shift the accountability to the provider and shift the responsibility for compliance to the subscriber, without necessarily shifting the cost.

One INSURx report identifies each physician who wrote a prescription for the plan members and the number of brand-name and generic drugs prescribed. A benefit manager only needs to see this report once to recognize that certain physicians *never* dispense generics, while another down the street may dispense generics 60%-80% of the time. Why is that, and why do we as benefit managers allow it to continue?

Another report shows that pharmacies in the same town can have generic substitution rates anywhere from 8% to 18% of filled prescriptions. Why is that and why do we allow it to continue?

In a new program INSURx is starting in California, a dispensing fee arrangement has been devised whereby a network will guarantee a jump of 10 percentage points in generic substitution from an average of 12% to 22% for a 1-million-employee insurer. The reason the insurer and the network sponsor could undertake a plan of such substantial generic growth from retail pharmacies is because of the availability of data.

By using electronic point-of-sale terminals, the pharmacist will be "prompted" that generics are available, that there is a dispensing incentive to do so and that his performance for future network participation will be monitored based on his substitution rate. Likewise, notices will be sent to physicians to bring attention to their prescribing patterns. And, INSURx will be able to report on the average cost and generic substitution rate for dispensing physicians.

As the major pharmaceutical houses continue to strive for new products and the substantial profits that come with them, the drive for profitability may require them to generate considerable profits from even their marginally useful products. Remember, one man's profit is another man's expense.

Having the ability to administer a program and compile the data from mail service or retail, preferred or non-preferred provider, prescriber, dispenser and user will give the benefit manager the opportunity to identify for his own group the proper value—the balance between quality, service and price—between brand-name and generic drugs.

In summary, we strongly believe that if a generic is available, give every incentive to the physician, pharmacist and subscriber to use it. It will be a safe and economical decision. The system is now available to provide information on usage and establish plans to truly grab hold of this economic opportunity. We believe that increasing generic substitution may be the single most cost effective opportunity in prescription drug programs.

Gerald Chalfin is chief operating officer of Cleveland-based INSURx, which develops managed pharmaceutical benefit plans.



Pro generic drugs

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deemed to be bioequivalent, a study of generic drugs approved over a two-year period found that the average of the comparative blood levels achieved was only plus or minus 3.5%.

In response to the charges about the bioequivalency of generic drugs expressed by brand-name representatives and others, the FDA conducted a public hearing in the fall of 1986. After three days of testimony at the hearing, attended by 800 representatives from industry, academia, medicine and government, Dr. Robert Temple, director of drug research and review at the FDA, remarked: "In a world where I presume there is a vigorous if not desperate search for examples of therapeutic inequivalence of (declared) bioequivalent products, it has been very hard to find any, and it sees to me if they were out there and obvious, we should have seen them by now."

Nevertheless, the FDA then appointed a special task force to evaluate the material presented at the hearing and submitted subsequently.

Among the task force's major findings were that, for a generic drug approved as therapeutically equivalent, "a physician, in managing a patient, can feel secure that authorizing substitution of that product for any other therapeutically equivalent drug will provide the same intended effect," and that there is "no need to recommend major changes in the way FDA approves drug products."

Drug therapy is a complex art and science. Although the FDA can establish the safety, effectiveness and therapeutic equivalence of drugs, physicians are properly the final arbiter of their use. There are always instances in which a prescribed regimen does not work as expected, due to a variety of causes, ranging from misdiagnosis to individual patient compliance or response. These instances have, historically, occurred with no differences in frequency between brand-name and generic drugs.

There is no valid scientific argument why consumers or insurers should continue to pay twice as much—or more—for brand-name drugs that are equivalent to generic versions. There is no valid argument why brand-name drug manufacturers should continue to charge exorbitant prices for years after the costs of research and development have been recovered through patent protection. There is no valid argument why the incentives for innovation that honest competition provides to every other industry should not also apply to the pharmaceutical industry. However, the "debate" will continue, driven by the economics of market share.



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● A kit describing the company's **acute hospital case management programs** is available from Medical Review Corp. For a free copy, write 570 in the box on the reader service coupon.

● "The Employee Benefit Management Letter," a quarterly publication offered by Warren, McVeigh & Griffin Inc., reports current developments in **benefit plan design, cost control and administration**. For a free copy, write 571 in the box on the reader service coupon.

● The International Foundation of Employee Benefit Plans offers a **listing of cassettes and videotapes of speakers addressing employee benefits** topics at conferences and institutes. For a free copy, write 572 in the box on the reader service coupon.

● A reprint discussing employer preparation for **acquired immune deficiency syndrome in the workplace** is available from Efficient Health Systems Inc. For a free copy, write 573 in the box on the reader service coupon.

● A brochure detailing the company's **employee benefit communication programs** designed to help contain benefit costs is offered by Hay/Huggins Co. Inc. For a free copy, write 574 in the box on the reader service coupon.

● A publication discussing **ERISA reporting requirements** for multiemployer pension and welfare plans is available from the International Foundation of Employee Benefit Plans. For a free copy, write 575 in the box on the reader service coupon.

● Mutual of Omaha Group Operation offers a brochure discussing **cost containment for outpatient, psychiatric and prescription drug programs**. For a free copy, write 576 in the box on the reader service coupon.

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● A **listing and synopsis of books** published by the International Foundation of Employee Benefit Plans is available. For a free copy, write 581 in the box on the reader service coupon.

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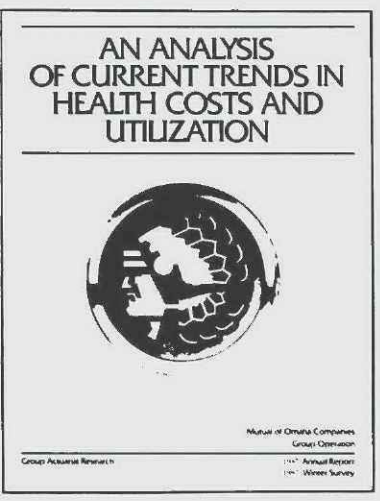
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Benefit Plans, contains a survey of multiemployer benefit fund trustees, administrators, advisers and consultants on the **impact of the stock market on benefit plans**. For a free copy, write 583 in the box on the reader service coupon.

• An article discussing **flexible benefit plans and 401(k) plans** with regard to tax legislation is offered by Hay Group Inc. For a free copy, write 584 in the box on the reader service coupon.

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• "The Uninsured: A Challenge to Society," a booklet available from Celtic Life Insurance Co., discusses current issues and proposed legislation related to nationally **mandated employer-sponsored health insurance**. For a free copy, write 592 in the box on the reader service coupon.

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• A pamphlet available from Health Claims System describes the company's **software for in-house administration of medical, dental, vision and disability claims**. For a free copy, write 601 in the box on the reader service coupon.

• IRIS/HealthDecisions offers an article detailing "health risk estimation," a data system designed to gauge **health risks and estimate health care costs based on employee lifestyles**. For a free copy, write 602 in the box on the reader service coupon.

• "Cafeteria Plan ALERT," a monthly newsletter offered by Mayer Hoffman McCann, provides current **information on Section 125 Plans** and describes plan administration products and services offered by the company. For a free copy, write 603 in the box on the reader service coupon.

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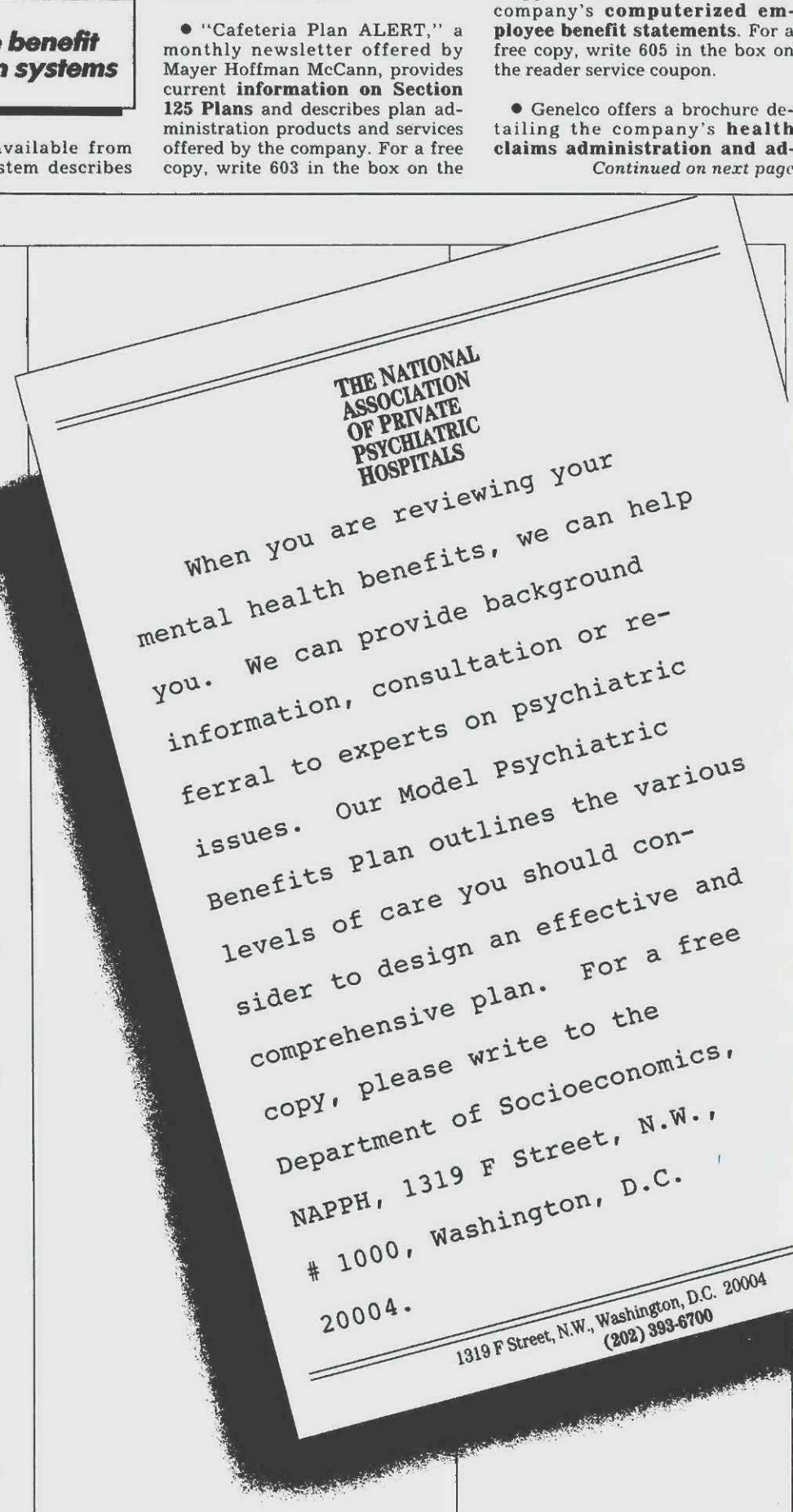
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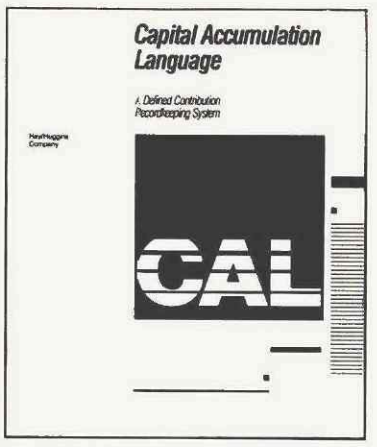
* (Source: National Center for Health Statistics)
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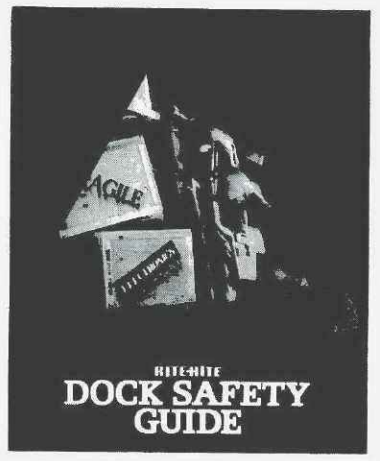
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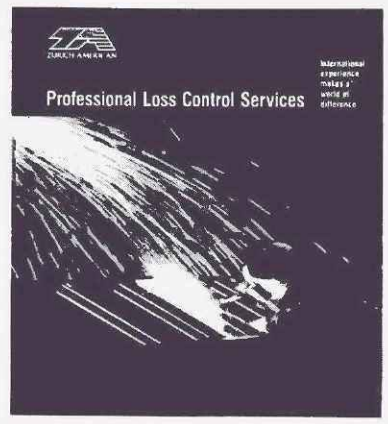
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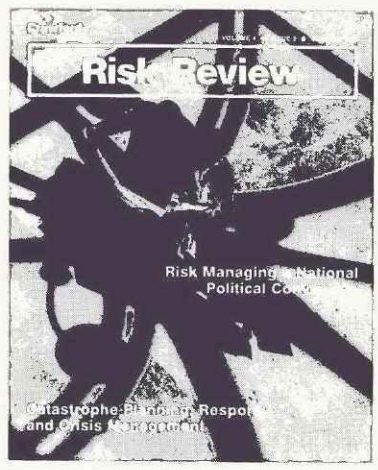
● A pamphlet offered by CIGNA Corp. presents differing viewpoints on the **1986 Liability Risk Retention Act**. For a free copy, write 1408 in the box on the reader service coupon.

● "The Risk Management Letter," a bimonthly newsletter offered by Warren, McVeigh & Griffin Inc., contains articles on **risk management and insurance topics**. For a free copy, write 1409 in the box on the reader service coupon.

● Crawford & Co. offers a **directory of casualty general adjusters**, which lists office locations of the company's casualty adjusters in the U.S. and Canada. For a free copy, write 1410 in the box on the reader service coupon.

● "Three Steps that can Protect Your Company from **Product Liability Lawsuits**," is a copy of a speech available from American Legal Systems. For a free copy, write 1411 in the box on the reader service coupon.

● The Tillinghast division of Towers, Perrin, Forster & Crosby offers an **index listing articles** appearing in "Risk Management Reports," a bimonthly publication. For a free copy, write 1412 in the box on the reader service coupon.



● "Crawford Risk Review," published quarterly by Crawford & Co., is a 20-page newsletter discussing **developments in risk management and claims handling**. For a free copy, write 1413 in the box on the reader service coupon.

● A pamphlet offered by Johnson & Higgins describes the company's **risk management services** designed for medium-sized companies. For a free copy, write 1414 in the box on the reader service coupon.

● "Risky Business," a quarterly newsletter published by Profes-

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sional Risk Management Services Inc., contains articles on **trends and strategies in risk management and related fields**. For a free copy, write 1415 in the box on the reader service coupon.

• Versar Inc. offers a reprint detailing the **risk management issues surrounding property transfers**. For a free copy, write 1416 in the box on the reader service coupon.

• Stone & Webster Management Consultants Inc. offers a copy of the monthly publication "Utility Insurance Update," which discusses **trends and developments of interest to risk managers**. For a free copy, write 1417 in the box on the reader service coupon.

• Crawford & Co. offers a **directory of heavy equipment appraisers** certified by the company in the U.S. and Canada. For a free copy, write 1418 in the box on the reader service coupon.

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• Johnson & Higgins offers a brochure describing the company's **risk management services for health care providers**. For a free copy, write 1419 in the box on the reader service coupon.

• Crawford & Co. offers an "Adjusters/Appraisers Training Course Catalog" of **information on correspondence courses for claims adjusters, appraisers and others**. For a free copy, write 1420 in the box on the reader service coupon.

• A reprint offered by PENCO discusses **the risk management process for local governments**. For a free copy, write 1421 in the box on the reader service coupon.

• A **list of articles** published in "BankRisk, The Bank Risk Management Quarterly," is available from Tillinghast. For a free copy, write 1422 in the box on the reader service coupon.

• "Financing Your **Primary Liability Coverage** Cost-Effectively" is the name of a reprint available from Coopers & Lybrand. For a free copy, write 1423 in the box on the reader service coupon.

• An article reprint from *Business Insurance* is available from Coopers & Lybrand, discussing the credibility and significance of **Insurance Regulatory Information Systems Reports**. For a free copy, write 1424 in the box on the reader service coupon.

• An office directory available from Crawford & Co. lists 650 **claims, rehabilitation and risk control offices** in the U.S., Canada and Puerto Rico. For a free copy, write 1425 in the box on the reader service coupon.

• A reprint available from Coopers & Lybrand discusses **auditing property/casualty insurance programs**. For a free copy, write 1426 in the box on the reader service coupon.

Risk management information systems

• Schirmer Engineering Corp. offers a **sample of SCAN Risk Management Report**, provided in conjunction with the company's fire protection and loss control engineering services. For a free copy, write 1501 in the box on the reader service coupon.

• DAVID Corp. offers "The Kit for Comp and Liability," which contains **management reports, examples of data screens, a demonstration diskette and a list of questions** to help assess requirements for a risk management information system. For a free copy, write 1502 in the box on the reader service coupon.

• California Interactive Computing Inc. offers a brochure detailing the company's software programs and services to help risk managers **identify individual and corporate risk exposures**.

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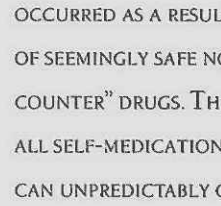
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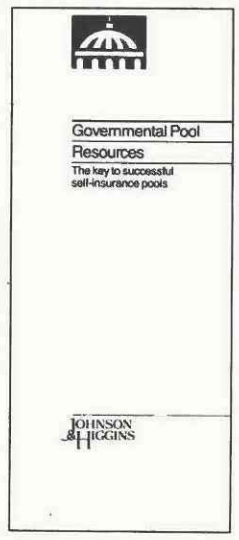
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• A brochure available from National Risk Management Inc. discusses the company's **risk management information and financial analysis software system**. For a free copy, write 1504 in the box on the reader service coupon.

Self-insurance



• Johnson & Higgins offers a pamphlet discussing **self-insured government pools**. For a free copy, write 1601 in the box on the reader service coupon.

• An article offered by Benefit Control Services Corp. discusses **eligibility under Section 89** of the Internal Revenue Code. For a free copy, write 1602 in the box on the reader service coupon.

• Key items a risk manager should look for in **choosing a third-party claims administrator** are discussed in a reprint available from Johns Eastern Co. Inc. For a free copy, write 1603 in the box on the reader service coupon.

• Safety Mutual Casualty Corp. offers a flier containing questions and answers on **self-funded workers compensation programs**. For a free copy, write 1604 in the box on the reader service coupon.

• An article offered by Loss Reduction Inc. discusses the possible cost savings of a **self-insured liability program**. For a free copy, write 1605 in the box on the reader service coupon.

• A kit available from National Risk Management Inc. contains information on the company's **computerized claims processing system for self-insurers**. For a free copy, write 1606 in the box on the reader service coupon.

• Loss Reduction Inc. offers a reprint discussing methods available to **manage physicians liability risks**. For a free copy, write 1607 in the box on the reader service coupon.

Workers compensation

• WLT Software of Florida Inc. offers a brochure detailing the company's **workers compensation claims administration software system**. For a free copy, write 1701 in the box on the reader service coupon.

• A news release available from Automated Insurance Resource Sytems Inc. describes the company's **automated workers compensation software system**. For a free copy, write 1702 in the box on the reader service coupon.

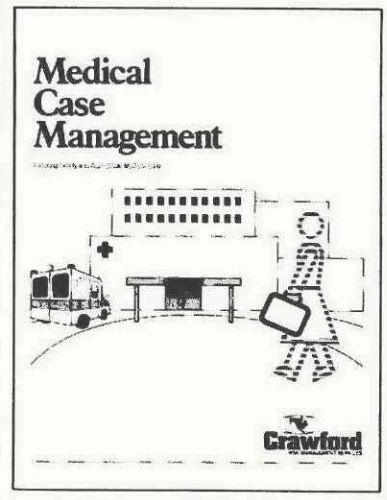
• National Risk Management Inc. offers a five-page booklet describing the company's **workers compensation claims processing system**. For a free copy, write 1703 in the box on the reader service coupon.

• A listing of locations of Crawford & Co.'s **health and rehabilitation offices** is available. For a free copy, write 1704 in the box on the reader service coupon.

• Amerisure Cos. offers a brochure explaining the **Michigan Workers' Disability Compensation Act**. For a free copy, write 1705 in the box on the reader service coupon.

• "Evaluating Employability," a brochure available from Crawford & Co., describes the company's **claim cost-control services available to long-term disability insurers and self-insured employers.** For a free copy, write 1706 in the box on the reader service coupon.

• HCX Inc. offers a kit explaining the company's **computer-based medical monitoring service**, which tracks work-related injuries. For a free copy, write 1707 in the box on the reader service coupon.



• A brochure available from Crawford & Co. describes its **workers compensation medical cost management** services. For a free copy, write 1708 in the box on the reader service coupon.

• "Sentinel Provider Bill Audits," a pamphlet available from Crawford & Co., describes the company's services for **reviewing workers compensation medical bills**. For a free copy, write 1709 in the box on the reader service coupon.

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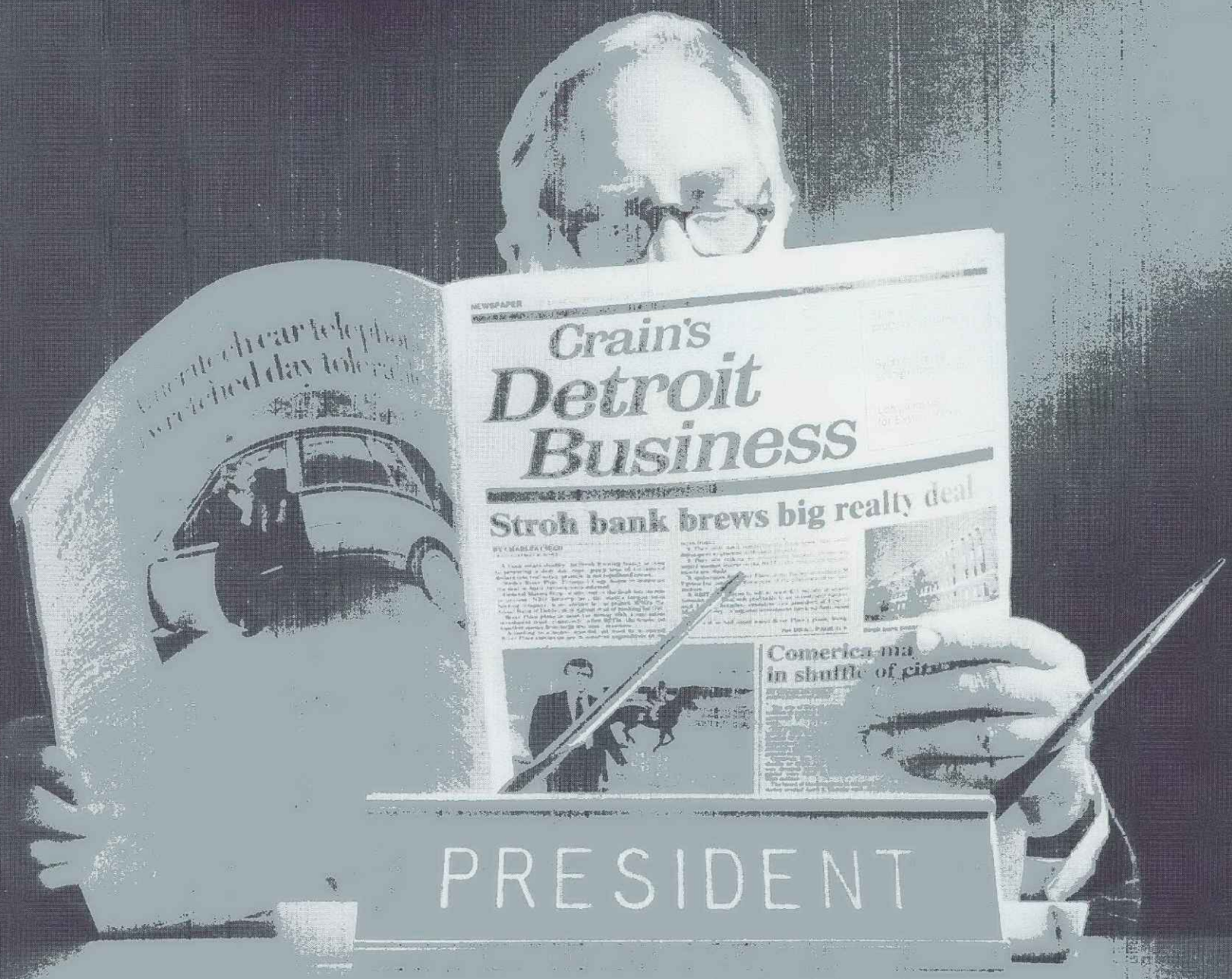
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Parental leave bill gaining momentum

By DEBORAH SHALOWITZ

Washington

WASHINGTON—Federal legislation mandating employee parental leave policies is picking up steam on Capitol Hill.

The House of Representatives is scheduled to vote on a parental leave bill, H.R. 925 on Wednesday.

The Senate version of the compromise legislation, S. 2488, passed the Senate Labor and Human Resources Committee in July but has not been scheduled for a floor vote (*BI*, July 18).

The legislation approved by the House Education and Labor Committee would require companies to give workers 10 weeks of unpaid leave over a two-year period after the birth, adoption or serious illness of a child, and 15 weeks of medical leave during a one-year period for personal illness.

The measure would apply to companies with at least 50 employees the first three years it is in effect and to firms with 35 or more workers thereafter.

To qualify for a leave, employees must have been with the firm at least a year.

Under the Senate version of the measure, businesses with 20 or more employees would be required to provide 10 weeks of unpaid leave over a two-year period for the birth, adoption or serious illness of a child, and 13 weeks of medical leave over a one-year period for personal illness. Employers would be required to continue paying all health insurance benefits while the employee is on leave. To be eligible, an employee must have worked at least half-time for a minimum of one year.

Meanwhile, a new study shows that parental leave policies do not hurt small businesses. The study also said that employment by small businesses in states with parental leave policies is growing faster than in states that do not have parental leave policies.

"Small business repeatedly says that (federal parental leave policies) would be so burdensome they would be driven out of business. So we decided to study the question," said Karen Nussbaum, executive director of 9to5, National Assn. of Working Women, which conducted the study.

"We found empirically that parental leave does not hurt small business," she said at a Washington press conference earlier this month.

The study compared private sector employment between 1976 and 1986 in seven states with some form of parental leave policy with seven states ranked by a management consulting firm as having the best general climate for manufacturing.

The seven parental leave states are: California, Colorado, Connecticut, Kansas, Massachusetts, Montana and Washington. The seven "pro-business" states are: Indiana, Tennessee, North Carolina, South Dakota, Florida, Missouri and Nebraska.

The study found that employment in firms with fewer than 20 employees grew by 32% in parental leave states, compared with 22% in pro-business states; and employment in firms with fewer than 50 employees grew by 36% in parental leave states compared with 27% in pro-business states.

Small business provides about 25% of all private jobs and is the least regulated part of the American economy, the study noted. As a result of this job generating potential, there is great resistance to regulate that sphere of the economy.

However, "we have now laid to rest the single most important argument the business community has raised against family leave," Ms. Nussbaum said. "Now that we know for a fact that parental leave does not hurt small business, a federal policy must be enacted."

Betty Forbes, president of the National Federation of Business and Professional Women, BPW/USA, said "our members approach this issue from the standpoint of working women, mothers, breadwinners, and very importantly, from the standpoint of businesswomen trying to run our own companies at a profit. And we have been saying for years that we need a family leave policy because it's good business."

The study, "New Workforce Policies and the Small Business Sector: Is Parental Leave Good for Small Business? A Multivariate Analysis of Business Employment Growth," is available for $12 for members and $22 for non-members from 9to5, National Assn. of Working Women, 614 Superior Ave. N.W., Cleveland, Ohio 44113; 216-566-9308.

9to5, National Assn. of Working Women has approximately 14,000 office worker members.

NACOSH openings

The Occupational Safety and Health Administration is seeking nominations to fill six upcoming vacancies on its 12-member National Advisory Committee on Occupational Safety and Health.

NACOSH makes recommendations to the secretaries of Labor and Health and Human Services on the administration of the Occupational Safety and Health Act of 1970.

The committee holds between two and six meetings a year. The federal government will reimburse committee members for travel expenses and will pay a $117 per diem upon request.

The terms of six of the current members expire on Nov. 13. The new members' terms will expire Nov. 13, 1990.

Nominations are being sought for one representative each of management, labor and safety, and three representatives of the public. Any interested person or organization can nominate one or more qualified people for the positions.

Nominations should include the person's name, occupation or position, address, telephone number and Social Security number; the category the candidate would represent; a resume of the candidate's background, experience and qualifications; and a statement that the candidate is aware of the nomination and willing to serve the full two-year term.

Nominations must be received no later than Sept. 15, by Tom Hall, OSHA Division of Consumer Affairs, Room N3647, Labor Department Building, 200 Constitution Ave., N.W., Washington, D.C. 20210. ■

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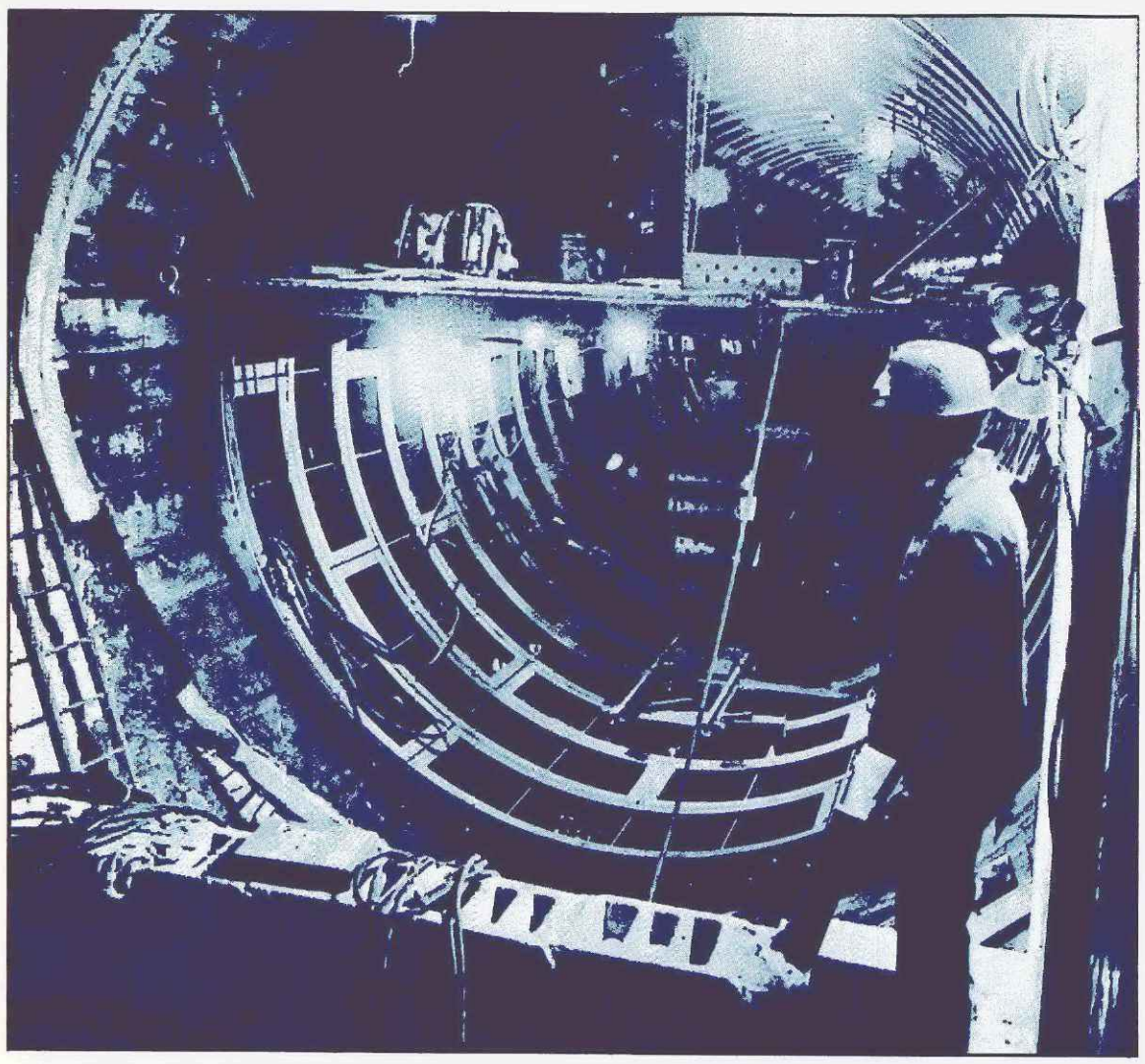
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SEPT. 17. How to Handle Workers Compensation Medical Bills and Liens seminar in San Francisco, sponsored by The Workers Compensation Co.; $225; 10% discount for two or more persons from the same organization. **Also Nov. 5** in Universal City, Calif. Workers Compensation Institute, P.O. Box 11448, Glendale, Calif. 91206; 818-247-8224.

SEPT. 18. Canadian Risk Management Conference: Back to the Future in Toronto, sponsored by the Canadian chapters of the Risk & Insurance Management Society; $275 Canadian ($225.50). D.J. Rikley, Union Gas Ltd., 50 Keil Drive N., P.O. Box 2001, Chatham, Ontario N7M 5M1; 519-436-4583.

SEPT. 19-20. 1988 Casualty Loss Reserve Seminar in Atlanta, sponsored by the American Academy of Actuaries and the Casualty Actuarial Society; $350. CLRS, 1720 I St. N.W., Seventh Floor, Washington, D.C. 20006; 202-223-8196.

SEPT. 19-20. Balancing Cost, Access and Quality: A Leadership Conference for Chicago Health Care Coalitions in Chicago, cosponsored by the American Hospital Assn. and the Dunlop Group of Six; $265; $225 for additional registrants from same organization. Peter Petrossian, 312-280-7367.

SEPT. 19-23. Modern Safety Management course in Calgary, Alberta, sponsored by the International Loss Control Institute; $675 for ILCI members; $750 for non-members. **Also Sept. 26-30** in Atlanta. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

SEPT. 20. CAOHC Approved Recertification Course in Occupational Hearing Conservation in San Antonio, Texas, sponsored by Impact Hearing Conservation Inc.; $150. **Also Oct. 4** in Ogden, Utah; **Nov. 1** in Milwaukee; **Dec. 1**. in Kansas City, Mo. Impact Hearing Conservation Inc., 406 W. 34th St., Suite 400, Kansas City, Mo. 64111; 800-346-2139; 816-531-4848.

SEPT. 20-21. Ergonomics and Job Modifications course in Long Grove, Ill., sponsored by the National Loss Control Service Corp.; $350. National Loss Control Service Corp., K-3, Long Grove, Ill. 60049-0075.

SEPT. 20-22. Fundamentals of Reinsurance seminar in Dallas, sponsored by the University of Dallas Graduate School of Management; $545. Bruce Evans, Executive Director, University of Dallas, Reinsurance Management Institute, Irving, Texas 75062; 214-721-5360.

SEPT. 21-23. Occupational Health Nursing: Basic Theory and Update course in Los Angeles, sponsored by the University of Southern California, Institute of Safety and Systems Management; $405. Institute of Safety and Systems Management, Professional Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

SEPT. 21-23. CAOHC Approved Training Course in Hearing Conservation in San Antonio, Texas, sponsored by Impact Hearing Conservation Inc.; $325. **Also Oct. 5-7** in Ogden, Utah; **Nov. 2-4** in Milwaukee. Impact Hearing Conservation Inc., 406 W. 34th St., Suite 400, Kansas City, Mo. 64111; 800-346-2139; 816-531-4848.

SEPT. 21-23. Designing a Flexible Benefit Program: a Workshop in Chicago, sponsored by the American Management Assn. Human Resources Division; $745 for AMA members; $635 for three or more people from the same organization; $850 for non-members; $725 for three or more people from the same organization. **Also Oct. 10-12** in New York City. American Management Assn., P.O. Box 319, Saranac Lake, N.Y. 12983; 518-891-0065.

SEPT. 22. Questions on the CGL and CP Policies? Ask the Claims Department workshop in New Cumberland, Pa., sponsored by The Society of Chartered Property & Casualty Underwriters; $130 for Society of CPCU members; $160 for non-members. **Also Oct. 27** in Elmhurst, Ill. Mari Jennings, Professional Services Coordinator, Society of Chartered Property & Casualty Underwriters, Kahler Hall, 720 Providence Road, CB#, Malvern, Pa. 19355; 215-251-2741.

SEPT. 22-23. 1988 Washington Conference on Risk Assessment in Alexandria, Va., sponsored by the Center for Energy & Environmental Management; $595. Center for Energy & Environmental Management, P.O. Box 200, Fairfax Station, Va. 22039; 703-250-5900.

SEPT. 26. Employer Solutions to Child Care and Elder Care Issues conference in New York City, sponsored by the International Foundation of Employee Benefit Plans; $185 for IFEBP members; $210 for non-members. Registration Department, International Foundation of Employee Benefit Plans, P.O. Box 59, Brookfield, Wis. 53008-0069; 414-786-6700.

SEPT. 26-28. Techniques of Loss Control course in Chicago, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. Risk & Insurance Management Society, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 26-28. Fundamentals of Insurance course in New York City, sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. **Also Dec. 5-7** in Charlotte. Risk & Insurance Management Society, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 26-28. Managing Program Implementation course in Valley Forge, Pa., sponsored by the International Loss Control Institute; $513 for ILCI members; $570 for non-members. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

SEPT. 26-30. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; $500. **Also Nov. 14-18.** National Loss Control Service Corp., K-3, Long Grove, Ill. 60049-0075.

SEPT. 28. Section 89: Non-Discrimination Employee Benefit Plans seminar in Chicago, sponsored by the Illinois State Chamber of Commerce; $50 for ISCC members; $75 for non-members. ISCC Center for Business Management, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

SEPT. 28-30. Vermont Captive Conference: The State of the Art in Warren, Vt., sponsored by the Tillinghast Division of Towers, Perrin, Forster & Crosby Inc.; $50 for basic course; $600 for captive conference. Conference Director, Tillinghast/TPF&C, 722 Post Road, Darien, Conn. 06280; 203-655-9791.

SEPT. 28-30. Claims Management course in Boston, sponsored by the Risk & Insurance Management Society Inc.; $595 for RIMS members; $695 for non-members. **Also Nov. 16-18** in Atlanta. Risk & Insurance Management Society, 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

SEPT. 29-30. Problem Solving Team Leadership course in Valley Forge, Pa., sponsored by the International Loss Control Institute, $342 for ILCI members; $380 for non-members. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249.

SEPT. 29-30. Managed Health Care: Legal

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and Operational Issues seminar in New York City, sponsored by the Practising Law Institute; $425; $45 for coursebook only. Practising Law Institute, Dept. 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, extension 271.

SEPT. 29-30. Lloyd's, the ILU and the London Insurance Market seminar in New York City, co-sponsored by the Practising Law Institute and Hawksmere Ltd.; $450; $45 for coursebook only. Practising Law Institute, Dept. 8A-105, 810 Seventh Ave., New York, N.Y. 10019.

OCT. 2-6. Advanced Reinsurance course in Westchester, N.Y., sponsored by The College of Insurance; $1,095 for college sponsors; $1,195 for non-sponsors. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

OCT. 3. Insurance Buying-A Strategy for 1989 seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 125 pounds ($210) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175.

OCT. 3-4 Handling the Hurricane: A Time of Transitions in Health Insurance seminar in Las Vegas, Nev., sponsored by the Professional Mass-Marketing Assn.; by Sept. 23: $250 for PIMA members, $350 for non-members ($100 applied to PIMA membership dues); after Sept. 23: $300 for PIMA members, $400 for non-members ($100 applied to PIMA membership dues). Professional Insurance Mass-Marketing Assn., 4733 Bethesda Ave., Suite 330, Bethesda, Md. 20814-5228; 301-951-1260.

OCT. 3-5. Environmental Regulation course in Washington, D.C., sponsored by Executive Enterprises Inc.; $995 for first registrant $895 for each additional registrant from the same organization. **Also Nov. 14-16.** Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

OCT. 3-5. 1988 Computerized Plan Administration Institute in Baltimore, sponsored by the International Foundation of Employee Benefit Plans; $480 for IFEBP members; $555 for non-members. International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 3-6. Loss Control Management course in Atlanta, sponsored by the International Loss Control Institute; $625.50 for ILCI members; $695 for non-members. Pat Bennett, International Loss Control Institute, P.C. Box 345, Loganville, Ga. 30249; 404-466-2208.

OCT. 4. Section 89 Non-discrimination Rules for Welfare Plans seminar in Baltimore, sponsored by Yaffe & Co.; no charge. **Also Oct. 7** in Washington, D.C. Yaffe & Co., 800 N. Charles St., Baltimore, Md. 21201; 301-332-1166, extension 323.

OCT. 4. 1989 London Insurance Market Non-Marine Prospects seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 190 pounds ($319) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 4-6. Contract Works & Contractors Liabilities seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 460 pounds ($773) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 5. Risk Management and Safety Techniques for Public Agency Recreation Programs, School Playgrounds, Parks and Facilities seminar in Oxnard, Calif., sponsored by Risk Management Seminars; $150. **Also Oct. 11** in Ontario, Calif., **Oct. 12** in Irvine, Calif., **Oct. 25** in Sacramento, Calif., and **Oct. 26** in Pleasanton, Calif. Risk Management Seminars, P.O. Box 1601, Sonoma, Calif. 95476-1601; 415-943-1556.

OCT. 5. 1989 London Insurance Market Marine and Aviation Prospects seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 190 pounds ($319) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 5-7. Fundamentals of Risk Financing course in Orlando, Fla., sponsored by the Risk & Insurance Management Society Inc.; $540 for RIMS members; $640 for non-members. Risk & Insurance Management Society Inc., 205 E. 42nd St., Suite 1504, New York, N.Y. 10017; 212-286-9292.

OCT. 7. 1988 Annual Seminar: Legal Trends Affecting Workers Compensation in New York City, sponsored by the National Council on Compensation Insurance; $185 for NCCI members; $225 for non-members. David Knoblock, National Council on Compensation Insurance, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1846.

OCT. 9-12. Annual Society of Chartered Property & Casualty Underwriters Meeting: Responding to Need, Helping You Lead in Cincinnati, $275 for Society of CPCU members; $170 for guests. Society of Chartered Property & Casualty Underwriters, Kahler Hall, 720 Providence Road, CB#, Malvern, Pa. 19355-0709; 215-251-2728.

OCT. 10-12. Managing Program Implementation course in Atlanta, sponsored by the International Loss Control Institute; $513 for ILCI members; $570 for non-members. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

OCT. 10-12. Reinsurance Auditing and Accounting course in Chicago, sponsored by The College of Insurance; $795 for college sponsors; $895 for non-sponsors; less $100 for subsequent registrants from the same organization. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

OCT. 10-14. Modern Safety Management (Spanish) course in Orlando, Fla., sponsored by the International Loss Control Institute; $675 for ILCI members; $750 for non-members. Pat Bennett, International Loss Control Institute, P.O. Box 345, Loganville, Ga. 30249; 404-466-2208.

OCT. 10-14. Advanced Reinsurance Practice seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 725 pounds ($1,218) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 11-12. Loss Commutations: Planning, Preparation, Negotiation and Agreement seminar in New York City, sponsored by Executive Enterprises Inc.; $895 per person plus $95 registration fee per organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

OCT. 12. Professional Indemnity seminar in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 190 pounds ($319) plus VAT. Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London, England EC4V 4DD; phone: 01-236-2175; fax: 01-489-1487.

OCT. 12-13. Transportation of Hazardous Materials/Waste course in Los Angeles, sponsored by the University of Southern California, Institute of Safety and Systems Management; $300. Institute of Safety and Systems Management, Professional Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 12-14. Fundamentals of Property and Casualty Reinsurance seminar in New York City, sponsored by Executive Enterprises Inc.; $990; $895 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-831-8333; 212-645-7880 within New York.

OCT. 12-14. Reinsurance Claims course in New York City, sponsored by The College of Insurance; $595 for College of Insurance sponsors; $695 for non-sponsors; less $100 for subsequent registrants from the same organization. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

OCT. 13-14. Financial Analysis For Risk Management seminar in Chicago, sponsored by The College of Insurance; $595 for College of Insurance sponsors and Insurance Services Office Inc. members; $695 for non-sponsors and non-members of ISO. **Also Nov. 3-4** in Atlanta and **Dec. 8-9** in San Francisco. The College of Insurance, 1 Insurance Plaza, 101 Murray St., New York, N.Y. 10007; 212-962-4111.

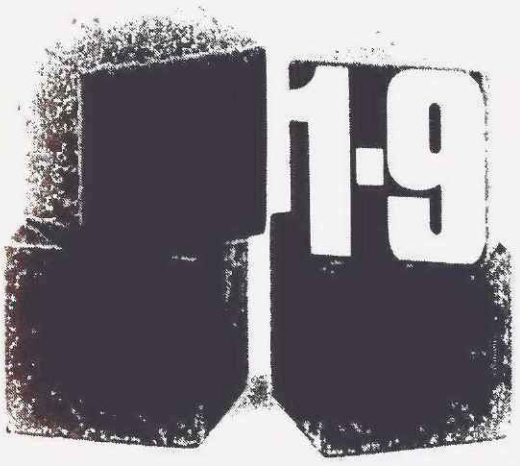
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IAIABC convention

Back injury clues found in worker's mind: Study

By MEG FLETCHER

SEATTLE—Two psychosocial variables—rather than physical factors—are the best tools for predicting which employees are most likely to suffer chronic back problems, preliminary results of a soon-to-be-released study show.

Employees who view their work as a burden, rather than as an asset, and those suffering some emotional distress in their personal lives are most likely to be off work at least three months with a back problem, says Dr. Stanley J. Bigos, who lead the research team that conducted the study.



Dr. Bigos

Dr. Bigos, an associate professor of orthopedics at the University of Washington School of Medicine in Seattle, also is director of the university's Spine Resources Clinic.

If those psychological factors are coupled with a history of back problems, an employee is 3.3 times more likely to report a back injury, he said.

The study, conducted during parts of 1982 and 1983, prospectively analyzed 3,020 volunteers who worked for Seattle-based Boeing Co. The study used 146 variables, including 73 physical ones and 73 non-physical ones. Follow-up was conducted about three years later.

This is the first study to look at the risk factors that make an employee likely to be among the 10% of all back injury claimants who are off work at least three months, Dr. Bigos told the 74th annual convention of the International Assn. of Industrial Accident Boards & Commissions, which met Aug. 28-Sept. 1 in Seattle.

Employers and workers compensation administrators are particularly concerned about employees in this category, because they generate 80% of all back claim costs.

In addition, the study—which followed a retrospective research project also conducted by the university—is the largest and most comprehensive study ever done prospectively, said Michelle Battie, a research scientist with the university's medical school who participated in the team project.



Ms. Battie

Dr. Bigos summarized his findings with a metaphor: Each employee is piloting his own biplane in "the flight of life." Work is a box attached to the rear of the plane that can be a source of lift or drag. When distress—in the form of ice on the wings—occurs in an individual's personal life, an employee who views work as a burden may jettison it.

"The opportunity for industry is to make work more of an asset and less of a burden," Dr. Bigos said.

And, employers can reinforce an employee's feeling of importance with simple measures like calling to inquire about his or her health during the first few days the employee is off work due to an ailment, Dr. Bigos said, quoting from the results of a 1986 Vancouver, B.C., study.

In addition, another researcher's unrelated study has found that the single most effective technique for reducing back pain is to encourage an employee's absorption in work, he added.

Among the factors tracked in the Boeing study were an employee's age, sex and marital status as well as work and medical history. The study also analyzed such physical factors as height, weight, blood pressure, arm span, flexibility, lifting strength, cardiovascular fitness and size of the lumbar-spinal canal.

The psychosocial factors analyzed included an employee's perception about his or her work and the degree of control the employee has

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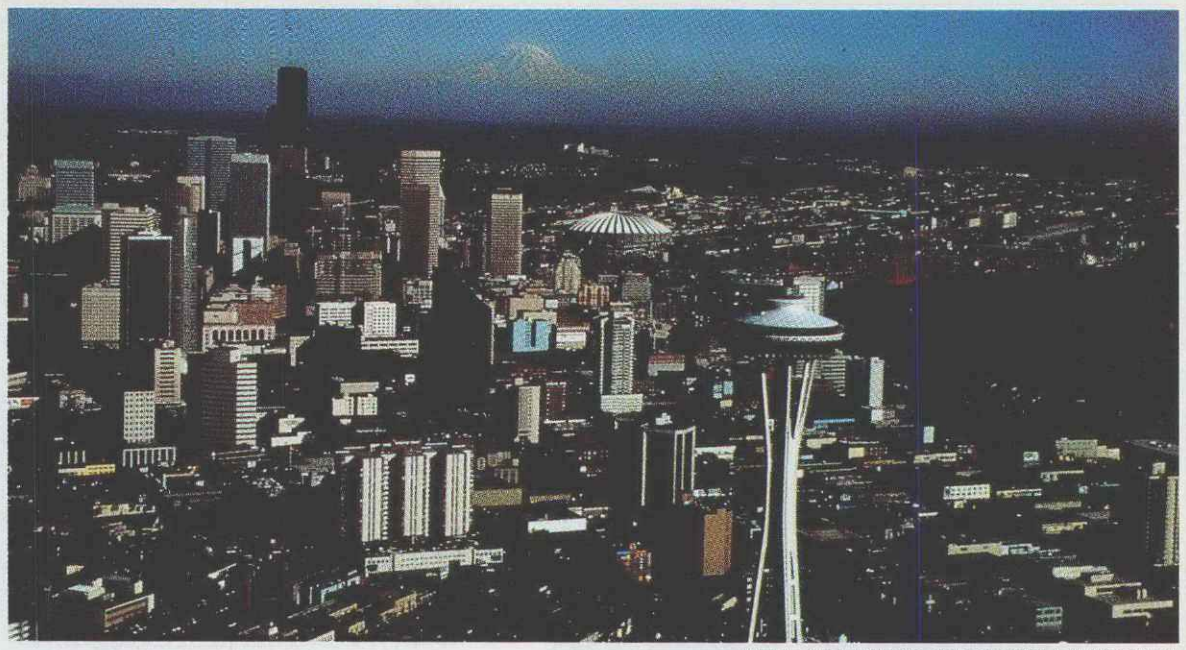


Photo: Seattle-King County Convention & Visitors Bureau

Seattle hosted the International Assn. of Industrial Accident Boards & Commissions' 74th convention

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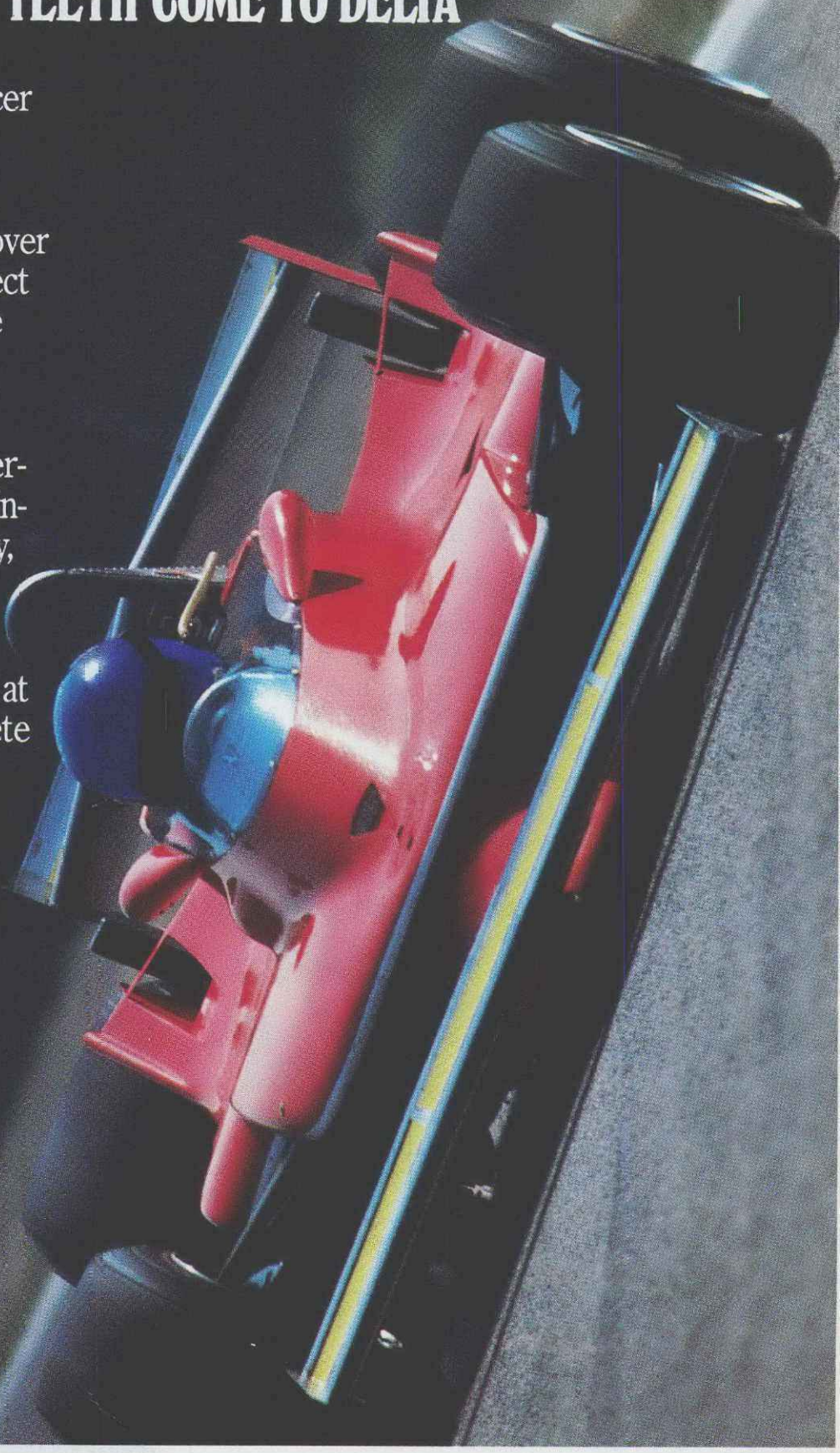
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Back injuries

Continued from previous page

over his or her life.

The key job satisfaction variable was measured with the help of a work satisfaction test, while emotional distress in the employee's personal life was measured with the use of personality inventories.

The analysis also reviewed job demands, such as peak workloads.

The preliminary findings on 26 subjects also indicate that employees with chronic back problems are also likely to smoke, have a low level of cardiovascular fitness and have a history of back pain, Dr. Bigos said.

Incident reports were more likely to be filed by younger workers, those with a history of back problems and smokers, concurred Ms. Beattie.

Based on preliminary findings about employees who filed 279 back pain incident reports during the follow-up period, there was no correlation between the filing of incident reports and several other factors, including: gender, job type, loading requirements, lifting strength and spinal flexibility, she said.

In addition, isometric strength testing "would not have been a good screening tool in this group," she added, because the study found "spinal flexibility varies all across the board in a normal working population such as this."

In light of these findings, Ms. Beattie said it is "interesting" that back flexibility is one of the major criterion for evaluating permanent impairment under most state workers compensation statutes and is recommended by the American Medical Assn. and the American Academy of Orthopedic Surgeons.

Both the chronic pain and preliminary incident report findings indicate that "industrial back pain problems are indeed multifaceted and are affected by not only physical factors but also particularly affected by non-physical factors," Ms. Beattie concluded.

"Our own findings suggest we need to broaden our perspective if we are to adequately address the problem."

Yet, it is important to realize that short-term back pain problems are a part of life that will affect the majority of adults, interjected Dr. Bigos.

"Back symptoms are not an injury," he said. "Coughing and sneezing put more strain on backs than most of the things we do at work," he added.

Studies have shown that most people with short-term—or acute—back pain problems will improve with little or no intervention. However, some can be helped by controlling mechanical stress on the back, periodic walking or standing to avoid the debilitating effects of bed rest and mild analgesics, according to Dr. Bigos. Studies show that surgery is useful in only 1% to 2% of back pain cases, he said. ■

Cooperative medical reviews can trim comp costs: Expert

By MEG FLETCHER

SEATTLE—A new approach to evaluating medical care can help control rising workers compensation health care costs while improving the quality of care, according to a state workers compensation official.

Traditionally, "quality problems are identified by inspection programs" that can create adversarial relationships between the provider and the reviewer, said Taylor Dennen, assistant director of medical services for Washington's Department of Labor and Industries.

But a more cooperative review process, involving a partnership of providers, employers and employees, should more effectively reduce work comp costs, including those for chiropractic services, Mr. Dennen said at the 74th annual convention of the International Assn. of Industrial Accident Boards and Commissions in Seattle Aug. 28-Sept. 1.

Currently, quality control in health care usually means inspecting the practices of health care providers in one of two ways, according to Mr. Dennen:

- Looking at a provider's history of providing care, by pulling bills or medical charts and doing a retrospective audit.
- Intervening, for example, by requiring physicians to obtain permission to make a hospital admission or provide more physical therapy.

This system "to search out bad apples" creates a situation that angers doctors, and they respond "by attacking the fairness, the reasonableness or the sheer bureaucracy of the process," he said.

Once sensitized, administrators are likely to modify their approach by adopting new quality control rules, and the cycle tends to repeat.

"In industry, this approach contributes to an adversarial relationship between management and labor that deflects everyone's attention from the real goal, which should be to serve the employee, who should be perceived as a customer, Mr. Dennen said.

An alternative approach to quality control that theorists recommend is "continuous quality improvement through a partnership of suppliers, purchasers and customers," Mr. Dennen said.

"For workers compensation, health care is a process with the desired product of returning injured workers to a productive life," he said.

"If costs are out of control, and people are not going back to work, then we need to look at the process and work with providers and perhaps even customers to fix the problems in the process," Mr. Dennen said.

Components of that health care process, as they relate to providers, include:

- Looking for opportunities for improving the quality of care at every stage of care.
- Viewing quality of care problems as process problems and seeing defects as an opportunity to improve the process.
- Avoiding bad care by concentrating on better designing the health care process rather than on inspecting providers.
- Viewing care providers as wanting to accomplish goals and working with them to improve the care process.
- Viewing leaders in the health

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Continued from previous page

care process as those who enable people to work effectively to achieve shared goals of providers and workers comp administrators.

- Considering providers and administrators as partners in developing a health care process.
- Realizing that quality care is cost-effective.

"Quality health care is the product of a quality process that minimizes waste, such as unnecessary and excessively expensive care," Mr. Dennen said.

But, "not everyone will want to join you in the wonderful new world I am describing," he warned. Providers will be suspicious of administrators' motives, and those who do not share administrators' vision must be isolated and set aside, he said.

"But by working out a plan of attack that involves providers from the beginning, you will be able to transfer the heated discussions from the implementation and operations period back to the planning stages," Mr. Dennen said.

Since 1985, the Washington State Fund has used this approach in revamping its purchase of chiropractic care, which costs the fund about $20 million annually.

The fund, which is the only alternative for Washington state employers that do not self-insure their work comp risk, also has used this approach when reviewing hospital care, which costs about $50 million annually, and physician care, which costs about $40 million annually.

The state fund is limited in the kind of cost-saving approaches it can adopt because injured workers generally have free choice of attending physicians, he added.

The state fund began its most recent review of the chiropractic program in early 1987.

For many years, the state had a chiropractic consultant program in which about 70 chiropractors around the state were supposed to review every injured worker receiving chiropractic treatment for more than 120 days to determine whether further care was justified.

"This kind of peer review is notoriously ineffective," Mr. Dennen said. "One of the kinder analogies is of the fox guarding the hen house," he added.

After a review of about 200 randomly selected consultation reports, he found that consultants were rarely recommending that chiropractic care be curtailed and that consultants doing the most consultations were less likely to suggest ending care.

However, chiropractors on the fund's Chiropractic Advisory Committee were much more likely to suggest that treatment end.

He related his findings to the chiropractic consultants, who did not receive the news well, and concluded "that either they needed to come up with a new way to review utilization, or we would do it." The threat was that the state fund would adopt an arbitrary limit on allowable treatments, he said.

Despite a tendency to "kill the messenger," the advisory committee eventually proposed strengthening the credentials required to become a consultant and developing standards of care.

The standards are designed to identify "mainline" types of chiropractic care, incorporating different schools of thought. The standards also include limits on duration of treatment and lost time that are linked to diagnoses, which Mr. Dennen considers "revolutionary."

The development of the standards was aided by the availability of new data on treatments provided to 38,514 injured workers who first received chiropractic care during 1986. The data showed 61% of all injured workers under the care of chiropractors still were receiving treatment after 120 days.

'Quality health care is the product of a quality process that minimizes waste, such as unnecessary and excessively expensive care,' says Taylor Dennen of Washington state's Department of Labor and Industries.

And, some workers who received treatment for a year or more were receiving treatment more than once a week.

In addition, 10% to 20% of chiropractors provided substantially more than the state average of 23 treatments per claim.

However, the great majority of chiropractors followed a conservative treatment plan, and many chiropractors averaged less than 10 treatments per injured worker, he added.

"The guidelines state that the meat-and-potatoes kind of case—simple strains and sprains—should be resolved in a few weeks. Only the most severe injuries should require as much as nine months of treatment," Mr. Dennen said.

While the program is still being implemented, "I believe we are well on the road to a program that will ensure high-quality care for injured workers and that, I believe, will reduce our expenditures for chiropractic care by at least 25%."

The approach used with chiropractors "has a lot of potential for extension to other providers, including back care by doctors and physical therapy services, he added. ■

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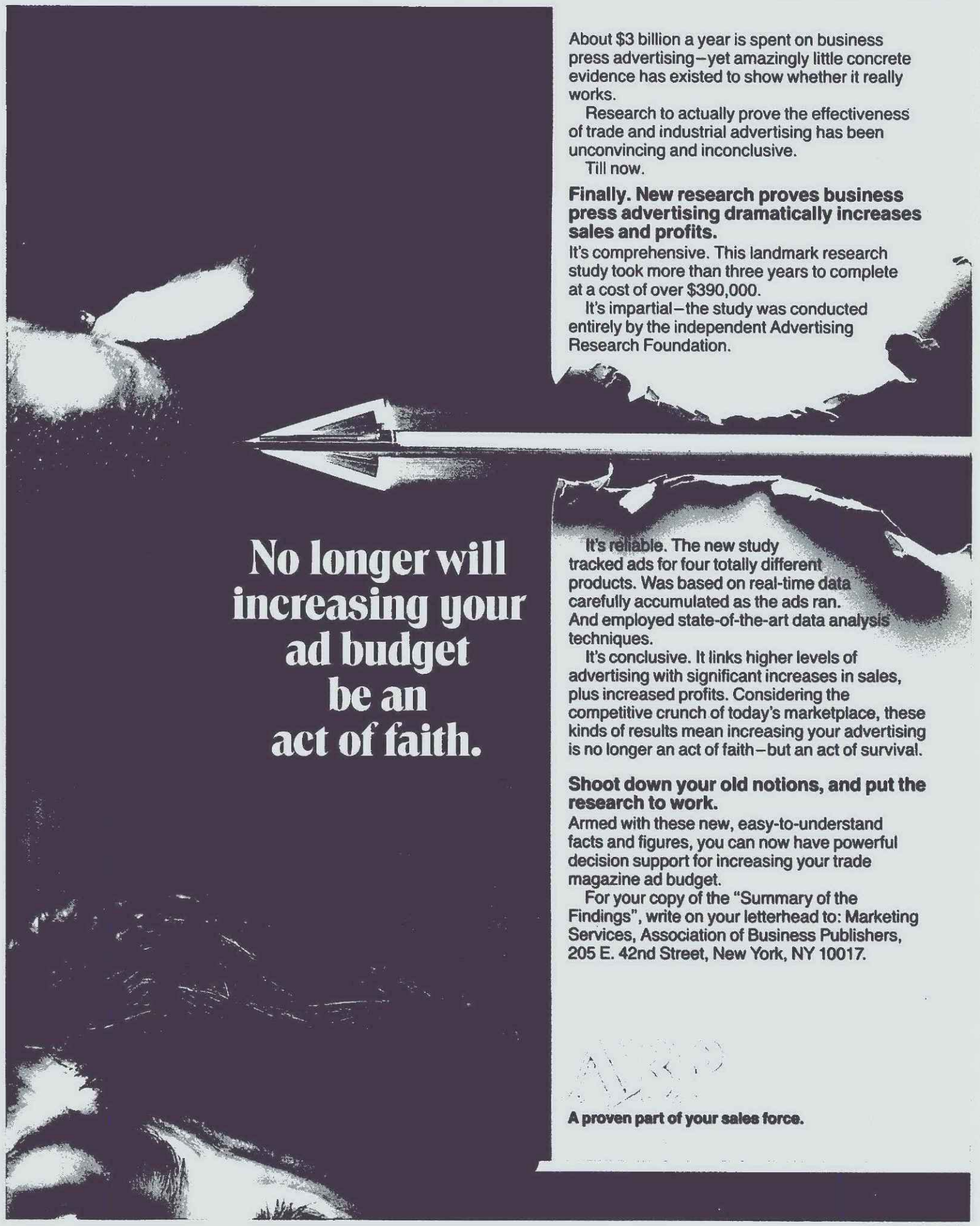
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State rules can help cut comp costs

By MEG FLETCHER

SEATTLE—The rules a state uses for handling disputed workers compensation claims can increase or decrease legal wrangling and related "frictional" costs, according to an analysis of three states' approaches.

Wisconsin's handling of disputed workers comp claims was praised as innovative by the Workers Compensation Research Institute study, which will be published later this year, while the typical approach of many states, like New Jersey and Maryland, were criticized as ineffective.

Wisconsin uses medical and vocational rehabilitation experts in determining the degree of employees' functional impairment due to back injury for purposes of calculating permanent partial disability benefits.

Low-back injury claims are a good basis for comparison, said Richard Victor, executive director of the Cambridge, Mass.-based WCRI. Mr. Victor spoke at a session on research findings during the 74th annual convention of the International Assn. of Industrial Accident Boards & Commissions, held Aug. 28-Sept. 1 in Seattle.

Such claims are frequent and can be expensive, he said.

"In addition to their human and economic costs, low-back injuries present major difficulties for workers compensation systems," according the WCRI's 1986 report on Maryland. "They can result in a great deal of time lost from work during the healing process and considerable permanent physical impairment, which can mean a loss of wage-earning capacity."

In addition, "the extent of impairment is often difficult to measure, particularly because subjective symptoms of pain can contribute significantly to the physical impairment of those with low-back injuries," the report said.



Mr. Victor

"As a result, there is room for substantial disagreement between claimants and employers or insurers over a claimant's ability to return to work and the extent of permanent impairment caused by the injury. This is a cause of high levels of litigation," the report found.

Key features of Wisconsin's approach to determining an injured employee's functional impairment are:

- Requiring that the injured employee's treating doctor, whom the employee chooses, be primarily responsible for establishing his impairment rating due to the back injury.

Contrastingly, many other systems allow both the employee's attorney and the employer's attorney to each present testimony from medical experts. Impairment ratings recommended by the "dueling docs" tend to favor the party's point of view, with the employee's witness recommending a high rating and the employer's, a low rating.

- Establishing some minimum impairment ratings by statute. For example, if an employee has back surgery, he is automatically granted a specified impairment rating.

Contrastingly, other systems have no predetermined minimum ratings and many do not use established medical guidelines to help determine an injured employee's degree of impairment.

- Using a "final offer" adjudication process whereby each side makes a final recommendation about what the impairment rating should be and the adjudicator chooses one or the other.

The Wisconsin approach causes each side in the benefit dispute to strive for credibility and often leads to voluntary settlements, Mr. Victor said.

In contrast, many other states merely add the two impairment recommendations together and average them to determine an impairment rating.

- Active oversight by Wisconsin administrators.

This contrasts with a more passive approach used by more traditional states.

As a result of this approach, Wisconsin's system is charac-

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Health care costs, aging to influence work comp

By MEG FLETCHER

SEATTLE—Rising health care costs, deregulation of trade and an aging workforce are several key developments likely to affect the workers compensation system during the next decade, according to industry experts.

John F. Burton Jr., professor of the New York School of Industrial and Labor Relations at Cornell University in Ithaca, N.Y., and other speakers discussed these developments at the 74th annual convention of the International Assn. of Industrial Accident Boards & Commissions Aug. 28-Sept. 1 in Seattle.

Medical care costs now comprise more than 40% of total comp benefits, says Phillip Bork.

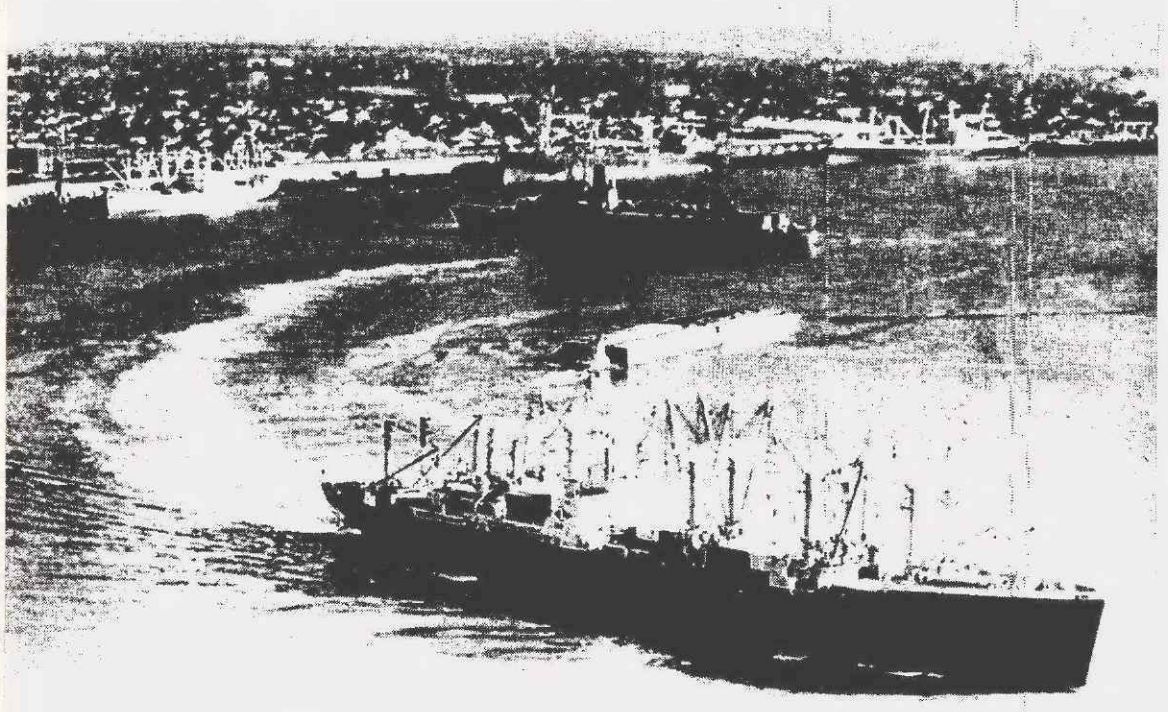
Total expenditures for workers comp medical and cash benefits have increased rapidly in recent decades to $22.5 billion in 1985 from $13.6 billion in 1980 and only $3 billion in 1970, according to recently released Social Security Administration data, Mr. Burton said. The increase in constant 1985 dollars was 7.2% from 1970 to 1985.

Medical care costs once accounted for 30% to 33% of total workers comp benefits, "but such costs now are over 40% and closing in on 50% in some jurisdictions," said outgoing IAIABC President Phillip Bork, a member of Washington State's Board of Industrial Insurance Appeals.

Also contributing to higher costs are higher benefit levels and the

Continued on next page

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Workers comp claim dispute rules

Continued from previous page

terized by fewer legal disputes, less adversarial proceedings and much lower friction costs, Mr. Victor said.

The elements in Wisconsin's approach should be considered as "a package," Mr. Victor said.

But the study goes further than merely recommending Wisconsin's approach to determining functional impairment.

Findings from the second part of the study silence—or at least muffle—critics who say that Wisconsin's approach would not work elsewhere, such as in states that are less progressive or consider themselves to be more litigious.

The study shows that legal wrangling in Wisconsin increases to traditional levels when Wisconsin uses the same ineffective rules as New Jersey and Maryland about the use of medical and rehabilitation experts to determine an injured worker's earning capacity.

"The same people behave very differently given different rules of the game," Mr. Victor said.

As a result, Mr. Victor said that Wisconsin's first approach to using medical and vocational rehabilitation experts "shouldn't be dismissed off-hand." However, he said he could not guarantee that any state adopting that approach toward experts would necessarily have the same good results.

And, while reducing litigation in the workers compensation system is a worthwhile goal, a balance must be achieved between that and providing adequate and equitable treatment for injured employees, Mr. Victor pointed out. ■

Comp changes

Continued from previous page

trend toward increased litigation, Mr. Burton said.

But, an increasing disparity of costs among jurisdictions is leading some legislators, like those in Minnesota (*BI*, April 18), to attempt to scale back benefits, Mr. Burton said.

Another factor affecting the system is increasing deregulation, which is leading to increased competition to attract business.

Developments like the United States-Canada Free Trade Agreement will increase local legislators' interest in keeping local employers' workers compensation costs low to attract businesses to their jurisdictions, Mr. Burton said.



Mr. Burton

However, preliminary results from an Upjohn Institute study found that employers' intrastate workers comp costs vary more than do employers' interstate costs, said Edward M. Welch, director of the Michigan Bureau of Workers' Disability Compensation.

The study compared employers with the best and worst work comp experience in the same industry.

It indicates that factors an employer can control, rather than a state's work climate, are more important in keeping an employers' work comp costs low. These factors include: safety and accident prevention, managerial style and culture.

Lastly, while the aging of the workforce is likely to mean fewer traumatic injuries, older workers are more likely to suffer from medical conditions—like heart and back ailments—that raise questions about an employee's degree of disability and whether the disabilities were caused by work-related events or the natural aging process, Mr. Burton said.

Other challenges facing work comp programs include fine-tuning rehabilitation programs to reduce excessive utilization and litigation, and determining how best to compensate permanent partial disabilities.

Mr. Burton said the reported deterioration of Florida's wage-loss-based comp system has made him pessimistic about finding a good solution for this problem.

To cope with these developments, work comp systems are needed that provide incentives for desired behaviors, like proper utilization of health care services, and not merely rules, Mr. Burton added. Such incentives could include, for example, use of deductibles and coinsurance measures, he said. ■

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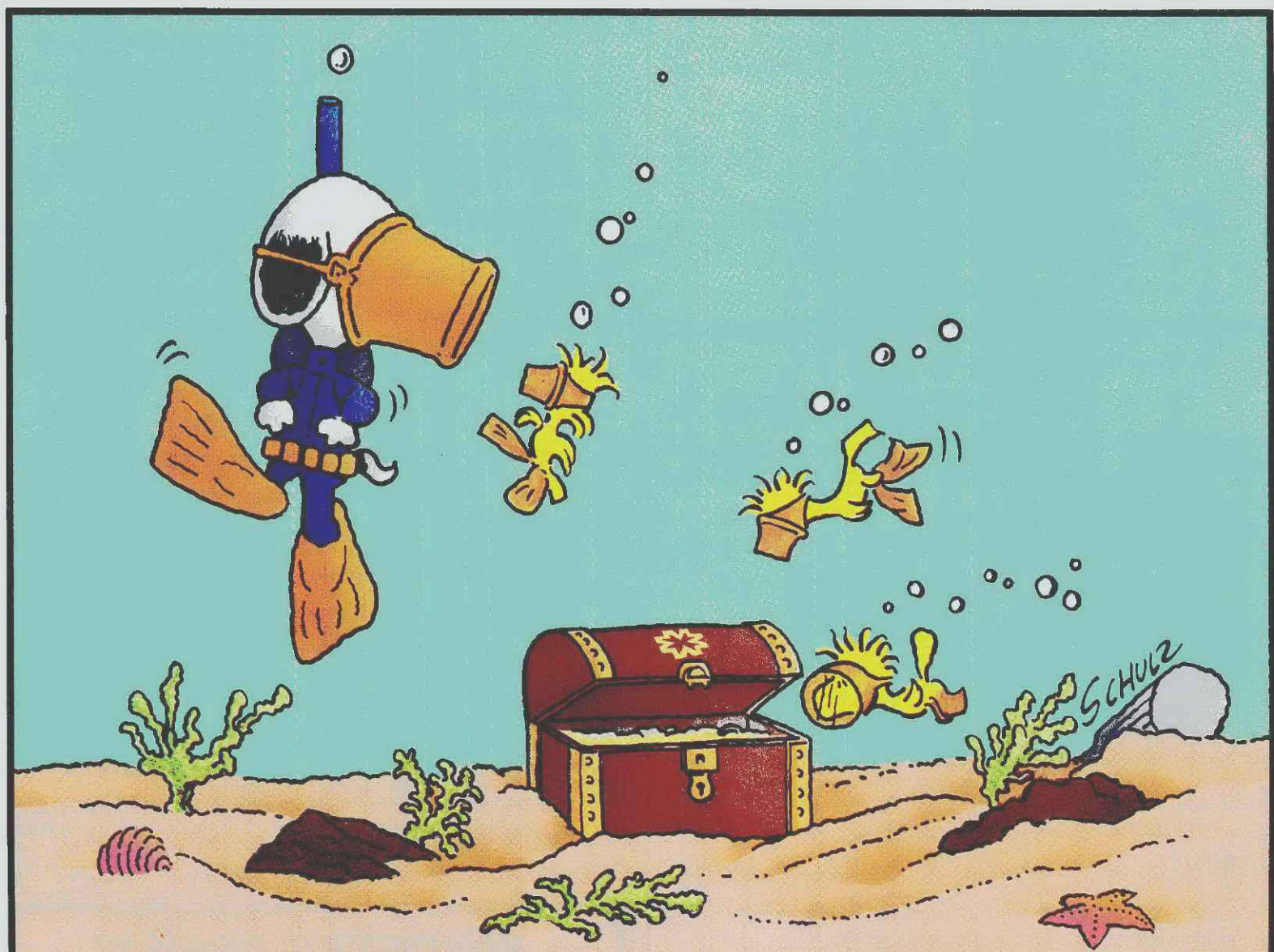
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IAIABC endorses cost containment

By MEG FLETCHER

SEATTLE—State workers compensation administrators for the first time are formally endorsing medical cost-containment measures as a means of coping with rising workers compensation medical benefits.

A resolution supporting "cost-containment measures consistent with quality care" was adopted at the 74th annual convention of the International Assn. of Industrial Accident Boards and Commissions.



Mr. Krysiak

In addition, IAIABC members attending the Seattle convention Aug. 28-Sept. 1 reworded one of their formal standards to clarify their support of medical cost-containment measures.

The new standard states: "Reasonable and necessary medical care shall be full for all occupational injuries and diseases without limitation as to total cost or time and should include physical rehabilitation."

It replaces a 1980 standard that stated: "Medical care should be full for all occupational injuries and diseases without limitation as to cost or time and should include physical rehabilitation."

"In today's medical care climate and marketplace" the previous standard "could be interpreted to infer no cost guards or monitoring whatsoever," explained Judith G. Greenwood, director of research for the West Virginia Workers' Compensation Fund.

In addition, health care cost containment will be the focus of the first conference sponsored by the IAIABC's new educational foundation. The conference will be held Feb. 8-11 in New Orleans, said John N. Shanks II, foundation president.

The Indiana-based foundation, which is seeking tax-exempt status, is designed to raise money for independent research and educational projects, said Mr. Shanks, who is chairman of the Industrial Board in Indiana.

Other action taken by IAIABC members includes:

- Elections. Charles Krysiak, chairman of the Workers' Compensation Commission in Maryland, named president; Marjorie L. Dight, claims manager for the Industrial Commission in Arizona, named president-elect; R.J. Allen, chairman of the Workers' Compensation Board in Nova Scotia, appointed vp; and Allyn Tatum, commissioner of the Workers' Compensation Commission in Arkansas, appointed secretary.
- Recommending that all jurisdictions formally adopt a first report of injury or illness form available from ACORD Corp. in White Plains, N.Y.

The form was developed jointly by the IAIABC and ACORD over several years through a testing program involving seven states, according to an ACORD spokesman.

Attending the conference were about 960 people from 62 jurisdictions, including representatives from the United States, Canada, Australia and New Zealand. ■

New rules for self-insurers proposed

By MEG FLETCHER

SEATTLE—Employers that self-insure their workers compensation risks could face new financial and reporting requirements.

The Self-Insurance Committee of the International Assn. of Industrial Accident Boards & Commissions has proposed updated model self-insurance rules and regulations.

If approved, the proposals would not take effect for more than a year. The committee plans to discuss the proposals at upcoming meetings and present a final version to the IAIABC's Administration and Procedures Committee at the organization's next annual convention in September 1989.

And, if the proposals are endorsed by the IAIABC, they still must be adopted by individual states before they can take effect.

The proposed revisions would update requirements adopted in 1979.

The new proposals "are more suited to current market conditions and demands," said J.T. Noblin, the IAIABC's executive director. In addition, they address new types of security and reinsurance arrangements, he added.

The IAIABC established a Self-Insurance Committee in early 1988 "in response to the IAIABC's recognition of the continued growth and importance of self-insurance in workers compensation," according to a committee report presented at the IAIABC's annual conference late last month in Seattle.

The proposed model rules and regulations include provisions requiring an employer that wants to self-insure its workers compensation risks to:

- Have been in business under the present corporate entity for at least five years, unless a parent corporation guarantees liability for workers compensation costs.
- Apply to self-insure on a specific form and swear to the truthfulness of the answers.
- Forward a current, certified, fully audited financial statement to state administrators.
- Demonstrate sufficient financial strength and liquidity to assure that all obligations will be promptly met.
- Obtain a minimum $250,000 surety bond or other acceptable security, which may include specific and aggregate excess insurance, from an authorized source.
- Maintain personnel and facilities for administration, claims handling and safety engineering. Self-insurers could also contract with vendors to provide these services.

The proposed model rules and regulations also establish a timetable for the application and renewal process.

In addition, the proposals outline the factors a state administrator will consider in assessing an employer's ability to self-insure, including: ratio of tangible net worth to annual self-insurance retention; ratio of current assets to current liabilities; ratio of debt to tangible net worth; profit and loss history; organizational structure and management background; workers compensation loss history; source and reliability of financial information; number of employees; excess insurance coverage; guarantees by parent company; claims administration; accident prevention program; and third-party financial review or analysis to compare an applicant with other companies.

The proposals also establish requirements for aggregate and/or specific excess insurance as well as security deposits.

The provisions also call for states to establish a self-insured guaranty or insolvency fund to prevent a lapse in benefit payments to injured workers of self-insured employers that have defaulted on their obligations.

"The fund should be established in conjunction with aggressive security requirements," the proposals say.

In addition, "the financial statements of self-insured accounts involved in leveraged buyouts or mergers should be evaluated as soon as possible. If the self-insured account has a total liability 10 times greater than its net worth, consideration should be given to canceling its self-insured status. The restructured company should not be considered for self-insurance for five years," the proposal says.

The proposals establish requirements for companies that provide services to self-insuring employers, to ensure that they have adequate facilities and competent staff within the state to service a self-insuring employer.

And, the proposals establish procedural steps for appealing a state administrator's decision. ■

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Drug abuse programs enhance worksite safety

By MEG FLETCHER

SEATTLE—Programs that make worksites safer by preventing employee drug and alcohol abuse take several approaches, according to panelists at a recent conference.

Supporting an approach that emphasizes peer pressure were two construction company spokesmen and a labor leader.

Supporting mandatory drug testing as part of a broad-based companywide program to create a safer workplace was a spokesman for a manufacturing company engaged in glass processing.

While the speakers differed in their approach to preventing employee substance abuse, they all told the audience at the International Assn. of Industrial Accident Boards & Commissions' conference that alcohol and drug abuse is a costly problem for companies and employees alike.

"Nationwide, substance abuse is costing the American economy approximately $100 billion a year," said Marlin Sande, former risk manager for Wright Schuchart Inc., a Seattle-based construction company.

It is a "significant" problem that costs the construction industry an estimated $10 billion annually, he said. Between 10% to 15% of construction employees are perceived by contractors and labor officials as having a substance abuse problem, Mr. Sande added.

Wright Schuchart found that 10% of all injured workers had a substance abuse problem and those workers accounted for more than half of the company's $2.5 million annual workers compensation claim costs.

"Some of the costs we see due to substance abuse (include) lower productivity, higher absenteeism, late starts, early quits, high accident rates and high turnover rates for those people," Mr. Sande explained.

Alcohol is considered the most abused drug, and some contractors have contributed to the problem by bringing cases of beer to the worksite at the end of a day as a reward for good job performance, said Robert Dilger, a Seattle-area labor leader and lobbyist who is secretary/treasurer of the Washington State Building Trades Council.

However, cocaine and crack also are problems, and "one of the saddest things" is to find workers hooked on drugs that had been prescribed in connection with a previous job injury, he said.

In response to the problem, an industrywide program was developed in the Pacific Northwest through the combined efforts of construction company owners, contractors and labor officials.

The program was spurred by some construction company owners who hinted at introducing drug testing. However, such testing was not adopted because of the mobility of the workforce and because of reliability problems with the tests, Mr. Dilger said.

The campaign's theme, "Construction: A Natural High," was emphasized with the help of posters, hard hat stickers and a videotape of workers on-the-job who discussed the safety hazards substance abusers create and the need to speak out in favor of a drug-free workplace.

"We think we can get more out of people with peer pressure and pride in company and self" than with other approaches, said Jim Richards, loss control and quality assurance management officer with Seattle-based Baugh Construction Co.

In contrast, Tacoma-based Milgard Manufacturing Inc. adopted mandatory drug testing of applicants and workers as part of a broad-based effort to deal with substance abuse problems that the company suspected were responsible for many employee injuries.

"If you don't think you have a problem, turn around," said Richard Tefft, director of human resources for Milgard.

Companies may learn of substance abuse problems among workers when drug paraphernalia is found—sometimes in towel dispensers in washrooms—or when drug-free employees complain about working with abusers, whom they perceive as a threat to their own safety.

Milgard responded by establishing both an employee assistance program and a "Fitness for Work" program that emphasizes the company's responsibility to provide a safe worksite and employees' responsibility to come to work fit, rested and drug-free, Mr. Tefft said.

Drug testing, which has improved in the past two years, began in October 1986, Mr. Tefft said. Drug testing is required of employees "for cause"—for example, after an accident—and after safety committees request it, which has occurred twice, Mr. Tefft said.

Urine testing is primarily used, and employees can choose to produce the specimen in the presence of a doctor or leave their clothes in a separate room and don a hospital gown.

A blood test is performed only if alcohol use is suspected.

Positive tests are reconfirmed using a second test.

The first time an employee tests positive, he is asked to sign a return-to-work agreement that requires him to seek professional help, comply with the "Fitness" guidelines and agree to be tested twice in the next year to reinforce that he is "clean," Mr. Tefft said.

If he tests positive a second time within one year, he is terminated. However, he is eligible for reconsideration to be rehired after 30 days. If rehired, he must agree to be tested twice in next year.

Job applicants are also screened with a drug test. If they test positive, they can reapply after 90 days.

The broad-based program "has been an amazing success because of the cooperation of our hourly employees," he said.

The company's program is credited with reducing employees' average medical and indemnity costs per 200,000 hours worked to 21 cents in the first quarter of 1987, down from 72 cents in the first quarter of 1986. Savings of $606,960 are projected in a 12-month period in which company employees worked 1.2 million hours.

In addition, positive findings in "for cause" cases declined to 20%, from 49% previously, and there are fewer positive findings among employees in the retesting program, he said.

In addition, about 32% of the total workforce has used the employee assistance program, compared with a national utilization average of 10% to 12%. But, Mr. Tefft said, "The greatest reward is people thanking you for helping them stay clean."

In addition, Mr. Tefft noted that Milgard's drug testing program has never been challenged in court, although he knows of about five employees who have consulted attorneys about it. ■

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Weyerhaeuser reforms work comp plan

By MEG FLETCHER

SEATTLE—Significant internal reforms have improved the quality of Weyerhaeuser Co.'s workers compensation program while reducing costs, a Weyerhaeuser executive says.

Steven Hill, vp of employee relations at the wood products manufacturer, said that changes in recent years have improved the Tacoma, Wash.-based employer's operation by: significantly decreasing the number of employees injured on the job; increasing the number of employees returning to work; improving the quality of claim services to injured workers; and reducing waste in the system.

The changes have reduced the company's workers compensation costs, including administrative expenses, by $5 million to $7 million annually, and have cut work comp costs per hour worked in half.

"I don't know of any other area that is more important to the success of our business than the effective management of industrial safety and the proper treatment of injured workers," Mr. Hill said during a symposium last month in Seattle sponsored by the National Council of Self-Insurers.

Mr. Hill credits many of the internal reforms to Kenneth L. Gipson, Weyerhaeuser's director of statutory benefits.

Weyerhaeuser attention to workers compensation reflects the company's adoption of "quality" management principles that focus on serving customers. In the case of the work comp program, employees are the customers, he explained.

Such an orientation has two important ramifications: While claims handlers must know and follow many complex regulations, they must measure themselves "by full customer satisfaction and not by workers compensation technical standards," Mr. Hill stressed.

"Professionalism in managing claims is an important means to an end, but not an end in itself," he explained.

A customer orientation also changes the character of the employer's relationship with employees and line managers.

"These people are not our adversaries, but our customers. We are helping these organizations succeed by effectively delivering workers compensation benefits and by fairly treating their injured employees," Mr. Hill said.

In addition, the company has made a "significant" change in its philosophy about settling claims. Prior to 1983, the company settled many claims—even if it felt that the settlement was above and beyond legal requirements—because executives felt that the risk on that claim was reduced through settlement.

"This old philosophy led us to more and more claims by plaintiff's attorneys and less than full effort by our administrators and attorneys. While we may have saved some costs on specific claims, we created an overall situation that encouraged blackmail," Mr. Hill said.

While the benefit of the doubt is still given to the employee, the company is now taking more cases to the appropriate state hearing board, which the company has found to be fair.

While the company's new approach has doubled or tripled administrative costs of Weyerhaeuser's $30 million annual workers compensation tab, the company's per-claim cost is now just a fraction of its previous experience. Incurred claims costs dropped to $1,700 per claim in 1987 from about $3,000 per claim in 1983, Mr. Hill said.

Better management of safety programs and reducing worksite injuries is key to improving any workers compensation program, Mr. Hill said.

Weyerhaeuser made several changes as part of this effort:

- Decentralization has increased accountability of local management.

This included making each unit directly responsible for up to $100,000 per accident, which made safety and return to work programs a "bottom line" issue.

- Adoption of a "zero defects"—or no injury—safety standard rather than using industry accident norms.
- Combining safety and work comp reporting systems, which has improved the validity of safety statistics. ■

Employers manage work-related disabilities

By MEG FLETCHER

SEATTLE—While major employers share common problems about how best to manage employees' work-related disabilities, only some have developed innovative approaches to cope with them, according to a recent survey of 13 major companies.

"Around the country, we see a variety of problems that seem to uniformly exist in most companies," said Gail Schwartz, director of the Institute for Rehabilitation & Disability Management in Washington, D.C.

The institute was established in 1983 by the Washington Business Group on Health and the National Rehabilitation Hospital, she told those attending part of the National Council of Self-Insurers recent midyear meeting in Seattle.

The survey of major of companies —which included American Airlines, Chrysler Corp. and BankAmerica Corp.—found that most shared the following problems:

- Substance abuse among employees. Substance abuse costs industry about $90 billion annually, according to one estimate.
- Psychiatric disabilities among employees. They are an expensive component of disability costs, in part because such disabilities often last a long time.
- The use of disability benefits by some managers as a "dumping ground" to get rid of problem employees.
- A lack of good data on the true costs of all types of disabilities.

The survey found that employers, especially those that aggressively manage health care costs, are taking steps to cope with these disability-related problems, according to Ms. Schwartz.

More companies are analyzing disability-related data and charging back costs to the unit responsible to increase the interest level and lower-level manager accountability.

More companies also are using interdepartmental teams to cope with disability-related problems and solutions. For example, companies are turning to personnel associated with employee assistance programs and health care benefit programs to develop disability policy.

Ms. Schwartz described what she viewed as innovations that companies have adopted to reduce their disability-related costs:

- Establishing physical education programs at worksites.
- Establishing duration guidelines for an employee's return to work.
- Establishing more modified work programs. Such programs can bring employees back to work for as little as four hours per week.
- Contracting with carefully screened, private rehabilitation services, especially those available on an outpatient basis.

In addition, Ms. Schwartz summarized factors she considered essential to an effective disability management program, including: a well-defined return-to-work program; systems for analyzing data; developing an overall corporate response that encourages interdepartmental cooperation; early intervention; wellness activities; early involvement of unions; support from top management; and systems to manage claims function. ■

States scrutinize comp self-insurers

SEATTLE—State workers compensation administrators are beginning to use outside reviewers to help evaluate an employer's ability to self-insure the costs of its employees' on-the-job injuries.

Ohio administrators have already used such analyses, and those in New Jersey and Pennsylvania are considering them, said Slade M. Kobran, manager-fulfillment with Duns Analytical Services in Murray Hill, N.J., a unit of Dun & Bradstreet Corp.

In addition, a panel of the International Assn. of Industrial Accident Boards & Commissions is considering proposed model guidelines that include third-party financial reviews as a way to assess an employer's ability to pay work comp claims.

A typical financial review, which ranges from about $500 to $600, consists of a Comprehensive Assessment Report that compares several factors in a company's financial status with Dun & Bradstreet's data bases, which track business failures, Mr. Kobran told a group at the recent midyear meeting of the National Council of Self-Insurers in Seattle.

State administrators can submit an applicant's financial information for such a confidential review. A poor report should not exclude an applicant, but should prompt more questions, he said.

Self-insuring employers are interested in the reports because they have a vested interest in having only healthy companies self-insure. Self-insurers participate in workers comp guaranty funds in 24 states, including Mississippi and Minnesota, which recently approved such funds.

—By Meg Fletcher

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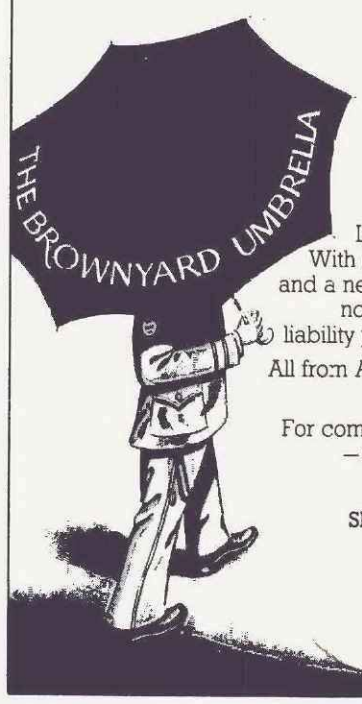
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Olympic risks

Continued from page 3

many of the Olympic events will be staged.

While most of the property/casualty risks for the Games will be covered by a consortium of three South Korean insurers, Lloyd's of London and European underwriters have underwritten abandonment insurance, which covers sponsors and other private concerns for lost revenues if the Games are canceled.

Insurers in the country that hosts an Olympiad typically write a large portion of coverage for the Games. But South Korea's political climate meant even less competition from foreign insurers.

Continued violent student unrest, sporadic North Korean sabre-rattling and a generally unsettled political atmosphere made underwriters more dubious of getting involved than they were, for example, with the 1988 Winter Olympics in Calgary, Alberta.

The North Korean government only a few weeks ago proclaimed that it would not sabotage the Games nor invade South Korea during the contest. But the North Korean statement underscored the animosity between the two Korean states by charging that the South Korean government and the Reagan administration were "using the Olympics as an excuse to permanently divide our country."

Property/casualty coverage for the Games is "being kept in the country in a major way," said Jeremy Hine, a director of Lloyd's of London broker Adam Brothers Contingency Ltd.

"As far as we believe, the bulk is being kept at home," he said. "I think the Koreans realized themselves that there wasn't much of a market" outside of the country to write coverage for the Games, Mr. Hine said.

There was "very little interest" among Lloyd's underwriters in insuring the Summer Games, which run through Oct. 2, according to Will Gandy, who handles non-appearance and abandonment insurance for British broker Ruben Sedgwick Insurance Services Ltd., a subsidiary of Sedgwick Group P.L.C.

Los Angeles-based Transamerica Insurance Co., a unit of Transamerica Corp. that wrote the property/casualty coverage for the 1984 Summer Games in Los Angeles, was not asked to write any coverage for the 1988 Summer Games, said Vp Robert L. Degner. "We're not an international company," he added.

"The Koreans wouldn't want an American company to be the fronting company; it would be an abso-

Continued on next page

Olympic health coverage

Continued from page 3

ter Games in Calgary, Alberta (*BI*, Feb. 8).

"The Blue Cross & Blue Shield organization has come up with one of the most comprehensive sponsorship programs we've seen," said John Krimsky Jr., deputy secretary general of development for the U.S. Olympic Committee in Colorado Springs, Colo.

The Summer Games, which run from Sept. 17 to Oct. 2, will showcase such U.S. athletes as Robert Muzzio of Washington, D.C., in the decathlon; Florence Griffith-Joyner of Los Angeles in track and field; and Heather Tallman of Bozeman, Mont., in tae kwon do, a demonstration sport in the Summer Games.

"We are proud to provide health care coverage for our Olympians and to be able to play a role in preparing these athletes for an international event of such distinction," said Bernard R. Tresnowski, president of the BC/BS Assn., a coordinating organization for the 77 independent Blues plans in 50 states and Puerto Rico.

Under a contract signed between the U.S. Olympic Committee and the BC/BS Assn., the health insurance organization is an official sponsor of the U.S. Olympic team.

As part of that sponsorship, the BC/BS Assn. is providing each team member with first-dollar health coverage with maximum benefits of $1 million. The coverage is underwritten by BCS Life Insurance Co., a Chicago-based insurer owned by 64 of the 77 Blues plans, said Daniel P. Ryan, senior vp of insurance operations for BCS Life.

Mr. Ryan would not disclose the cost of the health coverage. He only would say that "this is part of a $2.5 million sponsorship of the U.S. Olympic team."

The BC/BS health coverage will be a secondary plan for team members that already have their own health coverage through either an individual policy or through an employer's plan, he said.

The BC/BS coverage is effective from the time a delegate registers at the Olympic Village in Seoul until a delegate's participation in the Games ends and he or she signs out of the village or 24 hours after the Games end, whichever is earlier, Mr. Ryan explained.

The health plan does not include dental coverage but will cover the cost of dental work required as a result of injuries sustained in the games, he said.

BCS Life also is underwriting accidental death and dismemberment insurance for the team, under which each delegate is eligible for a maximum benefit of $10,000.

BCS Life also wrote the health coverage for the U.S. participants at the 1988 Winter Olympics.

Los Angeles-based Transamerica Occidental Life Insurance Co. provided health insurance for the U.S. participants at the 1984 Winter and Summer Olympics.

According to the U.S. Olympic Committee, U.S. delegates to the 1984 Winter and Summer Games were treated for 101 sprains and strains, 401 various illnesses requiring treatment, 14 lacerations, three concussions, three fractures and one joint dislocation.

The 1984 teams also brought home 87 gold medals, 65 silver medals and 30 bronze medals.

In addition to the coverage for the delegates actually participating in the Games, Denver-based Blue Cross & Blue Shield of Colorado underwrites the group health plan for employees at the U.S. Olympic Committee's center in Colorado Springs (*BI*, Feb. 8).

Along with health insurance, 18 BC/BS plans have "adopted" 42 Olympic athletes and future hopefuls by providing financial support to help with the costs of training and travel to competitions.

In exchange for the financial support, which ranges from $5,000 to $30,000 per athlete, the adopted athlete makes appearances for the BC/BS plan when their training and competition schedules permit.

To avoid jeopardizing an athlete's amateur status—which they must maintain to compete in the Olympic games—the BC/BS plan coordinates athletes' appearances and sponsorship through the national governing bodies of the sports in which athletes compete.

"This kind of program is especially important because Olympic athletes in our country must rely completely on the private sector for financial support," explained Mr. Tresnowski of the BC/BS Assn. ■

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Specific duties include investigating the circumstances of third party liability and automobile claims and negotiating with claimants to settle small claims that are within the University's policy deductibles; and maintaining regular involvement with insurance company claims personnel to determine status of claims and future courses of action to be taken. The incumbent will gather underwriting data for University insurance programs; supervise the issuing of certificates of insurance and review minor contracts and other documents for the purpose of identifying exposure to the University.

Applicant must have Bachelor's Degree and a minimum of 2-3 years' insurance background. Salary commensurate with experience. Submit resume with salary history no later than Oct. 15, 1988 to:

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Business Insurance Circulation Breakdown*

Commercial Consumers

Administrative:
CEO's Presidents and Owners 2,621
Vice-Presidents, General Managers and Other Administrative Personnel 3,657
Financial:
Chief Financial Officers and Vice-presidents of Finance . . . 2,993
Secretaries, Treasurers, controllers and other Financial Personnel . 4,454
Risk/Employee Benefits:
Vice-presidents, directors, managers, and other related department personnel of: insurance, risk, employee benefits, personnel, compensation, pension, safety, security, industrial relations, human resources and employee/labor relations 10,994
Sub-total 24,719
Associations 477
Government, Unions and Educational Institutions 979
Commercial Consumers
Sub-total 26,175
Insurance Agents and Brokers 10,557
Insurance Companies 7,380
Actuaries, Attorneys, Adjusters, Appraisers and Consultants 3,843
Others Allied to the Field 2,991
TOTAL 50,946

* Source Business/Occupational breakdown of qualified circulation, May 30, 1988 issue, as submitted to BPA for June 1988 BPA Publisher's Statement.

Largest U.S. reinsurers' first-half 1988 results

(All amounts in thousands of dollars) (Ranked by net reinsurance premium written)

Reinsurers	Policyholders' surplus (reinsurers only)	Net reinsurance premiums written 1988	Net reinsurance premiums written 1987	Net reinsurance premiums earned	Losses & loss adjustment expenses	Loss ratio	Underwriting expenses	Expense ratio	Combined ratio 1988	Combined ratio 1987
General Re	$2,129,667	$971,173	$1,158,731	$1,011,873	$705,170	69.7%	$284,962	29.3%	99.0%	100.5%
Employers Re	957,021	644,926	605,969	657,153	497,796	75.8	165,175	25.6	101.4	99.0
American Re	576,932	481,340	495,605	491,857	371,642	75.6	122,360	25.4	101.0	98.8
North American/Swiss Re	603,739	310,498	327,425	322,494	216,147	67.0	110,751	35.7	102.7	104.2
Munich Re	470,890	310,272	343,403	329,351	226,804	68.9	104,566	33.7	102.6	99.1
USF&G	N/A	307,700	211,992	329,637	233,844	70.9	82,846	26.9	97.8	98.9
Prudential Re	409,684	288,637	338,886	297,633	202,407	68.0	102,297	35.4	103.4	100.9
Continental Cas	N/A	163,760	116,763	138,854	112,944	81.3	38,690	23.6	104.9	106.7
Transatlantic Re	165,422	153,438	152,848	151,066	124,055	82.1	35,588	23.2	105.3	104.9
CIGNA Re	182,884	132,280	137,522	131,864	94,159	71.4	37,597	28.4	99.8	102.6
National Re	183,968	129,934	162,267	139,497	115,730	83.0	24,153	18.6	101.6	102.2
Continental Re	122,099	128,785	137,464	129,790	106,193	81.8	34,303	26.6	108.4	104.9
Constitution Re	156,021	124,848	110,473	127,274	93,183	73.2	33,998	27.2	100.4	99.1
Kemper Re	306,368	111,691	174,733	119,946	99,744	83.2	21,137	18.9	102.1	100.3
Skandia America Group	307,014	109,884	105,855	125,417	88,816	70.8	37,008	33.7	104.5	105.1
Transamerica Re	146,697	107,316	N/A	89,980	64,056	71.2	31,154	29.0	100.2	N/A
St. Paul Re	N/A	106,446	100,721	103,468	74,688	72.2	30,019	28.2	100.4	100.5
US Int'l Re	107,457	102,452	86,250	93,408	67,435	72.2	30,337	29.6	101.8	102.1
Constitution State Mgt.	N/A	85,415	129,320	99,371	83,720	84.2	22,463	26.3	110.5	101.4
NAC Re	168,376	83,115	78,656	84,146	65,782	78.2	23,326	28.1	106.3	107.8
Totals for top 20	**6,994,239**	**4,746,594**	**4,974,883**	**4,884,099**	**3,580,259**	**73.3**	**1,341,576**	**28.3**	**101.6**	**101.0**
Total for all companies	**9,498,153**	**6,096,292**	**6,398,722**	**6,242,769**	**4,589,021**	**73.5**	**1,729,722**	**28.4**	**101.9**	**101.5**

Source: Reinsurance Assn. of America

Reinsurer results

Continued from page 2

Kemper Reinsurance Co. in Long Grove, Ill.

"I don't see any major changes," said Mr. Pinter, adding that "everyone seems to be moving along fairly consistently."

The industry's combined ratio at year-end 1988 will be "pretty close" to where it was at June 30, said Michael Fitt, chairman and chief executive officer of Employers Reinsurance Corp. in Kansas City, Mo. Obviously, he added, the combined ratio will increase in 1989 if the market softens.

"I would think it'll probably stay right around there," said Connie Curnow, senior vp at Continental Reinsurance Co. in New York, referring to the industry's first half 101.9% combined ratio.

Next year, said Ms. Curnow, "I wouldn't be at all surprised" to see the combined ratio deteriorate to 105% to 106%. "The hard market didn't last long enough for most of the reinsurers to really see the light in terms of pricing" and incurred-but-not-reported losses.

Other reinsurer executives say they expect the combined ratio to begin to rise this year.

"We would anticipate combined ratios overall to start creeping up," said Mark Mosca, vp and manager of the treaty department at NAC Re Corp. in Greenwich, Conn. "I think the direction we would certainly have to anticipate would be upward."

"I see a continued softening of the market in both property and casualty for both '88 and '89. Consequently, the combined ratios will be headed higher," said John Engestrom, senior vp and chief underwriting officer at Skandia America Group.

Mr. Engestrom said he "wouldn't be surprised" if the combined ratio for this year deteriorated three points in both 1988 and 1989.

Reinsurers also expect premium volume to decline, both this year and next.

Indications are premium volume will continue to stagnate, said Mr. Engestrom. But unlike 1986, 1987 and 1988, price competition, rather than higher retentions by primary companies, will account for most of the deterioration in premium volume.

Primary companies, though, are still retaining special risks that are especially profitable rather than ceding the business to reinsurers, noted F&G Re's Mr. Ingrey. He predicted premium volume will decline 5% to 10% this year and 15% to 20% next year.

Noting also that primary companies are retaining more business that would be reinsured on a facultative basis, Continental Re's Ms. Curnow said: "The facultative property and casualty market will probably be off by 15% to 20%, maybe more" this year.

As for treaty business, "I think it'll probably be off a good 5% to 10%," mostly because of higher retentions by primary companies, Ms. Curnow stated.

The current cycle is unlike previous cycles, when primary insurers returned to the reinsurance market once it softened, she said.

"Companies aren't doing that any more, so it's a little bit different. People are not going back to the soft market practice of buying down," she explained, adding, "That impacts the treaty volume greatly."

As for 1989, "I think we'll see a continued overall decline in reinsurance premiums unless we have a major, major catastrophe," she said. If there should be a major catastrophe, she said, 1988 and 1989 premium volumes will be about equal.

NAC Re's Mr. Mosca expects less dramatic premium volume declines.

"I expect the balance of '88 will show continued small declines," Mr. Mosca said. "At this point, I don't expect much change for '89. I would expect '89 would be roughly even or down for premium volume for the industry. I certainly don't see it going up."

Kemper Re's Mr. Pinter also said he does not foresee any dramatic changes in the offing for premium volume. Some reinsurers' volumes will rise marginally, others will decline marginally. "That'll remain relatively consistent as well throughout 1988."

"There's been a relative lack of downward pressure (on rates) through the first quarter, but we see more and more pressure," said Thomas Linahan, chief financial officer of Re Capital Reinsurance Corp. in Stamford, Conn. "I think we're going to continue to see pressure on premiums," he added.

Re Capital, which began operations as a reinsurance company in November 1986, posted $40.7 million in net premiums written for the first half, up 124.9% from $18.1 million in 1987.

"The marketplace, in my view, is getting softer," agreed Employer Re's Mr. Fitt.

At the end of last year, Mr. Fitt said he believed many reinsurers were not supporting the softening market. "I now feel some reinsurers are supporting it," he said.

However, "It is not as dramatic as the last cycle, and hopefully won't deteriorate to that."

Mr. Fitt said he believes there is a "pretty good chance" the market will start to improve in late 1989 and early 1990. One of the "ingredients" that will encourage a market hardening is the problem of unrecoverable reinsurance, which "keeps on rearing its ugly head," he explained.

In addition, he said, the full impact of the Tax Reform Act of 1986 will be felt by reinsurers next year. Many companies, he said, have not focused fully on their increased tax obligation under the law and do not understand how it will affect earnings, he said.

F&G Re's Mr. Ingrey said reinsurers are concerned about the rising internal expense ratio, which he defined as the overall expense ratio minus acquisition costs.

The fact that expenses are rising while premium volume is declining is "going to create a lot of pressure" and could encourage reinsurers to write more business than they otherwise would have in the mistaken belief it will help strengthen their financial position, said Mr. Ingrey.

"That's certainly a danger," agreed NAC Re's Mr. Mosca, although he added: "Whether companies are acting upon the fear of a rising expense ratio, I really can't say. I just don't know."

"I see it as a very serious problem," said Continental Re's Ms. Curnow. Some new and inexperienced reinsurers operating today are taking "inappropriate shares" of business, she said. "I think you can get in real trouble when you take on inappropriate shares."

She also said that "during the hard market, a lot of companies staffed up to be opportunistic in the soft market," which is now inflating their expense ratios. ■

Chicago agency develops links with RBH

A new independent insurance agency formed recently in Chicago has developed a close working relationship with Rollins Burdick Hunter Co., the nation's sixth-largest broker.

In addition to receiving small accounts from RBH, Horwitch Insurance Agency Inc., which specializes in commercial property/casualty and life/health insurance, will have access to RBH's marketing capabilities and office space.

In return, Horwitch will send any jumbo accounts it cannot service to RBH, a unit of Aon Corp.

The agency's relationship with RBH is the only one of its kind, according to I. William Horwitch, senior vp.

Horwitch is independently owned by Mr. Horwitch and his son, Matthew Horwitch, who serves as president.

Previously, both men were brokers with Chicago-based Schwartz Brothers Insurance Agency Inc., the nation's 61st-largest brokerage ranked by *Business Insurance*.

Horwitch Insurance Agency Inc. is located 123 N. Wacker Drive, Chicago, Ill. 60606; 312-701-4940.

Law firm expansion

Lord, Bissell & Brook, the Chicago-based national law firm, has formed the Corporate Insurance Group in its Los Angeles office.

The Corporate Insurance Group will aid insurance clients with organization of insurance companies, captive insurers and risk retention groups. The division also will work with insurance companies involved in mergers and acquisitions, insurer rehabilitations and liquidations, and will offer services in reinsurance arbitrations and disputes.

Markets

Tom Jenkins, a partner in the firm's Chicago office, has moved to Los Angeles to head the new group. Clients already served by Lord, Bissell & Brook include the California Insurance Guaranty Assn. and the Insurance Corp. of Hannover in Los Angeles, a subsidiary of Hannover Reinsurance Corp. of Hannover, West Germany.

"California is one of the major states in terms of insurance regulatory activity," said Mr. Jenkins. "With clients already there, it seems natural for me and for the firm to bring our services directly to them. We are convinced that we will expand both our range of services and our client base."

The Corporate Insurance Group is located at 300 S. Grand Ave., Los Angeles, Calif. 90071; 213-485-1500.

Commercial Credit merger

Primerica Corp. and Commercial Credit Corp. agreed to merge last month in a deal valued at about $1.7 billion.

Primerica posted $3.8 billion in revenues and $199 million in net income for 1987. Commercial Credit's 1987 revenues were $912.3 million and income from continuing operations was $101.5 million.

The combined companies will operate under the Primerica name, with Sanford I. Weill, Commercial Credit's chairman and chief executive officer, serving as chairman, CEO and president of the new firm.

Commercial Credit's insurance operations include general property and casualty insurance written in Southwestern states as well as directors and officers liability, errors and omissions and fidelity coverages for financial institutions and commercial accounts written on a nationwide basis.

The merger will not include American Credit Indemnity Co., which Commercial Credit agreed to sell early last month to the Dun & Bradstreet Corp. for $140 million in cash.

The bulk of ACI's business was in the credit insurance area. It also wrote, however, E&O and D&O business, which is not included in the Dun & Bradstreet deal.

Primerica posted $228.6 million in group life insurance premiums in 1987.

Its insurance business also includes $197 million in premiums for its credit, warranty and miscellaneous property and casualty lines last year. ■

Pollution ruling

Continued from page 1

not comment on the case nor say whether the company plans to seek Supreme Court review.

If the Supreme Court should decide to review the 6th Circuit's ruling, it would be the first time the high court has addressed the pollution exclusion.

However, it is unlikely the Supreme Court would agree to review the case, according to Jeffrey Silberfeld, who represented United States Fidelity & Guaranty Co., the plaintiff in the case.

"The Supreme Court has not been anxious to be involved in insurance coverage litigation" and has refused to review many other insurance coverage cases, said Mr. Silberfeld, who is with the Uniondale, N.Y., law firm of Rivkin, Radler, Dunn & Bayh.

Mr. Silberfeld said the 6th Circuit decision is significant "because it is the third federal appellate court to rule on the pollution exclusion."

'This decision is the most prominent of the growing number of cases holding that the pollution exclusion clause means what it says,' says Thomas W. Brunner, an attorney with Wiley, Rein & Fielding in Washington, D.C.

"This decision is the most prominent of the growing number of cases holding that the pollution exclusion clause means what it says," agreed Thomas W. Brunner, an attorney with Wiley, Rein & Fielding in Washington, D.C. Mr. Brunner filed an amicus curiae brief in the case on behalf of the Insurance Environmental Litigation Assn., a consortium of 20 property/casualty insurers.

Messrs. Brunner and Silberfeld agreed that the 6th Circuit's decision could enhance a nationwide trend by courts to uphold the pollution exclusion.

"Courts are increasingly recognizing that 'sudden' means sudden," Mr. Brunner said.

"The trend has been to find no coverage," Mr. Silberfeld agreed. "This case confirms this trend."

The 6th Circuit decision is expected to directly affect several other pollution cases on that court's docket, as well as cases pending in the other federal appellate courts.

"Federal courts of appeals tend to follow each other," Mr. Brunner said.

The decision also could be persuasive to state courts, because "courts around the country give circuit court decisions a great deal of weight," Mr. Silberfeld noted.

However, attorneys representing policyholders criticized the ruling.

"This case appears to be another case decided without any reference to what insurers said to insurance commissioners when presenting the pollution exclusion," said policyholder attorney William Hart of Anderson Russell Kill & Olick in New York.

When trying to win approval of the pollution exclusion in the early 1970s, insurers told insurance commissioners that the exclusion was merely a restatement of the occurrence definition and did not restrict coverage, he said.

"Policyholders kept paying the same premiums assuming they had coverage for gradual pollution," Mr. Hart said. "Therefore, now insurers should be estopped from arguing the exclusion limits coverage."

Mr. Hart predicted that more courts will find that the exclusion does not bar coverage to policyholders as they begin looking at these drafting documents.

However, the 6th Circuit's decision "will have a significant impact wherever a court chooses not to look at the drafting documents," Mr. Hart acknowledged. "Any court that looks at the drafting documents cannot come to the same conclusion."

The 6th Circuit's decision stemmed from a pollution lawsuit filed against Star Fire Coals by a resident living near its Bulan, Ky., coal tipple. The resident, Angus Rouse, alleged he had suffered bodily injury and property damage as the result of excessive coal dust emanating from the tipple.

Star Fire sought coverage under a primary CGL policy written by Baltimore-based USF&G.

However, in May 1985, USF&G sued Star Fire Coals in U.S. District Court seeking a declaratory judgment that it did not owe any coverage for the Rouse claim.

On Aug. 14, 1987, the U.S. District Court for the Eastern District of Kentucky ruled that USF&G was responsible for defending and indemnifying Star Fire Coals for the Rouse claim, which was settled for an undisclosed, but small, sum.

USF&G appealed to the 6th Circuit.

In reversing the lower court decision, U.S. Circuit Judge Boyce F. Martin Jr. wrote: "We do not find the pollution exclusion clause to be riddled with ambiguities despite the best efforts of Star Fire to create them."

Star Fire Coals had argued that the pertinent provisions of the USF&G policy—the definition of "occurrence" and the pollution exclusion—created a "circle of ambiguity" by including forms of the word "accident" in both clauses.

Star Fire Coals argued that it was entitled to coverage because any ambiguities in an insurance contract should be construed against the insurer.

However, the 6th Circuit said: "We have no difficulty in reconciling the two provisions."

"We believe the 'occurrence' definition results in a policy that provides coverage for continuous or repeated exposure to conditions causing damage in all cases except those involving pollution, where coverage is limited to those situations where the discharge was 'sudden and accidental,' " the court said.

Applying the "everyday meaning" of the term "sudden," the court held that repeated emissions of coal dust by the operator of the coal tipple "over a seven- to eight-year period as a normal part of the coal processing operation" were not "sudden" and therefore not covered by Star Fire Coals' CGL policy.

"We do not believe that it is possible to define 'sudden' without reference to a temporal element that joins together conceptually the immediate and the unexpected. It must also be emphasized that the focus of this 'sudden and accidental' exception to the general pollution exclusion clause is on the nature of the pollution itself, not in the nature of the damages caused," Judge Martin said.

"We believe that the phrase 'sudden and accidental' is not a synonym for 'unexpected and unintended,' and that it should not be defined by reference to whether the accident or damages were expected," the judge added. "That precise argument has been rejected by numerous other courts and we join them today."

USF&G insured Star Fire Coals from Feb. 1, 1984, until Oct. 3, 1984, when the policy was canceled. The company would not disclose the policy limits. ■

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Judge Brown's ruling

Continued from page 1

settle insurance coverage disputes with policyholders is out of fear that a judge will bend over backwards to maximize coverage for policyholders, as many attorneys say Judge Brown did.

"Judge Brown's intent was to maximize coverage," said Mr. Steuber, adding that the decision will serve as an impetus for other courts to maximize coverage.

Several insurer attorneys said Judge Brown disregarded existing case law in an effort to maximize coverage.

"The judge, in my opinion, didn't follow case law," said attorney Jeff Haney of Bishop, Barry, Howe & Reid in San Francisco.

"He decided where he wanted to go and went there," said Mr. Haney, who represented Commercial Union Insurance Co. of Boston.

"Judge Brown has done everything possible to find coverage," said Mr. Lathrop, who represents insurers in coverage litigation. "He tailored his decision to fit the result he wanted to reach."

Only insurers that fear a judge would disregard case law would be persuaded to settle, said Mr. Haney. "However, insurers have to presume a judge will follow the law."

Leroy Adams, senior vp-claims for Fireman's Fund Insurance Cos. in Novato, Calif., agreed.

Insurers will not be persuaded to settle disputes with policyholders as a result of Judge Brown's decision, he said. "However, it will make it more difficult for insurers to litigate in California," Mr. Adams conceded.

It is unclear exactly what impact Judge Brown's decision, which is almost certain to be appealed, will have on other courts.

First, the asbestos property damage litigation still is at an early stage. Currently, there are only a few hundred asbestos property damage cases pending nationwide.

Furthermore, courts that have rendered decisions so far have split on whether asbestos producers are liable for asbestos property damage.

As Mr. Steuber said, "It may well be that there won't be an asbestos property damage problem."

However, John Heintz, an attorney with Popham, Haik, Schnobrich & Kaufman in Washington, D.C., who represents Armstrong, disagreed. He said the costs associated with removing asbestos from buildings are so high that the asbestos property damage litigation has the potential to equal the asbestos bodily injury litigation in severity.

Armstrong currently is involved in some 163 asbestos property damage cases, and Fibreboard is involved in some 150 cases. Several other asbestos producers also have been named in asbestos property damage lawsuits.

Attorneys for policyholders maintain that because Judge Brown's decision is based on extensive records and a lengthy trial, it will influence not only asbestos litigation nationwide, but also coverage disputes involving pollution incidents.

Judge Brown's ruling on asbestos property damage "reflects a strong, clear-cut trend we will see followed throughout the country," said GAF attorney Mr. Steuber.

"In the asbestos building context (the decision) will set the trend for future cases, much as the Keene decision did in the bodily injury context," said Mr. Steuber. The 1981 decision by the District of Columbia Court of Appeals in *Keene Corp. vs. Insurance Corp. of North America* was the first to grant broad coverage to asbestos producers facing bodily injury claims.

Judge Brown's decision "is a very significant decision because it is based on the most complete record," said William Skinner, an attorney with Covington & Burling in Washington, D.C., who represented Armstrong World Industries Inc. of Lancaster, Pa., in the litigation.

Mr. Skinner said Judge Brown's decision also could have an impact on litigation involving coverage for pollution incidents because "a lot of the issues are closely related."

Armstrong attorney Mr. Heintz agreed. Judge Brown's decision regarding asbestos property damage coverage could have an impact on toxic waste litigation because "as a general proposition the decision says there is coverage for policyholders going back many years.

"Certainly other courts will look to this decision for guidance," said Mr. Heintz.

Attorneys for insurers, however, say Judge Brown's decision is limited not only to asbestos litigation, but applies only to cases litigated in California courts.

"The decision is limited because it is largely based on California precedent," said John C. Sullivan, an attorney for insurers with Manta & Welge in Philadelphia.

"Judge Brown's ruling will have no applicability to environmental pollution cases," said Mr. Lathrop. "The decision should not be read outside the narrow asbestos arena."

Commercial Union attorney Mr. Haney pointed out, for example, that Judge William Lanam, who is hearing the Shell Oil Co. hazardous waste coverage litigation, has decided not to follow Judge Brown's earlier rulings (*BI*, Aug. 1; May 30).

"You can't use a broad brush and say if it's a ruling in California, it is a ruling everywhere," said Mr. Adams of Fireman's Fund. "More states are standing on their own."

Mr. Lathrop also noted that other courts may not be "as anti-insurer as Judge Brown appears to be."

"I don't believe other judges will try to maximize coverage," he said. "What one judge does may or may not impact on what other judges do."

Insurer attorneys also warn that sweeping pro-policyholder decisions, like the rulings handed down by Judge Brown, could cause liability insurance rates to increase.

"Any decision which judicially expands coverage will necessarily affect the premium structure," said Mr. Lathrop.

"If the decision is ultimately upheld, it could cause a change in price or coverage," agreed Mr. Haney, who represents Commercial Union.

However, policyholder attorneys say the decision will not affect the price of liability coverage.

"So many factors affect pricing that no one decision is a determinant factor," said Armstrong attorney Mr. Heintz.

"I don't think this decision is going to cause pricing to go up," agreed GAF attorney Mr. Steuber. "Most of this coverage is available."

However, the decision "might make insurers more careful in what they write," Mr. Steuber said. ■

Property damage ruling gives producers sweeping coverage

By STACY ADLER

SAN FRANCISCO—California Superior Court Judge Ira A. Brown Jr.'s landmark ruling that asbestos in buildings constitutes property damage from the time it is installed until it is removed is a giant victory for policyholders seeking coverage for asbestos property damage.

The decision creates tens of millions of dollars in insurance coverage for three asbestos producers jointly litigating with their insurers and could serve as a precedent that will benefit other policyholders.

"It is a broad ruling, possibly the broadest, finding comprehensive coverage for policyholders," said John Heintz, an attorney with Popham, Haik, Schnobrich & Kaufman in Washington, D.C., who represented Armstrong World Industries Inc. of Lancaster, Pa.

"This decision may be even more of a smashing victory for policyholders than the judge's Phase III decision," said David Steuber, an attorney with Paul, Hastings, Janofsky & Walker in Los Angeles, who represented GAF Corp. of Wayne, N.J.

Judge Brown's asbestos property damage ruling came in Phase V of the coordinated asbestos coverage litigation in San Francisco. In Phase III of the litigation, Judge Brown ruled that asbestos bodily injury claimants were entitled to coverage from the time they were exposed to the hazardous substance until they filed a claim or died (*BI*, June 1, 1987).

Just as Judge Brown's "Phase III decision was influential around the country, so will his most recent rulings," said Tom Freeman, an attorney with Brobeck, Phleger & Harrison in San Francisco who represented Fibreboard Corp. of Concord, Calif.

In making his landmark ruling on asbestos property damage, Judge Brown said: "Careful examination of the underlying complaints reveals that the underlying plaintiffs are demanding compensation for physical injury to tangible property. Thus, their claims are for covered property damage."

Actual physical damage to buildings containing asbestos is not necessary to trigger coverage, but the mere presence of asbestos in buildings diminishes their value and therefore causes insurable damage, Judge Brown said.

"All that needs to be shown for property damage is diminution in value," he ruled.

The judge went on to say that coverage is triggered continuously from the time the asbestos is installed until it is removed or a claim is filed.

"The building is actually damaged at the time of installation, because the health hazard which allegedly makes the building less desirable occurred at that time," he ruled.

The judge also noted that each time asbestos fibers are released into the air, additional insurable property damage occurs.

In order for an asbestos producer's insurer to deny coverage, it must "demonstrate that for some reason no release could have occurred in their policy period," said Judge Brown.

In addition to ruling on asbestos property damage, Judge Brown made several significant rulings involving asbestos bodily injury coverage in his Aug. 31 decision.

Continued on next page

Update

Insurers in WPPSS case settle

Continued from page 2

unit of Reliance Insurance Cos.; Design Professionals Insurance Co., an Orion Group Inc. unit; and Centennial Insurance Co., a unit of Atlantic Mutual Insurance Co. The settlement represents the limits of Beck's professional liability coverage, he said.

Beck developed a "consulting engineer's report" on the WPPSS nuclear facility that was "an analysis of the ability of the supply system to repay the bonds with revenue from the sale of electricity," Mr. Mayben explained.

WPPSS sold the bonds to fund construction of two nuclear power plants, but the project was canceled in 1982. WPPSS defaulted on the bonds in 1983 (*BI*, Aug. 1, 1983).

The trial of the remaining defendants in the litigation over the bond default began last week in U.S. District Court in Tucson.

Insurer-broker link rules posed

KANSAS CITY, Mo.—Business placed by a producer with an insurer under the producer's control should be limited—but not prohibited—says the most recent draft of a model law released last week by the National Assn. of Insurance Commissioners.

The NAIC's Special Insurance Issues Committee proposes that the NAIC adopt the model act at a meeting next week.

The NAIC delayed action on an earlier version of the proposal in June, after executives of large brokerages pleaded for a final chance to help redraft the measure (*BI*, June 20).

The latest proposal would:

- Require a producer that controls an insurer to disclose the relationship with the controlled insurer and to provide certain financial reports before placing business with it.
- Require that a producer controlling an insurer be liable to reimburse a guaranty fund for payments if the insurer become insolvent. However, the producer could be absolved of this liability by proving the insolvency arose out of unrelated events.
- Allow policyholders and claimants to seek recovery from producers for losses and lost adjustment expenses owed by an insolvent controlled insurer that are not covered by a guaranty fund.
- Place most of the responsibility for initiating action against a producer-controlled operation with state regulators.

Persian Gulf war risk rates drop

LONDON—Hull and cargo war risk rates are falling for vessels in the Persian Gulf following last month's cease-fire between Iran and Iraq, said Lloyd's of London's marine market chairman.

Dramatic minimum cargo war risk rate reductions in the Persian Gulf were announced last week by the London Marine Insurance Market Cargo War Risks Rating Committee, said Christopher Rome, chairman of Lloyd's Underwriters' Assn.

Hull war risk rates also are falling, he said. For example, a ship owner sailing to Kharg Island, an Iranian oil terminal that had been continually attacked by Iraqi jets before the cease-fire, had paid premiums of 20% to 30% of the insured value, "if he could get any insurance at all," Mr. Rome said. But now the rate quoted for six months' coverage is 5% of the insured value, he said.

The area in which there are no recommended rates, known as the "held cover" area, also has been reduced. But, the mouth of the Gulf continues to be held cover.

War risk rates are no longer different for oil and non-oil cargo for voyages to and from the United Arab Emirates, Saudi Arabia, Qatar and Kuwait. Oil cargo rates to these countries are now 0.05% of insured value along the coast of the United Arab Emirates and 0.1% of insured value to all other Gulf ports, down from 0.375%.

Gunter in runoff election

TALLAHASSEE, Fla.—Florida Insurance Commissioner Bill Gunter will face U.S. Rep. Buddy MacKay in an Oct. 4 Democratic runoff for a U.S. Senate seat.

Connie Mack, grandson of the famous baseball executive, won the Republican primary. The Senate seat currently is held by Democrat Lawton Chiles, who is retiring.

The November general election also will determine who will replace Mr. Gunter, the state's insurance commissioner since 1976. Republican Tom Gallagher has already won his party's nomination for insurance commissioner. Democrats Kenneth Jenne and state Sen. John Vogt will square off in a runoff Oct. 4.

Briefly noted

Maxicare Health Plans Inc. last week sold Medicare North Texas Inc., the medical facilities owned by its 700,000-member Dallas-based health maintenance organization, to Avanti Health Systems Inc. of Houston. Terms of the deal were not disclosed. . . .A U.S. District Court judge in Salt Lake City has dismissed two suits filed against **Morton Thiokol Inc.** by a former engineering employee who helped design the solid booster rocket responsible for the January 1986 explosion of the space shuttle Challenger. The combined suits sought more than $3 billion in damages (*BI*, Feb. 9, 1987). . . .The **Senate Foreign Relations Committee** Tuesday is expected to consider the unratified tax treaty between Bermuda and the United States that would exempt Bermuda underwriters from the 1% excise tax on reinsurance premiums and the 4% excise tax on direct premiums paid to foreign insurers. . . .American Special Risk Insurance Co. of Atlanta and Allianz Underwriters Insurance Co. of Los Angeles will pay Denver-based **Manville Corp.** more than $5.8 million to settle asbestos property damage and bodily injury coverage disputes. To date, Manville has reached settlements with its insurers totaling more than $800 million. . . .Nutley, N.J.-based Hoffmann-La Roche Inc. will spend between $3 million and $5 million annually to clarify warnings to consumers that the **acne drug Accutane** can cause birth defects when taken by pregnant women.

Insurance services guide

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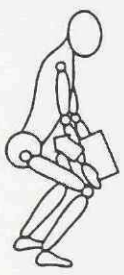
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Asbestos ruling

Continued from previous page

These rulings were part of Phase IV of the litigation.

Judge Brown ruled that:

• Policies that are canceled mid-term must still provide full annual aggregate limits to policyholders.

"Nothing in the plain language of the policies provides for proration of annual aggregate limits where the policy is in effect for a fraction of a year," said Judge Brown.

"Insurers have asserted that it would be unfair or inequitable for the policyholders to receive full aggregate limits while only paying premiums for a fraction of a year," he noted. "However, both the insurers and the policyholders received the benefit of their bargain. In exchange for a reduction in premiums, the insurers received an equivalent reduction in the amount of time the insurer was on the risk."

This ruling will affect a large number of policyholders who have short-term policies, said Mr. Steuber. "There are so many policies with less than one year."

• Insurers must provide coverage to asbestos producers even though the definition of "occurrence" in the earlier comprehensive general liability policy limits coverage to those events that are "unexpected and unintended from the standpoint of the insured."

The judge said the asbestos producers did not "expect or intend" to cause bodily injury.

"This ruling may have the greatest impact of all," according to GAF attorney Mr. Steuber, who said "the expected/intended defense is relied upon by insurers in many courts."

Armstrong attorney Mr. Heintz said that because Judge Brown's decision is the first ruling on the "expected or intended" clause stemming from a trial rather than a summary judgment, it will carry a great deal of weight with other courts.

• Each claim for bodily injury constitutes an occurrence. Therefore, those insurers' policies that contain no aggregate limits are liable indefinitely for every asbestos bodily injury claim where exposure took place between during the policy period.

Continental Casualty Co., one of Fibreboard's insurers, had argued that since asbestos products were produced at two Fibreboard locations, there were only two occurrences.

Judge Brown disagreed.

"The event causing damage in the asbestos-related bodily injury cases is exposure to asbestos fibers. Since each individual claimant has a unique work history, each claimant's exposure must be viewed as a separate occurrence," he said.

Fibreboard attorney Mr. Freeman pointed out: "As time goes on, a smaller portion of each risk will touch the no-aggregate policies because these are early policies."

• The pollution exclusion clause in CGL policies does not bar coverage to asbestos producers facing bodily injury claims.

The pollution exclusion included in most CGL policies states: "The insurance does not apply to bodily injury or property damage arising out of the discharge, dispersal, release or escape or smoke, vapors, soot, fumes, acids, alkalies, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any watercourse or body or water, but this exclusion does not apply if such discharge, dispersal, release or escape is sudden and accidental."

"Although the exclusion lists a number of pollutants and contaminants, it does not expressly include

Continued on next page

Continued from previous page

asbestos," said Judge Brown. If insurers "wanted to exclude coverage for asbestos-related injuries, (they) should have done so simply by including 'asbestos' in the exclusion."

Furthermore, "even assuming that asbestos is an 'irritant, contaminant or pollutant' under the terms of the exclusion, the release of asbestos fibers in the workplace or home cannot reasonably be construed to be a release into the 'atmosphere,' " he said.

- Insurers must indemnify and defend a subsidiary of a policyholder even if the claims against the subsidiary arose before the subsidiary was acquired by the parent company.

Judge Brown noted that courts already have imposed liability for asbestos-related bodily injury damages on parent companies because of their acquisition of a subsidiary. Thus, "the plain language of the insuring agreements therefore provides coverage."

"This ruling is especially important in the environment now where there are so many mergers and acquisitions," said Mr. Steuber, who predicted the ruling would have major impact on corporations.

However, Jeff Haney, an attorney with Bishop, Barry, Howe & Reid in San Francisco who represents Commercial Union Insurance Co., says the ruling "is totally contrary to what other judges in California have ruled. I don't think if you subsequently buy a company you should be held liable for it."

In his 75-page Phase IV ruling, Judge Brown also detailed how several insurers that are liable for the same claim should allocate coverage.

'If insurers wanted to exclude coverage. . .(they) should have done so simply by including "asbestos" in the exclusion,' said Judge Brown.

In looking at the clause in the standard CGL policy that says an insurer will not be liable where the policyholder has "other insurance," Judge Brown determined that applying this clause would be unwieldy and disregarded it.

"The case involves tens of thousands of claims, ranging over a period of 40 years, with each claim triggering multiple consecutive policies. Furthermore, each claim may trigger a different set of policies. There are three policyholders before the court and over 200 primary and excess policies in evidence. Under these circumstances it is wholly unmanageable, if not impossible, to apply the rules on 'other insurance' provisions to this case," he said.

The judge concluded that the "equitable solution" would be to prorate all the policies triggered by a claim according to the number of years each insurer is on the risk and the limits of coverage.

Judge Brown ruled that defense costs are also to be shared proportionally.

Judge Brown also determined that settlements made by producers and insurers that belonged to the Asbestos Claim Facility can be used to determine the liability of non-settling insurers and the amount of each producer's "other insurance."

This ruling is particularly significant because it means non-settling insurers cannot avoid coverage, said William Skinner of Covington & Burling in Washington, D.C.

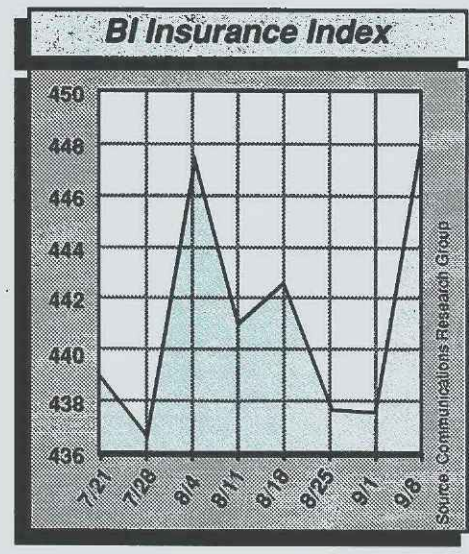
Had the judge ruled differently on the Asbestos Claims Facility settlement, "it would have hurt the future ability of policyholders to settle with some insurers," he said.

Finally, Judge Brown determined that excess coverage is triggered only when all primary policies are exhausted, with the exception of primary policies that do not have aggregate limits. In those instances, excess insurers must drop down and share in the defense and indemnity costs with the primary insurers.

"Equitable considerations favor exhaustion by layers," he said. "Exhaustion by layers maximizes coverage."

Fibreboard attorney Mr. Freeman said this ruling is not in the asbestos producers' best interest because "excess policies will be eaten up by defense costs."

Among the major insurers affected by Judge Brown's rulings are: Aetna Casualty & Surety Co., Fireman's Fund Insurance Cos., CIGNA Corp., Commercial Union Insurance Co., American International Group Inc., CNA Financial Corp., Prudential Reinsurance Co., Employers Reinsurance Corp. and Travelers Corp. ■



Insurance industry stocks shot up sharply last week, as the *Business Insurance Index* jumped 10.5 points to 448.1 on Sept. 8, from 437.6 on Sept. 1. Advancing issues were led by Alexander & Alexander Services Inc. and CIGNA Corp., both up 8.4%; Aetna Life & Casualty Co., up 7.7%; Lincoln National Corp., up 6.8%; AVEMCO Corp., up 6.7%; and CNA Financial Corp., up 6.5%. Declining issues were led by Statesman Group Inc., down 7.1%; Frank B. Hall & Co., down 6.3%; Zenith National Insurance Corp., down 4.5%; Seibels Bruce Group Inc., down 2.9%; Baldwin & Lyons Inc., down 2.9%; and Arthur J. Gallagher & Co., down 1.4%. Issues showing the most activity during the period were: Aetna Life & Casualty Co., 1.8 million shares traded; American International Group Inc., 1.6 million shares traded; and Sears, Roebuck & Co. (Allstate) 1.5 million shares traded. The *Business Insurance Index* gained 2.4% for the period, trailing strong performances by the leading market indicators: The Dow Jones 30 Industrials up 3%; the Standard & Poor's 500 up 2.8%; and the New York Stock Exchange Composite up 2.6%.

British Issues

Sept. 8 Companies	Price pence	P/E	Div. pence	Yield %	1 Week High—Low pence	pence
Comml Union	328	9.4	25.3	7.7	339—	328
Genl Accident	881	8.0	58.0	6.6	889—	881
Gdn Royal Exch	172	9.2	13.1	7.6	178—	172
Royal	370	7.6	30.0	8.1	386—	370
Sun Alliance	957	7.2	54.7	5.7	959—	942
Brokers						
Bradstock	234	12.0	8.0	3.4	234—	233
CE Heath	408	13.2	34.5	8.4	420—	408
Hogg Robinson	150	11.1	10.7	7.1	151—	150
Lloyd Thompson	187	16.3	6.7	3.6	190—	187
PWS Holdings	140	20.0	6.0	4.0	141—	140
Sedgwick Grp	226	18.8	16.0	7.1	234—	226
Steel Brrl Jones	211	17.3	13.3	6.3	214—	211
Willis Faber	231	13.0	16.0	6.9	244—	231

Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

CGL modifications

Continued from page 4

cause recent court decisions have indicated that the present language is insufficient.

Ms. Banfield also also that for the first time ISO is offering policyholders an endorsement allowing them to obtain this coverage.

Noting ISO's reason for proposing the endorsement, Mr. Harkavy says in his letter: "From the buyer's perspective RIMS views ISO's 'clarification' as a narrowing of coverage under the guise of some amorphous 'original intent' argument."

If providing employment liability coverage created significant losses for ISO's members, then a significant reduction in advisory rates should be expected if it is excluded from the CGL.

"In reality, RIMS neither expects, nor has ISO offered, any significant rate reduction as the result of an employment liability exclusion. The reason is that no significant losses have been engendered by the present language.

"Unless more compelling rationale for exclusion can be offered by ISO, RIMS believes that the present CGL language should be retained, or at the most, a more specific exclusion should be drafted."

- The proposal that would deny additional named policyholders the right to purchase supplemental extended reporting coverage under a claims-made policy fails to consider that an additional named policyholder because has a "very important stake" in the original policyholder's financial responsibility to indemnify a loss.

The letter provides a hypothetical example in which a school district hires a contractor to remove asbestos from a building and becomes an additional named insured on the contractor's claims-made policy. Currently, if the contractor permits the policy to lapse after three years, the school district could purchase tail coverage to protect itself against a long-tail loss.

But, contends Mr. Harkavy in his letter: "Under ISO's 'clarification' the school district may likely be without recourse. ISO's proposed language seriously undermines the protection afforded to additional named insured under its claims-made CGL policy."

Ms. Banfield said this proposal, like the others, is an effort to "fine tune" policy language.

"It's not a change in coverage at all," she said. "All we're doing is changing the language here to make that clear."

- The proposed restrictions on liquor/host liability coverage would deny coverage currently afforded to policyholders that are not in the business of serving liquor if the policyholder charges for the alcoholic beverages—even if it is a nominal amount, Mr. Harkavy notes.

"Ironically, ISO seems to be encouraging alcohol consumption by providing coverage when liquor is dispensed free of charge, but denying coverage when the host charges for liquor by the drink.

"Also, can you imagine potential coverage disputes when the court tries to determine whether the $5 cover charge assessed to each member of the office for a staff Christmas party was meant to include liquor as well as food?" Mr. Harkavy says in his letter.

Again, Ms. Banfield said this proposal is an attempt to reflect ISO's original intent that the coverage is afforded to only the "true host."

Mr. Harkavy told *BI* that RIMS still is examining the ISO filing for further coverage problems the proposals may create if approved.

However, he said, "At this point, it seems like the heart of our concerns" are outlined in the letter to Mr. Washburn.

A deputy to Mr. Washburn said the Illinois director passed the letter from RIMS on to Mr. Eubanks to be placed on the NAIC Commercial Lines Committee's agenda. ■

BI Industry Stock Report

SEPTEMBER 8, 1988 **9/2/88 THRU 9/8/88**

BROKERS		Price	Weekly % change	Year to Date % change	Annual High	Annual Low	Vol.(000)	$ Div.	% Yield	P/E	Book value	Mkt/Bk. value
Alexander & Alexander Svcs	NYSE	24.25	6.4	36.6	24.88	17.75	455	1.00	4.1	17.3	3.71	6.54
Baldwin & Lyons Inc.	OTC	16.50	-2.9	37.5	17.00	12.00	0	0.20	1.2	6.5	18.31	0.90
Corroon & Black Corp.	NYSE	29.88	3.9	5.8	34.75	28.00	27	1.08	3.6	4.5	5.43	5.50
Gallagher Arthur J. & Co.	NYSE	17.13	-1.4	7.1	18.88	13.88	31	0.48	2.8	12.3	5.16	3.32
Hall Frank B. & Co.	NYSE	3.75	-6.3	30.2	5.50	2.88	68	0.00	0.0	-12.3	0.00	N/A
Hilb, Rogal & Hamilton	OTC	11.75	4.4	20.5	12.75	9.75	9	0.00	0.0	12.3	0.00	N/A
Marsh & McLennan Cos. Inc.	NYSE	56.25	5.9	13.6	58.50	45.25	279	2.40	4.3	13.8	6.74	8.35
Poe & Assoc Inc.	OTC	8.50	0.0	21.4	9.25	6.75	0	0.40	4.7	13.1	0.27	31.48
BROKERS	AVERAGE		1.5	21.6					2.6	11.2		
CONGLOMERATES & HOLDING COMPANIES												
Berkley W.R. Corp.	OTC	27.75	2.8	15.6	29.00	23.50	155	0.36	1.3	6.2	17.63	1.57
Berkshire Hathaway Inc. DEL	OTC	4375.00	1.7	48.3	4525.00	2755.00	53	0.00	0.0	19.3	69.38	11.84
ITT (Hartford Group)	NYSE	48.50	2.9	7.8	53.38	43.25	648	1.25	2.6	6.6	52.23	0.93
Sears Roebuck & Co. (Allstate)	NYSE	36.13	3.2	7.4	39.88	32.25	1513	2.00	5.5	9.0	34.74	1.04
CONGLOMERATES	AVERAGE		2.7	19.8					2.4	10.2		
INSURERS/REINSURERS												
Aetna Life & Cas Co.	NYSE	50.50	7.7	11.6	49.88	39.50	1820	2.76	5.5	7.9	53.56	0.94
American General Corp.	NYSE	35.00	5.3	10.2	36.38	27.50	1022	1.40	4.0	9.4	28.04	1.25
Amer Heritage Life Invt	NYSE	25.00	1.0	3.1	26.00	24.00	1	1.08	4.3	10.9	20.98	1.19
Amer Indty Fin'l Corp.	OTC	11.63	2.2	29.2	12.00	8.25	3	0.56	4.8	44.7	15.26	0.76
American Int'l Group	NYSE	64.25	6.2	7.1	65.38	49.00	1562	0.40	0.6	10.0	33.56	1.91
Aon Corp.	NYSE	27.75	2.8	21.3	27.75	21.88	144	1.28	4.6	9.5	15.13	1.83
Argonaut Group	OTC	43.75	-0.6	47.1	49.00	29.50	28	0.00	0.0	7.1	29.19	1.50
AVEMCO Corp.	NYSE	24.00	6.7	22.3	28.75	17.88	16	0.34	1.4	11.7	7.74	3.10
Belvedere Corp.	AMEX	4.75	2.6	8.4	6.00	4.00	1	0.04	0.8	6.6	7.87	0.60
BMA Corp.	OTC	32.25	3.2	20.6	36.75	25.50	76	1.20	3.7	29.9	24.45	1.32
Chubb Corp.	NYSE	57.75	5.2	3.3	63.38	51.25	289	2.16	3.7	6.7	46.13	1.25
CIGNA Corp.	NYSE	53.25	8.4	21.4	52.25	42.75	617	2.96	5.6	8.6	49.19	1.08
CNA Fin'l Corp.	NYSE	57.25	6.5	2.9	64.25	51.00	103	0.00	0.0	8.5	46.40	1.23
Continental Corp.	NYSE	39.75	1.9	2.6	41.63	34.75	340	2.60	6.5	8.0	42.10	0.94
Durham Corp.	OTC	32.50	1.6	51.2	36.25	21.50	7	0.92	2.8	30.7	26.00	1.25
Farmers Group Inc.	OTC	70.50	0.5	75.2	70.50	40.50	1445	1.44	2.0	16.8	22.02	3.20
Fireman's Fund Corp.	NYSE	32.88	2.8	26.5	33.50	25.75	271	0.50	1.5	11.6	26.17	1.26
Forum Re Group (Bermuda)	OTC	2.25	5.6	-33.4	4.00	2.13	1	0.00	0.0	3.9	2.58	0.87
Fremont Gen Corp.	OTC	10.25	-1.3	6.4	13.50	8.75	97	0.60	5.9	3.9	16.24	0.63
General Re Corp.	NYSE	55.00	2.3	-1.6	57.38	45.50	991	1.20	2.2	11.8	26.21	2.10
Home Group Inc.	NYSE	11.50	2.2	-3.2	14.38	11.25	66	0.20	1.7	2.8	17.75	0.65
Hanover Ins Co.	OTC	26.75	0.5	15.1	27.75	20.50	42	0.36	1.3	5.6	25.10	1.07
Harleysville Group Inc.	OTC	15.13	0.9	15.3	16.38	13.38	10	0.48	3.2	6.4	16.65	0.91
Hartford Steam Boiler	OTC	30.75	2.5	33.7	32.75	22.50	89	1.20	3.9	11.1	10.65	2.89
Kans City Life Ins	OTC	32.00	0.8	21.9	32.00	25.25	0	0.00	0.0	11.1	0.00	N/A
Kemper Corp.	OTC	26.00	2.4	26.8	27.50	20.75	316	0.72	2.8	8.1	26.50	0.98
Lawrence Ins. Group	AMEX	11.00	2.3	144.4	11.63	4.50	1	0.21	1.9	18.0	2.90	3.79
Liberty Corp. S.C.	NYSE	39.88	2.3	12.3	47.25	34.50	4	0.80	2.0	14.1	17.40	2.29
Lincoln Nat'l Corp.	NYSE	53.13	6.8	32.4	53.00	40.25	205	2.36	4.4	10.3	36.62	1.45
NAC Re Corp.	OTC	28.75	3.6	62.0	28.50	18.50	96	0.00	0.0	14.7	19.92	1.44
Nobel Ins Ltd.	OTC	5.50	0.0	-37.1	9.50	4.50	15	0.44	8.0	26.2	9.37	0.59
Northwestern Nat'l Life	OTC	31.38	2.9	37.2	31.00	22.63	79	1.12	3.6	7.4	35.05	0.90
Ohio Cas Corp.	OTC	35.25	2.9	-2.8	38.25	32.25	109	1.88	5.3	7.0	27.86	1.27
Old Rep Int'l Corp.	OTC	23.75	3.3	18.8	25.88	19.13	42	0.74	3.1	5.6	27.82	0.85
Orion Cap Corp.	NYSE	15.88	2.5	17.6	17.63	13.13	32	0.76	4.8	5.1	9.34	1.70
Phoenix Re Corp.	OTC	8.75	2.9	34.6	9.50	6.75	19	0.00	0.0	5.1	11.08	0.79
Protective Life Corp.	OTC	13.63	1.0	11.3	15.13	12.25	40	0.70	5.1	14.8	17.25	0.79
Re Capital Corp.	AMEX	9.50	1.3	-9.5	11.75	9.13	1	0.00	0.0	29.7	11.49	0.83
Provident Life & Acc Ins Co.	OTC	24.13	3.2	54.4	24.25	15.63	300	0.84	3.5	52.5	27.45	0.88
St. Paul Cos. Inc.	OTC	42.75	3.6	-7.1	51.00	38.25	1055	2.00	4.7	6.1	35.83	1.19
SAFECO Corp.	OTC	26.63	6.0	-4.0	30.00	22.75	864	1.08	4.1	8.2	21.39	1.24
SCOR U.S. Corp.	NYSE	7.88	1.7	-14.8	9.50	6.63	25	0.10	1.3	5.5	9.39	0.84
Seibels Bruce Group Inc.	OTC	12.75	-2.9	13.3	14.25	11.00	42	0.80	6.3	8.5	12.51	1.02
Selective Ins Group Inc.	OTC	24.25	-1.0	27.6	26.25	19.25	26	1.24	5.1	5.4	19.52	1.24
Statesman Group Inc.	OTC	3.25	-7.1	-30.7	5.56	3.44	62	0.05	1.5	5.4	3.48	0.93
Tokio Marine & Fire Ins	OTC	70.25	1.3	6.6	85.88	63.25	33	0.22	0.3	62.7	0.00	N/A
Torchmark Corp.	NYSE	32.13	2.4	31.1	33.50	24.50	127	1.20	3.7	10.2	12.24	2.63
Transamerica Corp.	NYSE	35.00	3.3	17.6	36.75	29.75	377	1.84	5.3	7.3	24.94	1.40
Travelers Corp.	NYSE	35.13	6.0	0.0	40.00	33.00	1093	2.40	6.8	12.1	45.28	0.78
Trenwick Group Inc.	OTC	13.00	0.0	26.8	13.50	9.75	12	0.16	1.2	10.1	15.41	0.84
United Fire & Cas Co.	OTC	26.75	2.9	2.9	27.00	24.00	6	1.08	4.0	4.8	22.56	1.19
United States Fid & Gty	NYSE	31.50	5.9	10.5	34.38	28.88	1000	2.64	8.4	7.9	19.53	1.61
UNUM Corp.	NYSE	25.00	5.8	35.1	25.00	17.88	237	0.48	1.9	11.4	28.53	0.88
USLIFE Corp.	NYSE	38.88	3.7	36.4	40.13	28.00	89	1.28	3.3	10.1	46.77	0.83
Washington Nat'l Corp.	NYSE	26.63	0.5	11.5	28.75	24.00	6	1.08	4.1	12.4	32.33	0.82
Zenith Nat'l Ins Corp.	NYSE	18.38	-4.5	22.5	23.88	15.00	31	0.80	4.4	8.8	12.53	1.47
INSURERS & REINSURERS	AVERAGE		2.5	18.0					3.2	13.0		
ALL COMPANIES	AVERAGE		2.4	18.5					3.1	12.7		

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