

Business Insurance

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Florida sues to block Bel-Aire from insuring purchasing group
 TALLAHASSEE, Fla.—The Florida Insurance Department has filed a lawsuit against Missouri-domiciled Bel-Aire Insurance Co. to block it from insuring purchasing group members in the state.
 The suit, filed last month in U.S. District Court for the Northern District of Florida, also names Risk Retention Service Corp.—which provides policy issuance and other services to Bel-Aire—and National Amusement Purchasing
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NYIE liabilities may drain fund

By DOUGLAS McLEOD

NEW YORK—The unpaid liabilities of insolvent New York Insurance Exchange syndicates may far exceed the ability of the exchange's security fund to cover them, the exchange confirms.

While security fund assets totaled \$39.1 million at the end of last year, a draft actuarial review of several insolvent exchange syndicates found that unpaid obligations on an undiscounted basis could add up to three times that amount or more, exchange sources say.

The directors of the exchange's security fund voted Sept. 2 to draw down \$25 million of the fund's deposits to cover insolvent underwriting members' obligations (BI, Sept. 7).

The security fund board acted after reviewing an actuarial report concerning six of the exchange's eight insolvent syndicates submitted by the Tillinghast Division of Towers Perrin Forster & Crosby Inc.

In a meeting last Friday, the exchange's board of governors decided against exercising its constitutional power to assess syndicate members up to \$500,000 each to rebuild the deposit fund.

Exchange officials and other observers had expressed doubt that the governors would approve such an assessment so soon after the deposit fund drawdown.

"There's a lot of political pressure on the exchange at this point not to make a second call. I think that would be the proverbial straw" that breaks the camel's back, said one observer who requested anonymity.

The exchange board also voted to expedite development of a bailout proposal for the insolvent syndicates that would involve consolidation of their assets and liabilities into a single runoff syndicate.

Funds for the runoff syndicate—known as Syndicate 100—would come from the insolvent syndicates themselves, from other exchange syndicates and brokers and from the security fund (BI, Aug. 31).

Although the recent security fund drawdown was not approved specifically to aid the Syndicate 100 plan, the funds could be used to move the plan forward, exchange officials say.

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Court gives policyholders priority during liquidation

By STEPHEN TARNOFF

CHICAGO—Direct policyholders and state guaranty funds with claims pending against an insolvent insurer should be given access to the insurer's assets before insurers that ceded reinsurance to the insolvent company, a state court decision says.

Cook County Circuit Court Judge David J. Shields ruled late last month that insurers that purchased reinsurance with the now-insolvent Reserve Insurance Co. and Security Casualty Co. are classified only as general creditors of the insurers' estates, not as policyholders. Those insurers are seeking more than \$144 million from the two companies' estates.

Because the Illinois insurance code mandates that policyholders' claims be paid before those of general creditors, policyholders and guaranty funds will receive a larger share of the insurers' estates than if the ceding companies had also been given preference, attorneys say.

In addition, the decision means that it is unlikely that the approximately 175 insurers that ceded business to the two insolvent companies will be able to recover anything from the Reserve and Security Casualty estates because of the limited amount of assets to be distributed to general creditors, attorneys add.

Reserve was placed in liquidation in 1979 and Security Casualty was placed in liquidation in 1981 (BI, March 23, 1981).

Reserve currently has \$5 million in assets, while claims total \$20 million, according to the Illinois Insurance Department. Security Casualty now has \$7.5 million in assets, while claims total \$61 million.

About 149 insurance or reinsurance companies that

ceded business to Security Casualty have sought to recover claims totaling more than \$54 million from the insurer's estate.

In addition, approximately 24 ceding companies have filed claims against Reserve totaling about \$90 million. However, Reserve's liquidator contends in a preliminary estimate that only about \$5.6 million of these claims should be allowed.

Judge Shields' decision is believed to be only the third issued nationwide on the growing debate over whether reinsurance claims against insolvent insurers are to be treated equally with direct claims.

Two other decisions also have held that ceding companies are general creditors of an insolvent insurer's estate, although lawyers for ceding companies in the Reserve and Security Casualty cases say those cases are not applicable to this case partly because of differences among different states' insurance codes, among other factors.

Illinois Director of Insurance John E. Washburn, who is the liquidator for Security Casualty and Reserve, filed petitions in 1986 in Cook County Circuit Court asking for a ruling that claims by ceding companies against the insolvent insurers are actually considered under the state insurance code to be claims by general creditors.

At issue in the case was the interpretation of the Illinois insurance code that, like the codes of other states, sets out the order in which assets of insolvent insurers are to be distributed.

The statute provides that following the payment of certain administrative expenses and employee wages, the next in line in terms of priority under Section

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Policyholders and guaranty funds will receive a larger share of the insolvent insurers' estates because of the ruling, attorneys say.

Safety watchdog fights lap dog image

By DEBORAH SHALOWITZ

WASHINGTON—No longer sweet 16, the Occupational Safety and Health Administration often behaves much like the 17-year-old adolescent that it is.

With its feet in the mud and its head in the clouds, the agency espouses lofty ideals yet dawdles in taking action, some critics charge.

Foremost among the complaints against the agency is that it is excruciatingly slow in developing workplace safety standards.

And, while the agency prides itself on targeting for inspections only those employers most likely in violation of OSHA standards, the proposed penalties in recent years pale in comparison with the amount of penalties proposed during the late 1970s (see chart).

However, John A. Pendergrass, OSHA's administrator and an assistant secretary of labor, contends the agency is just suffering from growing pains as it matures into adulthood.

For example, OSHA last month issued its most far-reaching rule ever—a revised hazard communication standard—and during 1987 the agency proposed record-setting penalties for some of the nation's largest employers for alleged violations of federal safety and health standards.

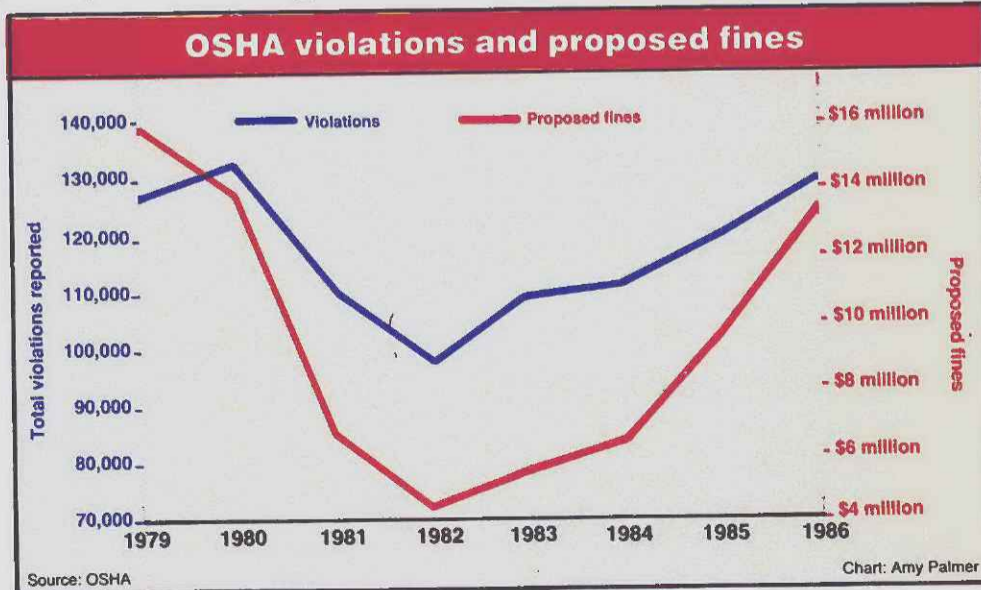
And, Mr. Pendergrass promises the public will see a flurry of activity from OSHA in the next few months and into next year. He predicts that a final rule on formaldehyde exposure will be out by the end of this month, and rules on handling hazardous waste will not be far behind.

In addition, rules relating to grain dust and concrete construction will be issued within a few months, he says.

Furthermore, next year OSHA expects to issue a revision of its entire list of permissible employee exposure to chemicals, according to Mr. Pendergrass.

"We expect to have a proposal for the revision early in 1988 and a standard in place

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Losses from forest fires not likely to burn insurers
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NEWSPAPER

Florida sues Bel-Aire

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Group Inc. All three defendants are based in St. Louis.

The complaint charges that Bel-Aire has written coverage for four Florida members of National Amusement Purchasing Group in violation of state law and the federal Risk Retention Act.

Florida law requires insurers of purchasing group members located in the state to be either authorized, eligible surplus lines insurers or risk retention groups, according to the complaint.

The suit seeks an injunction prohibiting the defendants from doing business in the state and asks for a declaratory judgment of the rights of the various parties under state and federal law.

Bel-Aire has not yet filed an answer in the case. However, Arthur A. Blumeyer, the insurer's president, said that under the federal act, only the state in which the purchasing group is established can regulate the group's insurer. Bel-Aire also is fighting an administrative action brought by the Iowa Insurance Division, which has taken a position similar to Florida's (see related story).

Rick Thornburg, a staff attorney with the Florida department, said that Bel-Aire has assumed business previously written by Dyna Span Corp., which was hit with cease and desist orders in several states, when it tried to operate as a purchasing group (BI, May 26, 1986; March 3, 1986).

Mr. Blumeyer confirmed that Bel-Aire had written some Dyna Span business, but added that Bel-Aire has since ceased doing so.

Frontier challenges Iowa

DES MOINES, Iowa—Frontier Insurance Co. last week asked a U.S. District Court in Des Moines to clarify the definition in the 1986 amendments to the Risk Retention Act of where a purchasing group is considered located.

Monticello, N.Y.-based Frontier is seeking a declaratory judgment that a purchasing group is located in the state where the group is domiciled, said Bruce Foudree, an attorney with Mitchell, Williams, Selig & Tucker in Chicago representing Frontier and a former Iowa insurance commissioner.

The litigation was filed because Iowa's Insurance Division says that a purchasing group is located where its members are located, and therefore, Iowa's insurance regulators can require Frontier to be authorized or admitted in the state to sell insurance to Iowa members of a group domiciled elsewhere.

The division summoned Frontier and 22 other insurers to an administrative hearing Sept. 8 to determine whether they should be fined for violating the state's Unauthorized Insurers Act (BI, Aug. 17; Aug. 3; July 27).

Frontier also asked the federal court for a preliminary injunction to stop the Insurance Division's proceedings.

In addition, four other unauthorized insurers last week asked the Insurance Division's hearing officer to dismiss the division's proceedings, according to attorney John Schachterle with Hopkins & Huebner in Des Moines, who is representing the four insurers: Bel-Aire Insurance Co. of St. Louis; Swanco Insurance Co. of Tucson, Ariz.; Fund Insurance Co. Ltd. of Bermuda and its affiliate United International Insurance Co.

Most of the remaining unauthorized insurers summoned by the Insurance Division have agreed not to sell insurance to purchasing group members in Iowa, an insurance spokeswoman said. Others have obtained, or are seeking, status as eligible surplus lines insurers in Iowa or are planning to write purchasing group coverage through affiliated eligible surplus lines insurers.

The first court test of Risk Retention Act's purchasing group provisions was filed recently by Insurance Co. of the State of Pennsylvania, a subsidiary of American International Group Inc., in a federal court in New York (BI, Sept. 7).

Grob charged with theft

LONDON—Former Alexander Howden Group P.L.C. Chairman Kenneth V. Grob was charged with theft in London last week after being extradited from France.

Mr. Grob was charged at London's Guildhall Magistrates Court with stealing "1.135 million pounds (\$1.9 million at current exchange rates) belonging to members of Lloyd's syndicates 126/129 or Alexander Howden Insurance Brokers Ltd." According to the indictment, the theft took place "on or about Aug. 7, 1981."

Mr. Grob was arrested at his home in the south of France in July in connection with the transfer of "millions of pounds" from Howden and its subsidiaries prior to 1982. Four other men, including former Lloyd's of London underwriter Ian R. Posgate, were arrested in England on charges stemming from the purchase of a Swiss bank with funds allegedly diverted from Howden and subsidiaries (BI, July 20).

Mr. Grob was released on 100,000 pounds (\$164,600) bail pending an Oct. 13 hearing.

AEGON Re stops writing

NEW YORK—AEGON Reinsurance Co. of America stopped writing new and renewal treaty reinsurance for property/casualty risks on Sept. 1 because the company's owners want to concentrate their efforts on their life insurance affiliates.

The New York-based reinsurer, which changed its name from Ennia Reinsurance Co. of America at the beginning of the year, is letting its book of business run out, said K. Scott Norris, AEGON Re's executive vp. It wrote treaty reinsurance for primarily property risks, emphasizing fire and commercial multiperil contracts.

The decision was made by executives of AEGON Re's parent company, AEGON N.V. in The Hague, Netherlands. "They didn't see the long-term earnings potential in reinsurance that they are achieving from their life companies," Mr. Norris said.

AEGON Re wrote \$16.35 million in net premiums in the first six months of 1987, Mr. Norris said.

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London reinsurers clash over payout in jet crash

By CAROLYN ALDRED

LONDON—The appeal of a recent High Court ruling could set an important precedent in the London excess-of-loss reinsurance market, underwriters believe.

A deputy judge ruled in a summary judgment earlier this summer that excess-of-loss reinsurers must pay ceding companies for the "provisional" claims they paid stemming from the June 1985 explosion of an Air India Boeing 747 jetliner off the Irish coast (BI, July 1, 1985).

Reinsurance claims stemming from the loss of the jet will not be finally settled until 1988 at the earliest.

The Air India disaster killed 303 passengers and 22 crew members and produced the largest hull loss in aviation history.

Air India has received \$98.5 million for damage to the hull, plus \$3.5 million for a spare engine on board, from its aviation underwriter, General Insurance Corp. of India.

However, the cause of the explosion—which was rumored to be caused by a terrorist bomb—still remains a mystery despite an extensive inquiry by the Indian government. As a result, London reinsurers are in arbitration to decide whether GIC's "all-risk" aviation reinsurers or war risk reinsurers should reimburse GIC.

The arbitration is due to start in January or February, observers say.

Meanwhile, both sets of reinsurers have contributed to pay 50% of the loss to GIC until the arbitra-

tion is concluded.

Some of GIC's reinsurers and their quota-share reinsurers then sued their London market excess-of-loss (LMX) retrocessional underwriters to recover the interim payments made to GIC. However, some LMX underwriters claim the interim payments to the GIC are merely loans and contend they are not obliged to settle the claims until the arbitration is concluded.

In a summary High Court judgment issued June 26, Deputy Judge Adrian W. Hamilton ruled in favor of four Lloyd's of London underwriters in an action brought against Maurice Hussey, chairman of Lloyd's underwriting agency R.H.M. Outhwaite (Underwriting Agencies) Ltd. Underwriter Richard Outhwaite was the lead LMX reinsurer for the four plaintiffs.

The judge rejected Mr. Outhwaite's claim that the wording of the LMX contract does not allow for the recovery of loan payments.

Judge Hamilton saw "no reason for excluding interim payments, or provisional payments, or payments by way of loan, provided they were paid within the terms and conditions of the GIC reinsurance, as I hold that they were."

There is no implied limitation in the contract, Judge Hamilton ruled. "It seems to me immaterial if the payment is said to be a loan, or if the payment is subject to adjustment in certain circumstances," he said.

"I appreciate that the point is of importance in the insurance market, but I do not consider that this should deter me from giving judgment on the clear

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Initial risk retention group makes plans after false start

By JERRY GEISEL

DOVER, Del.—Organizers of the first risk retention group established under the expanded Risk Retention Act are making a new effort to launch the program.

While the licensing of Delaware-chartered C-PAC-O—short for CPA Risk Retention Group Corp.—was announced late last year with fanfare at a Washington press conference, it has yet to get off the ground.

The risk retention group for small to medium-sized certified public accountants had been expected to begin writing policies shortly after it was licensed (BI, Dec. 8, 1986).

However, C-PAC-O's manager, Professional Services Corp. of Boise, Idaho, stopped marketing the program in February, and Delaware Insurance Commissioner David N. Levinson in June suspended C-PAC-O's license because it had not raised the \$10 million in capital and surplus it agreed to have on hand before writing policies.

"They got the charter and stopped cold. They never carried out their business plan," Mr. Levinson said.

James Sullivan, president of Professional Services Corp., said he decided to suspend promotional efforts when he realized that his 1½-year-old company lacked the resources to market a national program.

"We did not anticipate all the costs necessary to start this program. It soon became apparent that marketing C-PAC-O would cost more than we had raised," Mr. Sullivan said.

"I made a business decision. If it could not be done right, it would not be done at all," Mr. Sullivan said, referring to the suspension of marketing efforts.

While Mr. Sullivan would not reveal how much Professional Services had spent marketing C-PAC-O, experts note that risk retention group startup costs can be substantial.

For example, according to an information circular describing a new risk retention group for trial lawyers, the group's manager will incur estimated startup costs of \$513,000 to cover marketing, underwriting expenses, system development and administrative expenses (BI, Aug. 17).

Mr. Sullivan says Professional Services now is in the final stages of negotiations with a major U.S. broker, whom he declined to identify, to assist in marketing C-PAC-O.

The broker has expertise in managing professional liability insurance programs and in marketing to associations, he said.

"They have people on their staff who understand

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Inside

Now that Congress has returned from its summer recess, legislators have a long list of employee benefit and risk management proposals, some of which should be tackled and others that should be set aside, says this week's editorial. **PAGE 8**

While most employers offer dental coverage and long-term disability plan to salaried workers, few provide vision and prescription drug plans, according to a survey by Mercer-Meidinger-Hansen Inc. **PAGE 18**

Vermont captive growth shows no sign of slowing down. Last month, the state's Department of Banking and Insurance licensed its 100th captive since the state enacted its landmark 1981 captive statute. **PAGE 24**

New technology can help benefit managers perform basic actuarial functions for their defined benefit plans, while achieving cost savings and control of records, says Grant H. Morris, head of New York-based consultant Morris Associates, in Speaking Out. **PAGE 41**

Lloyd's of London broker Sedgwick Group P.L.C. is determined to maintain its strong presence in the United States despite declining property insurance rates and personnel changes at U.S. reinsurance broker Sullivan Payne Co., says Sedgwick's chairman. **PAGE 58**

New business growth must be sustained if the publicly

held insurance brokers are to reach 1987 revenue targets, comments brokerage analyst Leonard M. Wilson, a managing director at L.F. Rothschild, Unterberg, Towbin in New York. **PAGE 75**

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Vol. 21, No. 37—Business Insurance (ISSN 0007-6864) is published weekly at 740 N. Rush St., Chicago, Ill. 60611-2590. Second-class postage is paid at Chicago, Ill., and at additional mailing offices. Postmaster: Send address changes to Business Insurance, Circulation department, 965 E. Jefferson Ave., Detroit, Mich. 48207; 313-446-1611. Copyright 1987 by Crain Communications Inc.

Outhwaite to pay claims for syndicate

By CAROLYN ALDRED

LONDON—Lloyd's of London underwriter Richard Outhwaite will pay asbestos-related claims filed by one Lloyd's syndicate on a runoff reinsurance policy, but is charging the syndicate an additional premium.

Charles Skey, underwriter for syndicate 219, managed by Edwards & Payne (Underwriting Agencies) Ltd., told syndicate members in a letter earlier this month that Mr. Outhwaite has agreed to pay claims on a runoff policy placed with incidental non-marine syndicate 661, managed by R.H.M. Outhwaite (Underwriting Agencies) Ltd.

However, Mr. Outhwaite still refuses to pay claims filed by several other syndicates that bought runoff policies from syndicate 661.

At least one syndicate has filed a lawsuit against the Outhwaite agency (*BI*, Feb. 16) because of its refusal to pay the claims, while others are taking the matter to arbitration.

Mr. Outhwaite is refusing to pay claims on runoff policies placed with syndicate 661 until he receives more information about the underlying policies that covered asbestos risks.

Many in the market, however, accuse Mr. Outhwaite of using stalling tactics because asbestos-related claims are being filed much more quickly than he expected as a result of the Wellington Agreement, which settled asbestos coverage disputes and established an asbestos claims facility (*BI*, May 4).

Mr. Outhwaite was unavailable for comment last week, but agency Chairman Maurice Hussey confirmed that an agreement had been reached with syndicate 219.

"This will convince people that we are prepared to negotiate and that the dispute can be sorted out amicably," said Derek Purssell, claims manager for the Outhwaite agency.

Mr. Skey's says in his letter to syndicate 219 members that Mr. Outhwaite has agreed to make deferred payments to settle the syndicate's claims on the condition that Mr. Skey pays an additional premium. However, Mr. Skey does not specify in the letter how much he is paying or when the claims will be paid.

The letter seeks a pledge of confidentiality from anyone wishing to see details of the agreement.

Mr. Skey last week confirmed that an agreement had been reached, but refused to reveal details. "It was mutually agreed that the arrangement be kept confidential," he said.

The runoff policy for syndicate 219 was placed with the Outhwaite syndicate in mid-1982 through Lloyd's broker Winchester Bowring. It covers 50% of syndicate 219's runoff reinsurance in excess of \$2.86 million for the years 1956 to 1967.

Lloyd's syndicates reinsure long-tail risks to close their accounts under Lloyd's three-year accounting system.

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Alabama touts tort reform

By MICHAEL BRADFORD

BIRMINGHAM, Ala.—Alabama is touting changes in its civil justice system as an incentive for out-of-state businesses to pull up stakes and relocate to the state.

Although other states are quick to say tort reform legislation also has improved their business climates, most are not following Alabama's lead in using the new laws as a marketing tool to lure new businesses to their borders.

Alabama's effort to promote its business climate in the wake of tort reform legislation passed earlier this year is directed by the Alabama Development Office. The office has mailed brochures to business associations and advertised nationally in *The Wall Street Journal*.

"Let us help you relocate to Alabama," urges the folder produced by the state's Development Office. "The passage of our tort reforms makes Alabama an extremely favorable state for business," reads a smaller brochure inside.

Alabama is singing the praises of tort reform legislation that among other things limits punitive damage awards to \$250,000 in most cases. And even if an award is made, it must be submitted to a "neutral review" by the trial court judge. Defendants are entitled to a second review by an appellate court judge, a feature the promotional packet says is offered by no other state.

The state's development office also touts new rules that allow sanctions against a plaintiff and the plaintiff's lawyer if a suit is found to be frivolous.

"Previously, the lawyer was protected," the brochure reads. "Now, his 'bulletproof vest' has been removed and he may be fined."

The promotional kit contains a letter signed by Gov. Guy Hunt that calls the Alabama tort reform package "the fairest in the nation." Also enclosed is a copy of an ad that appeared in *The Wall Street Journal* that proudly proclaimed: "Alabama is Open for Business."



Photo: Mary Herlehy

Alabama is using the tort reform measure passed this year as a marketing tool to lure new businesses.

According to Charles McDonald, who served as chairman of the Alabama Civil Justice Reform Committee, one of the most important changes that will help attract business to the state concerns medical malpractice awards.

Alabama's legislation caps all medical malpractice awards at \$1 million, although it allows the cap to be adjusted annually to reflect changes in the consumer price index. Non-economic damage awards related to medical malpractice cases are capped at \$400,000.

Mr. McDonald said before the law was passed, Alabama physicians fearing lawsuits were refusing to deliver babies.

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Lloyd's cited for blacklisting

By MICHAEL BRADFORD

AUSTIN, Texas—Evidence shows Lloyd's of London violated U.S. anti-trust laws by persuading Lloyd's brokers not to do business with a Dallas-based insurer with a similar name, says a U.S. District Court special master.

As a result, the insurer, Lloyd's U.S., is entitled to have access to the evidence in its defense of a lawsuit the London marketplace has brought against the Texas insurer over its name, Special Master Waggoner Carr stated in his order.

The evidence in question includes notes of conversations in which a Lloyd's of London official and the marketplace's attorney allegedly persuaded Lloyd's brokers to stop doing business with the Texas company.

Lloyd's U.S. is seeking release of the papers as part of the pretrial discovery phase of the suit Lloyd's of London filed in January 1986 that seeks to stop the Texas company from using any

"service mark confusingly similar" to Lloyd's of London's.

However, Lloyd's of London and its attorney, New York-based LeBoeuf, Lamb, Leiby & MacRae, claim the documents are protected under the attorney-client privilege.

Mr. Carr was appointed special master in the case to oversee the pretrial phases of a trial in U.S. District Court for the Western District of Texas in Austin.

The judge assigned to the case, James R. Nowlin, either can order the plaintiff to provide the documents or disregard the special master's recommendation.

Judge Nowlin has approved previous orders issued by Mr. Carr, according to attorney J. Hampton Skelton, whose Austin law firm of Akin, Gump, Strauss, Hauer & Feld is among those representing Lloyd's U.S.

In its lawsuit against the Texas underwriter, Lloyd's of London claims that Lloyd's U.S. infringed upon its service mark registration with "intent

to cause confusion" and with "the particular intent to 'palm off' to the public (its) business and services as those of the plaintiff" (*BI*, Dec. 1, 1986).

Lloyd's U.S. subsequently filed a counterclaim in which it argues that state law requires it to use the name "Lloyd's" in its title because its operations are patterned after Lloyd's of London.

Also in its counterclaim, Lloyd's U.S., which operates solely as an admitted insurer in Texas, charges that the Corporation of Lloyd's filed a fraudulent application with the U.S. Patent and Trademark Office in 1979 to protect the Lloyd's name.

The special master's order stems from a deposition taken by attorneys for Lloyd's U.S. last year from Peter Judges, manager of Lloyd's of London's Advisory Department.

During the deposition, Mr. Judges refused to answer certain questions or produce documentation of meetings between Lloyd's of London, LeBoeuf.

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Forest fires unlikely to burn insurers

By MICHAEL BRADFORD

Insurers will be left largely unscathed by the devastating fires that have scorched hundreds of square miles of forest in the West.

Most of the timber charred or destroyed in hundreds of blazes in California, Oregon, Washington and Idaho is part of national forests and is not insured, according to U.S. Forest Service officials in regional offices.

A spokesman for the Insurance Information Institute said that although the fires also destroyed several homes, they will not be designated as a catastrophe by the Property Claims Services division of American Insurance Services Group Inc. in New York because insured property damage is estimated at less than \$5 million.

"From an insured standpoint, it is not expected to be a huge loss," said George Moore, a vp in Fred S. James & Co. Inc.'s office in Sacramento, Calif. "But from an economic standpoint, it will be very substantial."

A spokeswoman with the National Forest Products Assn. in Washington said last week that as much as 1.25 billion board feet of timber valued at around \$125 million had been burned in California alone. However, she said, not all of that timber would have been for commercial use and some wood that is not destroyed will be salvaged and sold.

Figures from other states were incomplete, but a Forest Service official said at least \$20 million in damages had been identified in Washington and Oregon.

Economic losses include the cost of suppressing the blazes and amounts the forest service will lose because it cannot harvest and sell some of the trees.

A spokesman for the Northwest Forestry Assn. in Portland said timber buyers who purchase trees on government-owned land generally have contracts that say the timber does not have to be paid for if it is destroyed by fire before it can be harvested.

James' Mr. Moore said log processing mills have sufficient timber reserves to cover any shortfalls and should not suffer business interruption losses. He pointed out that wood from other areas is available for processing, and salvage operations are expected to make available trees not destroyed by the fires.

James Peterson, senior vp in James' San Francisco office, said timber that is privately owned would not be insured.

"Standing timber" coverage was last written around 10 years ago but "it is rarely even asked for any more," he said.

Mr. Peterson said the cost of coverage to replace trees destroyed by fire is high and "there is not a lot of appetite in the insurance community to write it."



Photo: AP/Wide World

Firefighters watch from the yard of a home as a roaring forest fire approaches the community of Tuolumne City, Calif.

C-PAC-O

Continued from page 2

both the underwriting and marketing functions necessary to make a risk retention group program go," he said.

Mr. Sullivan said he is optimistic that the negotiations, which could be completed this week, will be successful and that C-PAC-O can be launched as a viable risk retention group.

"There still is a huge need for C-PAC-O," Mr. Sullivan said.

The risk retention group was targeted at thousands of small and medium-sized public accounting firms whose professional liability insurance rates have soared in re-

'A risk retention group makes sense when there is no alternative at all,' says Walter Primoff of the New York State Society of Certified Public Accountants. 'I don't know if accounting firms look at (higher rates) as an emergency situation.'

cent years.

But experts say C-PAC-O, like many other group captives, faces many challenges.

While rates for professional liability insurance soared 400% to 500% during the past couple of years, accountants still can obtain coverage—albeit at much higher

prices than they were accustomed to paying.

When coverage is available, it is much more difficult to establish a risk retention group, according to Brady Young, a consultant with the Tillinghast division of Towers, Perrin, Forster & Crosby in Darien, Conn.

"You need a sense of urgency to establish a risk retention group," Mr. Young said.

"A risk retention group makes sense when there is no alternative at all," said Walter Primoff, director of professional programs and tax policy for the New York State Society of Certified Public Accountants, a 30,000-member trade group.

"I don't know if accounting firms look at (higher rates) as an emergency situation," Mr. Primoff said.

Mr. Sullivan, though, says that there still is a window of opportunity to organize a risk retention group for CPAs, noting that rates for accountants' professional lia-

bility insurance have not yet stabilized.

For example, when C-PAC-O's licensing was announced, Mr. Sullivan noted that a one-person CPA firm might pay \$2,250 to a commercial insurer for a professional liability policy with a \$1 million limit. By contrast, from 1979 to 1984, the premium would have been about \$400.

In December, C-PAC-O announced it would offer claims-made insurance policies with \$100,000, \$250,000 and \$1 million per-claim and aggregate limits. Defense costs would be included within policy limits, and a variety of deductibles would be offered to prospective policyholders.

Since negotiations still are being conducted with potential reinsurers, it is not certain yet what maximum limits C-PAC-O will offer, Mr. Sullivan said.

C-PAC-O also announced last year that for every \$1,000 of premium paid, policyholders would have to contribute \$500 toward surplus.

Policyholders would receive shares in C-PAC-O in proportion to their surplus contribution, which would be required only in the first year.

The risk retention group still intends to implement the surplus contribution plan.

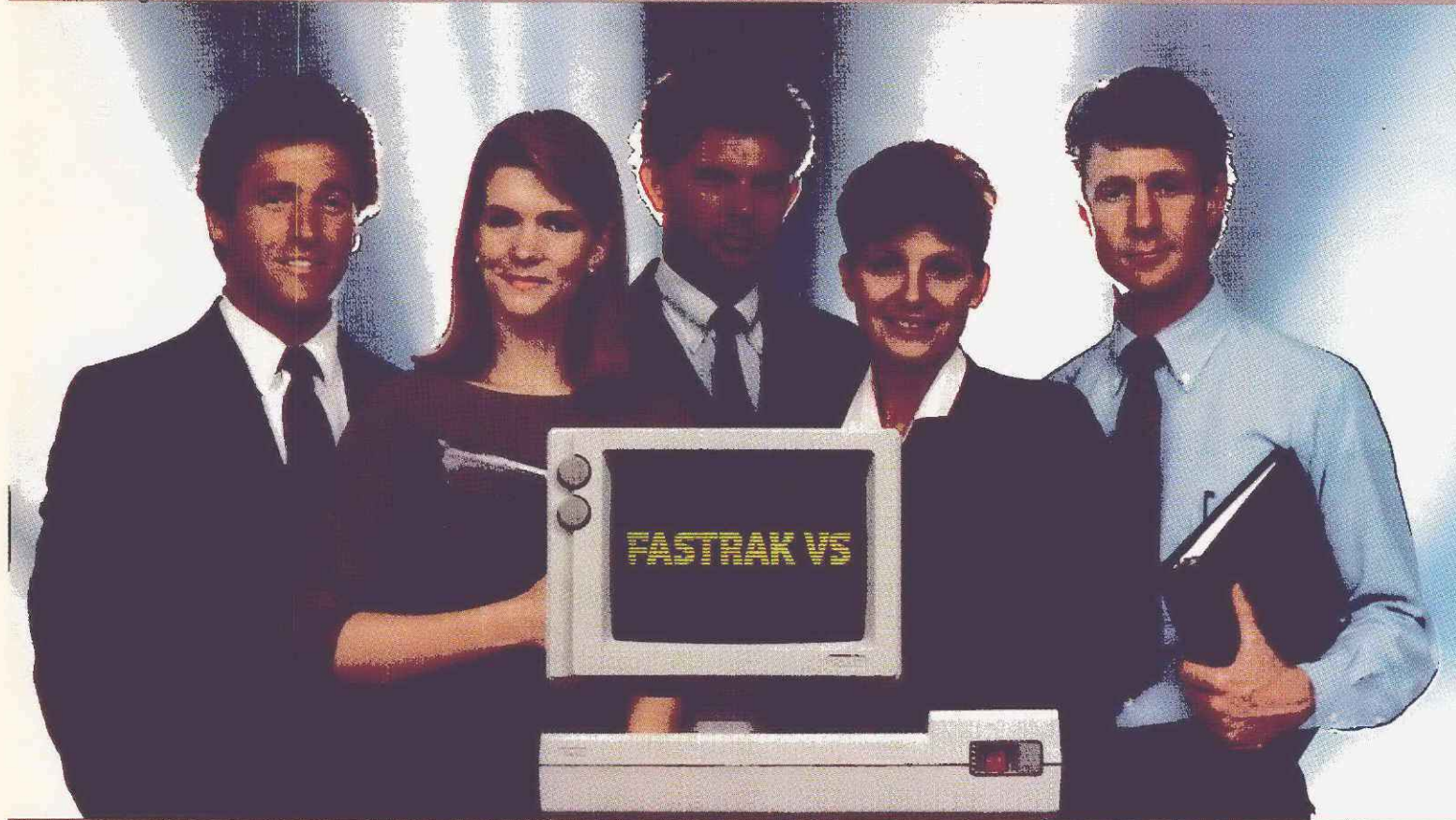
If C-PAC-O is profitable, stockholder/policyholders may receive dividends. Profits also might be used to reduce rates.

C-PAC-O's organizers originally chose Delaware as the risk retention group's domicile because of the state's accessibility and pro-business climate.

Mr. Sullivan declined last week to comment on whether C-PAC-O still intends to be licensed in the state of Delaware.

Mr. Sullivan said Professional Services expects to make a major announcement regarding the C-PAC-O program within the next 60 days. ■

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Hofmann joins BI staff in Chicago

CHICAGO—Mark A. Hofmann, 34, has joined the staff of *Business Insurance* as an associate editor in the Chicago office, Associate Publisher and Editor Kathryn J. McIntyre announced.

From 1984 to 1987, Mr. Hofmann was an associate editor at Professional Agent, a magazine published

by the National Assn. of Professional Insurance Agents in Alexandria, Va.

Prior to that, he was an editorial writer for the Winston-Salem Journal in Winston-Salem, N.C., for 10 years. He received North Carolina Press Association awards for columns and editorials in 1977 and 1980. In addition, he wrote the editorials that were part of a package of articles that won second place in the 1983 Edward J. Meeman competition sponsored by the Scripps-Howard Foundation.

He also won an award of merit for news writing from the Professional Insurance Communicators Assn. in 1986.

Mr. Hofmann has written for Collier's Encyclopedia yearbooks and Time-Life Books' "Understanding Computers" series.

Mr. Hofmann received a bachelor's degree in history from Wake Forest University in Winston-Salem, N.C.

He can be reached at 312-649-5393. ■



Mr. Hofmann

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Sources for statistics: Employee Benefit Research Institute, 1985; National Underwriter, 1986.

A division of Northwestern National Life Insurance Company, Minneapolis, MN (not admitted in the State of New York). The North Atlantic Life Insurance Company of America, Jericho, NY (a member of the NWNL Companies).

Lloyd's suit

Continued from page 3

Lamb and "third parties"—including Lloyd's brokers—on the "grounds of privilege."

But the order says Mr. Judges did say during the deposition that based on advice from his attorney, he told one broker it "would be wise to cease doing business with the defendants."

The broker stopped doing business with Lloyd's U.S. after the meeting and "similar communications were had with other brokers who also ceased their dealings with defendants," according to the order.

Although the order does not identify the brokers that were apparently influenced to cease doing business with Lloyd's U.S., a representative of the Texas insurer who asked not to be identified said Mr. Judges admitted to meeting with Lloyd's broker Carroll Radford Holder Ltd., which subsequently stopped sending business to Lloyd's U.S.

In addition, Mr. Judges and LeBoeuf, Lamb met with Lloyd's brokers F.E. Wright Ltd., NASCO Ltd. and Sedgwick Marine Ltd., and those brokers also stopped sending business to the Texas insurer, according to the Lloyd's U.S. representative.

While the Lloyd's U.S. representative did not have premium figures on how much business the Lloyd's brokers were placing with Lloyd's U.S., he said the businesses consisted of ocean marine insurance on 25 or 30 vessels.

Mr. Skelton said his firm plans to take Mr. Judge's deposition again later this month.

Mr. Carr also wrote in his order that Lloyd's U.S. has shown there is evidence that Lloyd's of London "exceeded normal petitioning of a governmental unit" by contacting state insurance regulators to "advise them of 'facts' about defendant Lloyd's U.S. and urging regulatory actions. These 'facts,' at best, were questionable as to accuracy."

The order concluded that "there is sufficient circumstantial evidence to constitute a prima facie showing of a combination or conspiracy to damage defendants and lessen their ability to compete and that such activities exceeded a normal petitioning of a governmental unit. . . . The defendants have shown a prima facie case of violation of the Sherman Antitrust Act."

Mr. Skelton has said that much of the contact with state regulators actually was carried out by Lloyd's attorneys, LeBoeuf, Lamb.

Attorneys at LeBoeuf, Lamb would not com-

ment on the special master's order or any portion of the litigation.

But Lloyd's of London has stated that those activities "consisted of normal petitioning of a governmental unit," according to the order.

In a separate order filed last June, Mr. Carr disqualified LeBoeuf, Lamb from participating in the trial once it is set because members of the firm may be called as witnesses "other than on behalf of plaintiffs."

The order does allow the firm to continue conducting pretrial activities.

Mr. Skelton said he is unsure why Lloyd's of London has chosen to sue the Texas company.

While on one hand "it's kind of flattering" that the established British marketplace apparently feels the Texas insurer is a competitive threat, "it's awfully damaging," he said.

Lloyd's U.S. currently has about \$2.7 million in capital and surplus, according to a company spokesman, adding that the insurer's 18 underwriting members will write around \$8.5 million in property/casualty premiums this year.

Lloyd's U.S. accounts include property/casualty coverage written for the Austin, Texas, independent school district and property/casualty insurance for a major car rental company, said the spokesman.

Tort reform

Continued from page 3

"In a number of areas, you couldn't get babies delivered," he remarked.

He said, "You are simply not going to be able to attract industry to a town if the people that move in can't get babies delivered. I think the medical malpractice bill will help alleviate that problem."

Officials with insurance departments and other governmental agencies in other states agreed that promoting tort reforms to tempt businesses to relocate makes good sense. However, they have not employed Alabama's marketing tactics.

A spokesman for the Washington State Insurance Commissioner's Office said, "It's a good idea, but I haven't heard about it being used here."

Spokesmen for Washington Gov. Booth Gardner and the state's Department of Trade & Economic Development said there are no plans to use recent tort reforms in Washington as a selling point to attract business.

Although the Georgia Liability Crisis Coalition ran a full-page ad in the Atlanta Constitution thanking legislators for enacting tort reform, it has not followed that with any type of promotional campaign aimed at business.

John R. Poole, who directed the coalition's efforts, pointed out that the tort reforms only recently went into effect, and "a lot remains to be seen as to how it will all work."

Likewise, Louisiana is currently not marketing its tort reform legislation, although it "may consider it later," according to a spokesman with the Louisiana Department of Commerce.

Although a spokesman said the New York Insurance Department feels tort reform in that state has "enhanced the regulatory and business climate," there is no move to promote the legislative measures.

"It's good for business, but we haven't translated that into a specific marketing campaign," he said.

In Colorado, Insurance Commissioner John Kezer said the concept of promoting a business climate improved by tort reforms is being "informally marketed" in the Rocky Mountain state.

Mr. Kezer said Colorado "was and is a leader in tort reform" but does not "in a direct sense" promote its new laws to attract new business.

Still, the changes in the state's civil justice system are discussed with companies that express interest in locating in the state, he noted.

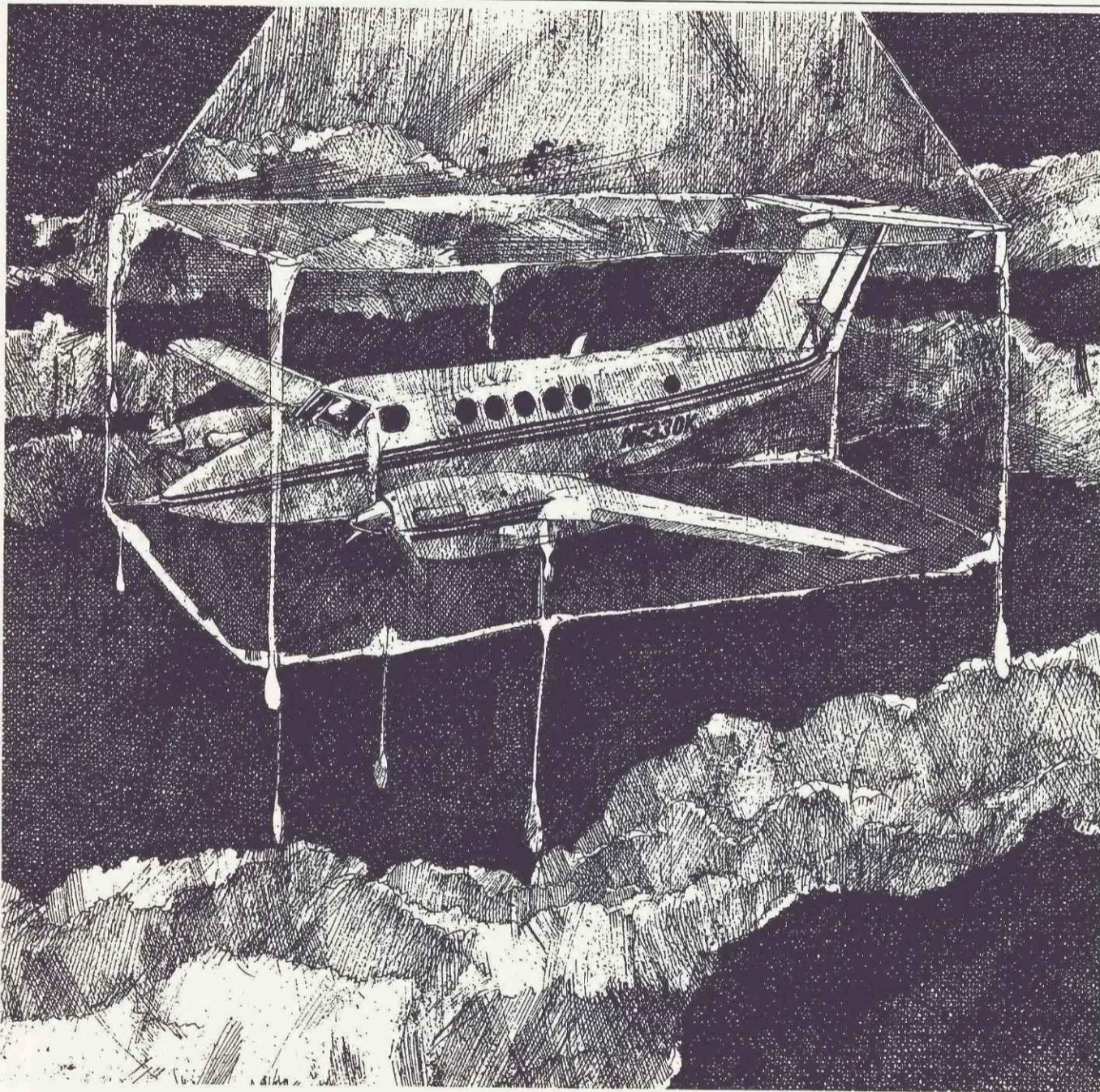
"There is the expectation that there will be some formalization of the marketing effort in the future," Mr. Kezer added.

David Lyons, First Deputy Insurance Commissioner at the Iowa Insurance Department in Des Moines, said his office often is asked for information concerning new legislation that limits the liability of corporate directors and officers.

And although there is no formal marketing of the civil justice reform measures passed in Iowa, Mr. Lyons pointed out that the state Insurance Department often takes advantage of those queries to promote a business and insurance regulatory climate the state feels is strong.

"We are continually asked to provide that information to companies" wanting to do business in Iowa, said Mr. Lyons. And one of the things the department stresses is that new legislation means an Iowa company can expect to find insurance for its directors and officers.

Directors and officers liability coverage "is no problem in Iowa," he remarked.



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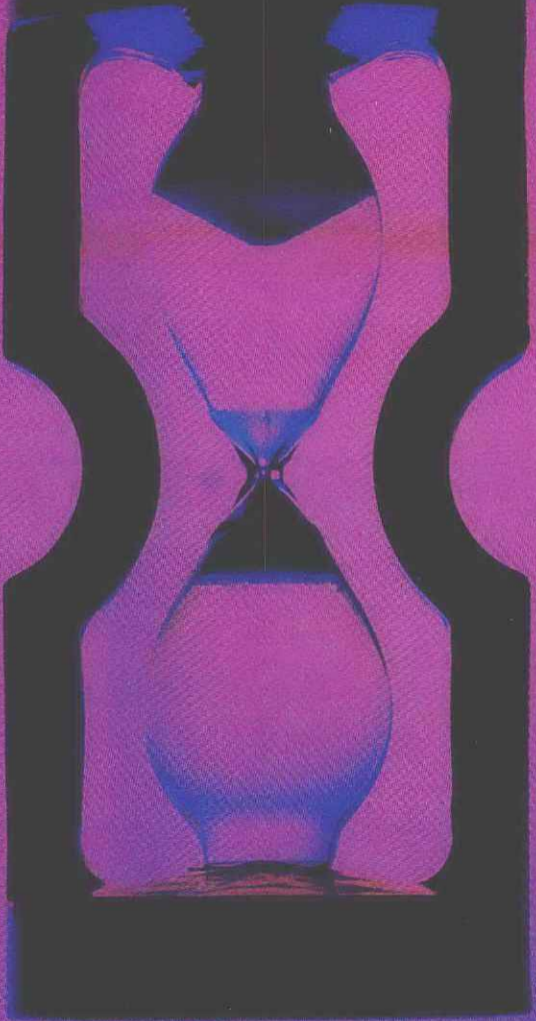
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Alaskans embrace long-term health plan

One of the nation's first employer-sponsored long-term health care plans is being met with strong support from employees in Alaska.

To date more than 2,276 retired Alaskan state employees and 973 of their spouses have enrolled in the plan written by Aetna Life Insurance Co. in Hartford, Conn., a unit of Aetna Life & Casualty Co (BI, March 16). This represents about 25% of the eligible enrollees.

"The high enrollment indicates the interest in this new kind of insurance coverage which helps protect people against the high costs of custodial care so common among older people," said JoAnn E. Mathieu, assistant director of Aetna's Employee Benefits Division.

The plan covers licensed practical nursing care, home health care,

Benefit beat

physical therapy, occupational therapy and speech therapy.

Premiums are based on the age of the retiree at the time he or she enrolls in the plan, and range from \$20 per enrollee per month for retirees and spouses age 50 to 54 to \$385 per enrollee per month for those 85 years or older.

Premiums do not change as the retiree ages.

Prior hospitalization is not required and home health care benefits are not restricted to those with prior nursing facility confinement.

The program's nursing home benefits provide \$125 daily for a nursing home in Alaska and \$75 daily for an out-of-state facility.

Home health care benefits are capped at \$75 daily for Alaska residents and \$40 daily for out-of-state residents, up to a lifetime maximum of \$50,000.

Total benefits cannot exceed \$200,000 per individual.

"Medicare and existing group medical policies were designed to cover acute care, not custodial care, which is the type of long-term care most elderly people require," Ms. Mathieu said. "This new, group long-term care plan picks up where Medicare and supplemental policies leave off."

Only retirees who are unable to care for themselves are eligible for benefits under the coverage, she

said.

"This is the primary cost-containment feature of the program," she said. "We utilize intensive case management."

Current retirees who enrolled in the plan were required to complete a medical questionnaire and pass a medical history review. This ensured that retirees with "chronic degenerative diseases" such as Alzheimer's disease were not enrolled in the plan, Ms. Mathieu said, adding that future retirees will not be screened.

New vision care PPO

Aircraft manufacturer McDonnell Douglas Corp. is offering its employees a chance to save on vision care through a new vision-care preferred provider organiza-

tion.

On Aug. 1, all West Coast employees of McDonnell Douglas were able to receive discounted services from the vision-care PPO. All St. Louis-area employees of the aircraft manufacturer will be able to access the network beginning Jan. 1.

Altogether about 70,000 McDonnell Douglas employees will be introduced to the plan.

Administered by National Vision Services Inc. in Phoenix, Ariz., the vision care program enables employees to save 30% to 60% on eyeglasses and eye examinations by using optometrists who belong to the NVS provider network (BI, March 9).

Employees who use non-NVS optometrists do not receive a discount on their vision care.

McDonnell Douglas pays an annual fee for each employee enrolled in the plan. Employees pay only for services they receive from the participating providers.

Currently, more than 180 optometrists belong to the NVS network, which services about 300,000 enrollees in 12 states and Washington, D.C.

"This new McDonnell Douglas contract will enable us to expand our provider network to several new states," said Benjamin D. Ward, president and chief executive officer of NVS.

Jim Profit, manager of employee benefits at McDonnell Douglas, said he looked at several alternative vision care plans before choosing the NVS plan.

"NVS was willing to provide a preferred provider arrangement," Mr. Profit said. "Most other plans were capitation plans."

He also said NVS was able to offer its services in states where McDonnell Douglas employees are most heavily concentrated—California, Arizona, Oklahoma and Florida.

Mr. Profit expects that approximately 60% of the McDonnell Douglas employees will take advantage of the new plan.

Second opinion panel

More than 26,000 physicians nationwide have signed up to serve on a national second surgical opinion consultant panel set up by the Blue Cross & Blue Shield Assn. and local BC/BS plans.

Panel members will provide second opinions for beneficiaries whose health insurance plans call for second opinions when certain surgeries are recommended.

According to the Blues, a typical BC/BS referral center has a toll-free hot line and will use computerized data to give the patient the names of one or more panel members in his area.

Most medical specialties are represented on the panel, which is the largest physician panel of its kind in the country, according to the association.

Panel members refer patients back to the original surgeon for the operation.

Physicians will be paid the usual local fee for second opinions by the BC/BS plan that made the referral. If the second opinion does not agree with the original opinion, the cost of a third opinion generally is covered under BC/BS plans, said the association.

Benefit Beat keeps insurance and employee benefit managers informed on what other companies are doing and of current developments in the employee benefit field. We'd like to know if you've made any changes. Write Stacy Adler, Business Insurance, 740 N. Rush St., Chicago, Ill. 60611-2590; 312-649-5262.

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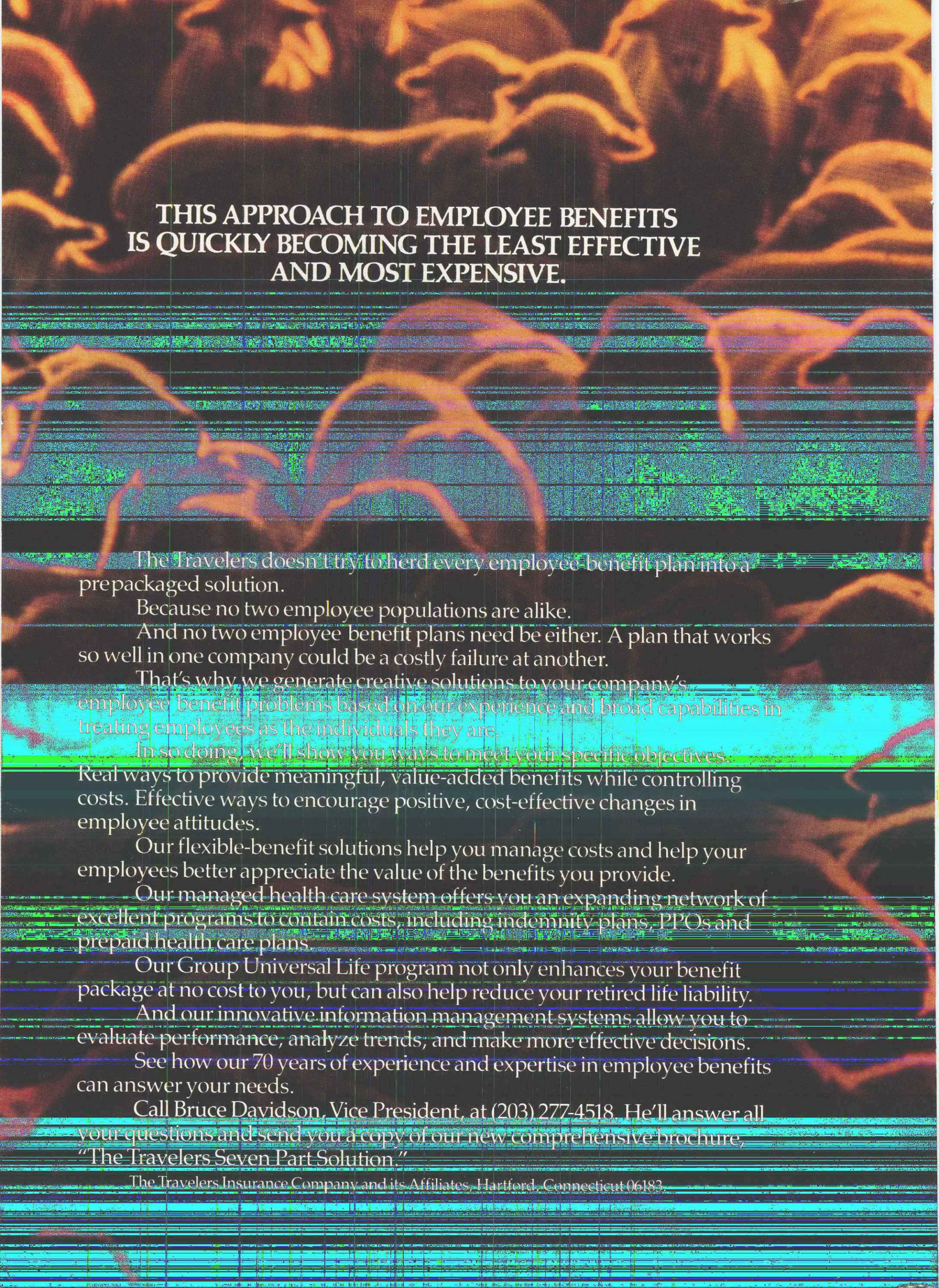
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Few employers providing vision, drug benefits: Study

By ALISON KITTRELL

While most employers offer dental coverage and long-term disability plans, few provide vision care and prescription drug plans, according to a recent survey.

In "Miscellaneous Group Benefits and Total Benefit Costs," William M. Mercer-Meidinger-Hansen Inc. surveyed 818 employers nationwide about a variety of employee benefits and life insurance plans offered to their salaried employees and about their total benefit costs (see related stories, page 20 and 23).

"It would seem that there is little interest on the part of employers toward providing plans such as vi-

It seems there is little interest in providing plans such as vision care and prescription drug programs, the survey shows. 'On the other hand, dental benefits and long-term disability benefits are almost universally provided.'

sion care and prescription drug programs for salaried employees," the survey authors point out.

"On the other hand, dental benefits and long-term disability benefits are almost universally provided," the authors say.

Specifically, the survey found:

- About 85% of the respondents

sponsor a dental coverage plan for salaried employees. And, the plans are almost always indemnity plans: Only 1% of the respondents said they offered dental coverage only through a health maintenance organization, although slightly more respondents said their company offered both an indemnity dental plan and a dental HMO to salaried employees.

- Virtually all—95%—of the respondents said their company sponsored a long-term disability plan for salaried employees.

- Only 20% of the respondents said their company offers vision care coverage to salaried employees. And of those, only half offer the coverage as a separate plan; for the other half, vision care is provided as part of a basic medical program.

- Seventeen percent of the respondents said their company offered a separate plan to cover prescription drug costs for their salaried employees.

The survey found that dental coverage was more common among larger employers than among smaller ones. For example, 94% of the respondents from companies with 10,000 or more employees have a dental plan, compared with only 79% of those at companies with fewer than 500 employees.

The benefit also appears to be more common on both coasts: One hundred percent of the respondents from California and 91% of those from New York said their companies offered dental coverage, compared with only 73% of the employers from the Southeast.

For 48% of the employers offering dental coverage, employees can choose the coverage without also choosing the company's medical coverage. Forty percent of the employers said employees must have medical coverage to get dental coverage, and 12% use some other method of coordinating the two benefits.

Almost all—99%—of the respondents with dental plans said those plans cover preventive services. Of these, 58% provide full coverage with no deductible, 10% offer full coverage after a deductible is satisfied, 19% provide reimbursement according to a schedule of benefits and the remaining 12% use some other form of reimbursement.

Some 62% of the respondents with dental plans said their plans covered 80% of the costs of basic services. Only 6% said their plans covered more than 80%, while 15% said they covered less than 80%. Eleven percent reimbursed employees for basic services according to a schedule, and 6% used some other method of reimbursement.

But, the survey authors say that the reimbursement levels for basic services are different among employers with 10,000 or more employees.

"In what may be an indication of cost-containment efforts, the response showed that only 39% of these employers reimburse at the 80% level, while 23% use a schedule and 26% cover basic services at only 70% to 75% of actual cost," the authors say.

Continued on page 20



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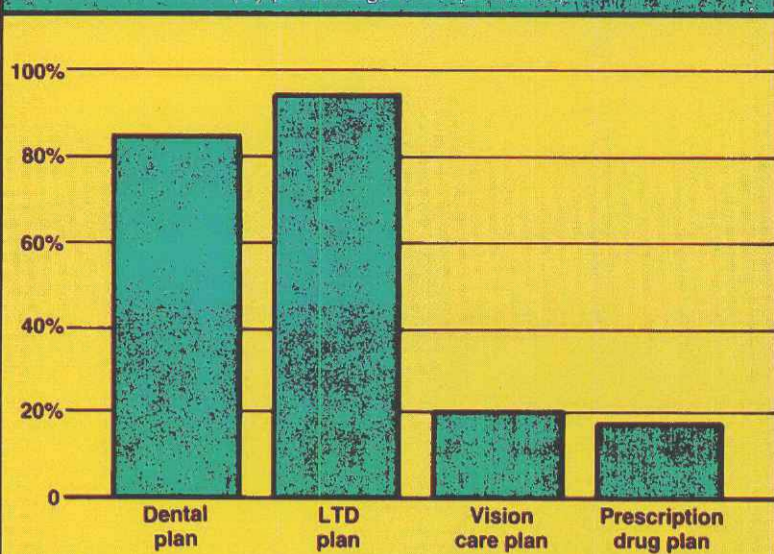
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Prevalence of various employee benefits

(By percentage of respondents)



Source: Mercer-Meidinger-Hansen survey

Chart: Amy Palmer

Dental, LTD plans

Continued from page 18

In addition to the copayment levels, 85% of the respondents with a dental plan said they applied a deductible. The most common deductibles were in the range of \$25 to \$50.

Almost all of the respondents with dental coverage said their plans covered major services, such as crowns and root canals. Of these, 85% used a copayment schedule for reimbursement of these expenses. The most-common copayment was 50%, cited by 59% of those employers with a copayment schedule.

And, 37% of the respondents with dental plans said the plans covered orthodontia expenses for both children and adults. Some 32% said their plan covered orthodontia expenses for children only, and 31% said those expenses were not covered at all.

Employees were required to contribute to the costs of dental coverage, at least for their dependents, in all but 28% of the plans. A contribution was required for both employee and dependent coverage in 44% of the plans, and for dependent coverage only in 28% of the plans.

The most-common employee contribution required was less than \$5 per month, reported by 54% of the respondents whose dental plans required an employee contribution. An additional 30% said the monthly em-

ployee contribution required was between \$5 and \$9.

The majority of dental plans were self-insured: Some 55% of the respondents with dental coverage said the benefit was fully self-insured, and an additional 15% said it was partially self-insured. Only 29% said their plan was fully insured, and 1% reported a capitation plan, such as an HMO.

However, 73% of the respondents with dental plans said those plans were administered by their insurance company, and an additional 16% said they used a third-party administrator. Only 10% said they administered the plan themselves, and 1% reported some other administration procedure.

A strong majority—72%—of the employers did not extend dental coverage to retirees.

In addition to dental coverage, another nearly universal coverage is long-term disability insurance. Some 95% of the respondents offer LTD coverage to their salaried employees, and the figure rises to 100% at employers with more than 10,000 employees.

In 32% of the plans, employees are immediately eligible for the coverage. Waiting periods of 30 days or less were reported by 21% of the plans; 30 to 90 days were reported by 10%; and 90 days or longer were reported by 37%. However, the survey authors note that 52% of respondents with 10,000 or more employees reported a waiting period of at least 90 days.

Continued on page 22

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Benefit costs average 31% of salary

By ALISON KITTRELL

For most employers, employee benefit costs equal about one-third of salary, according to a recent benefit survey.

In a nationwide survey of 818 employers, benefit consultant William M. Mercer-Meidinger-Hansen Inc. found that benefit costs averaged 31% of base salary, with 60% of the respondents reporting costs in the range of 30% to 40% of salary.

The lowest cost was 2% of salary was 2%, reported by one employer, and the highest was 55%, also reported by only one employer, according to the survey, "Miscellaneous Group Benefits and Total Benefit Costs."

"Surprisingly, there were no significant variations by size of employer and few by industry," survey authors say.

The industries reporting below-average employee benefit costs were real estate, 22% of salary; for-profit services, 28%; and wholesale/retail companies, 29%.

Industries reporting above-average benefit costs were utilities, 36% of salary; transportation, manufacturers of durable goods and manufacturers of non-durable goods, each 33%; and insurance companies, reporting 32% of salary.

In terms of geographic regions of the country, benefit costs ranged from 27% of salary in Dallas to 34% in New York.

Half the respondents said they believe their benefit costs will increase over the next five years.

Forty-five percent said they will increase only slightly as a percentage of pay, but 5% predicted a significant increase.

Only 11% of the respondents said they believe benefit costs will drop as a percentage of pay over the next five years. The remainder of the respondents said they expect their benefit costs to remain the same, although the survey authors say, "This may be reflective of employer plans with respect to benefit cost issues."

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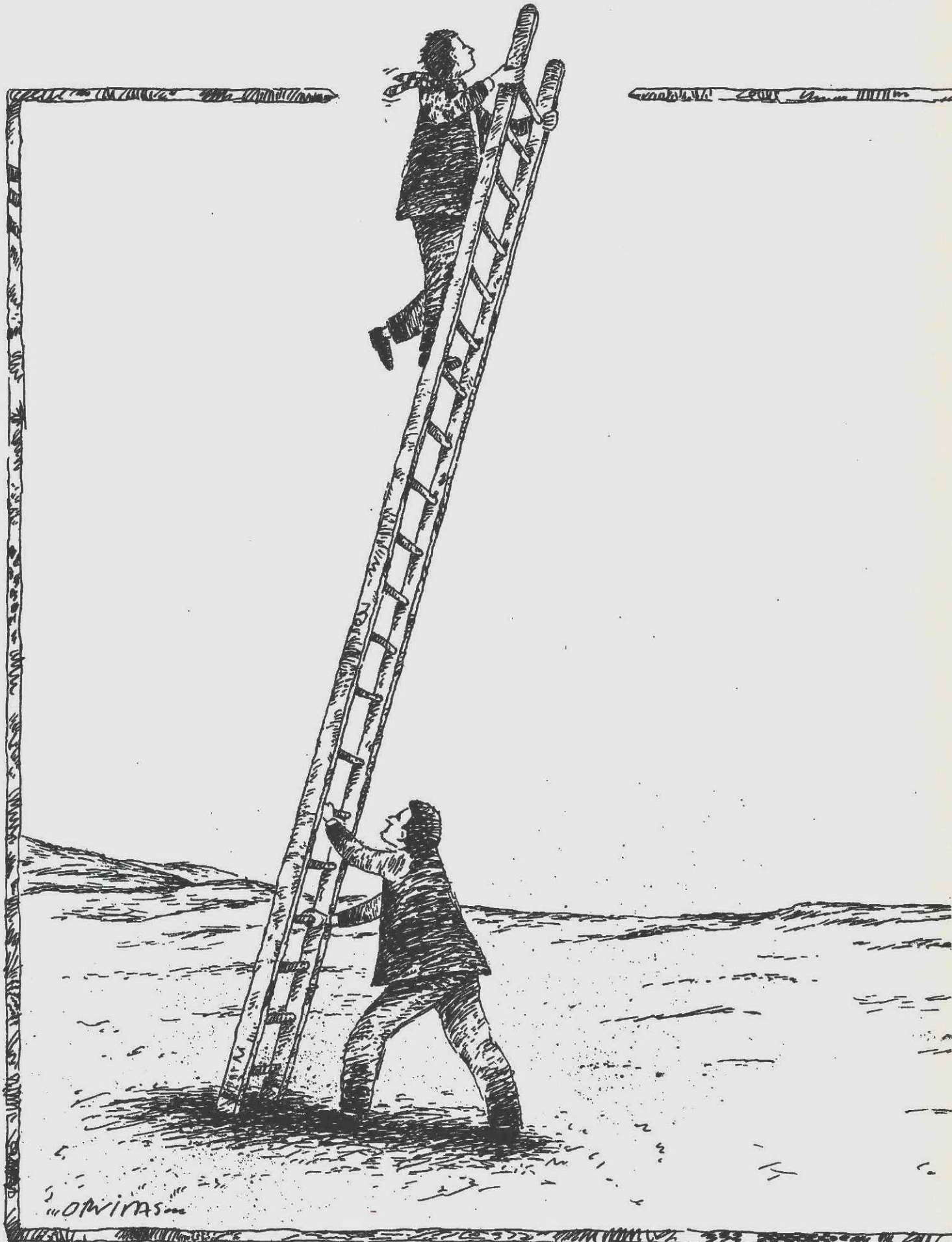
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Benefit survey

Continued from page 20

LTD benefits also usually involve a waiting period after a disability and before the benefits are paid; typically during this period benefits are paid by short-term disability insurance or sick leave benefits.

The most-common waiting period for payment of LTD benefits was 180 days, reported by 50% of the plans responding to the survey.

Other waiting periods were: 30 days or less, reported by 4%; 30 to 90 days, reported by 4%; 90 to 180 days, reported by 7%; and more than 180 days, reported by 5%.

And, 7% of the plans required no waiting period before payment of benefits.

Almost two-thirds—63%—of the plans replace 60% of an injured employee's income, when any Social Security benefits are included, the survey showed.

Only 1% replace less than 50% of income, 12% replace 50% of income, 18% replace two-thirds of income and 4% replace 70% or more.

Two percent of the plans use some other means of determining levels of income replacement.

However, 55% of the plans have a minimum monthly benefit. And, the authors note, "Those with minimums tended to be the plans integrated fully with family Social Security benefits in some way."

Thirty-eight percent of the plans are integrated with both primary and family Social Security benefits, while an additional 39% were integrated only with primary Social Security benefits. Sixteen percent of the plans limited the total benefit to 70% of pre-injury income and 7% took some other approach.

More than half of the plans—57%—cover mental disabilities in the same manner as physical disabilities.

One-third of the plans handle mental disabilities as any other disability for up to 24 months, while 2% use a 12-month limit and 1% use a three-month limit.

Seven percent of the plans cover mental disabilities in some other way.

Sixty-three percent of the plans include a provision for rehabilitative therapy or other back-to-work features.

However, 37% of the plans include no such rehabilitation feature, and the authors say, "The largest employers tend to provide this feature the least."

Employee contributions are required for participation in only 33% of the LTD plans, while 67% are fully employer-funded. But, employee contributions are required by 50% of the employers with 5,000 to 9,999 workers and by 39% of those with 10,000 or more workers.

Some 76% of the LTD plans are administered by insurance com-

In contrast to dental and LTD plans, vision care plans are not a popular benefit, according to the survey. Only 20% of the respondents offer a vision care plan, and half of those include vision care as part of their overall medical plan.

panies. Sixteen percent are self-administered, and 7% use the services of a third-party administrator. One percent use some other form of administration.

In contrast to dental and LTD plans, vision care plans are not a popular benefit, according to the survey. Only 20% of the respondents offer a vision care plan, and half of those include vision care as part of their overall medical plan.

Of those with vision care plans, 59% reimburse for expenses according to a schedule, while 11% use reasonable and customary limits for reimbursement and 18%

use a combination of the two. Twelve percent use some other form of reimbursement.

More than half—54%—of the plans cover routine eye exams once a year, and 5% cover them more often than once a year. Thirty-two percent cover the exams once every two years, 2% cover them less often than once every two years and 7% use some other schedule.

All but 12% of the plans provide coverage for contact lenses, and 63% will cover the lenses even if they are purchased for cosmetic purposes. However, 25% require proof of medical necessity before

covering contact lenses.

Forty-three percent of the plans require an employee copayment, and 30% require employees to meet a deductible.

And, retirees are eligible for coverage under only 36% of the plans surveyed.

Some 17% of the survey respondents indicated that their company sponsors a separate prescription drug plan for its employees, although 61% cover prescription drugs under their overall medical plans.

In 25% of the separate prescription drug plans, coverage was limited to certain pharmacies, similar to a "preferred provider" approach, while 74% of the plans had no such limitation.

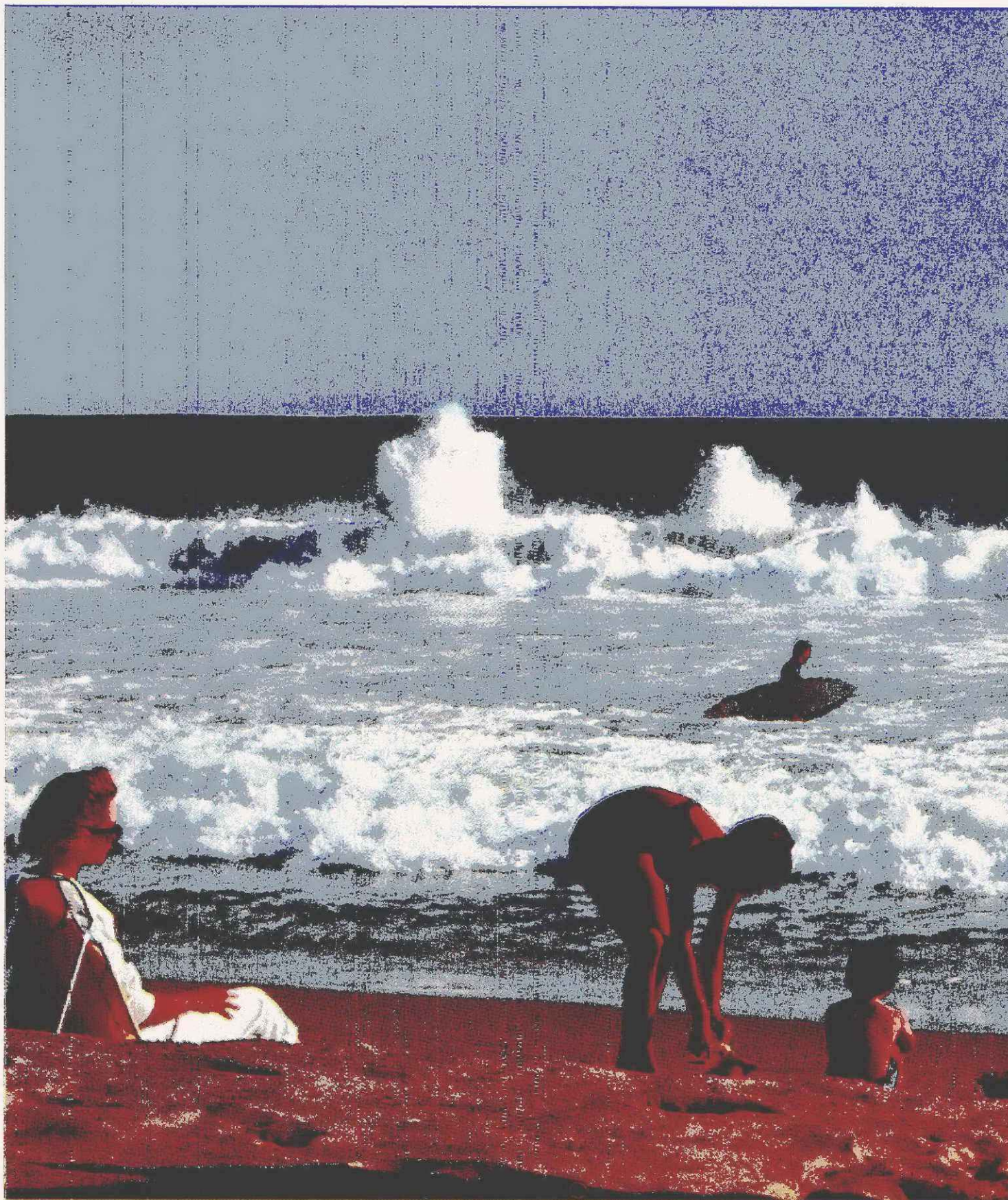
In 44% of the plans, no deductible must be met before coverage begins. In the remaining plans, deductibles tend to be small: 35% of the plans have a deductible of less than \$5, while 21% have a deductible of \$5 or more.

Only one-fourth of the prescription drug plans include any incentive for employees to use generic brands of drugs. However, the survey authors note that 35% of the plans at companies with 10,000 or more employees include such incentives.

No employee contribution is required for participation under 51% of the plans. Employees must contribute for dependent coverage under 19% of the plans, and for employee and dependent coverage under 30% of the plans.

And, 54% of the plans extend coverage to retirees.

Full copies of the survey, "Miscellaneous Group Benefits and Total Benefit Costs," are available only to survey participants. However, copies of the survey highlights are available free of charge from Melvin W. Borleis, Managing Director, William M. Mercer-Meidinger-Hansen Inc., 1417 Lake Cook Road, Deerfield, Ill. 60015; 312-948-7400.



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Few offer non-traditional life products

By ALISON KITTRELL

Basic group life insurance is provided by virtually all—99.5%—employers to their salaried employees, but other types of life insurance—including the much-heralded universal life policies—are just beginning to blossom, according to a recent survey.

In "Miscellaneous Group Benefits and Total Benefit Costs," benefit consultant William M. Mercer-Meidinger-Hansen Inc. surveyed 818 employers nationwide about their non-traditional benefit offerings and their benefit costs (see stories, pages 18 and 20).

The survey authors say, "While there is much talk today about group universal life programs, such plans have not been installed by that many employers and par-

ticipation levels by employees tend to be lower than in other supplemental plans."

In fact, only 11% of the surveyed employers offer group universal life programs. And, in all but four cases, employees are required to pay the full cost of the universal life plan.

Most of the group universal life plans were offered in addition to basic group life coverage: Ninety-one percent of the employers with universal plans said universal life could be selected in addition to regular group coverage.

An additional 5% said employees were required to choose between universal life and basic group life coverage.

And, the authors say, universal life "plan participation was found to be relatively low as compared

Universal life participation tended to be lower when compared with other supplementary plans.

with other voluntary coverages." For example, 91% of the corporate respondents with universal life plans reported employee participation rates of less than 50%.

Four percent had participation rates between 50% and 74%, and 5% had participation of 75% or more.

Ninety percent of the respondents also offer an accidental death and dismemberment plan,

and 57% base the benefit on an employee's salary.

The benefit is usually double the employee's salary in the case of accidental death.

Some 64% of the respondents provide a supplemental life insurance plan, according to the survey.

In 85% of the supplemental life insurance plans, the employee pays the full premium. Employees pay from 75% to 100% of premium in 3% of the plans, from 50% to 75% of premium in 4% of the plans, and less than 50% of premium in 4% of the plans.

Employees are not required to make a premium contribution under 4% of the supplemental life insurance plans covered in the survey.

Of the 99.5% of employers that offer basic group life insurance,

56.5% tie the benefit to salary, most commonly one or two times annual salary.

In addition, 15% offer basic life insurance benefits based on the employee's job class or salary bracket, and 13% offer a flat amount of coverage.

Five percent use a combination of these methods to determine the benefit, and 10% use some other method.

Only 2% of the employers who offer basic group life coverage require employees to provide evidence of insurability before any life insurance will be provided. Forty-five percent will provide insurance up to a set maximum without evidence of insurability, and 53% will provide coverage with no maximum without evidence of insurability.

Forty-seven percent of the basic life insurance plans do not extend benefits to retirees. For the remainder, the benefit is extended, although usually in a reduced amount.

In addition, 49% of the employers surveyed provide coverage for an employee's spouse and/or children, but an equal number provide no such plan.

One percent offer the coverage for spouses only, and 1% have some other type of plan.

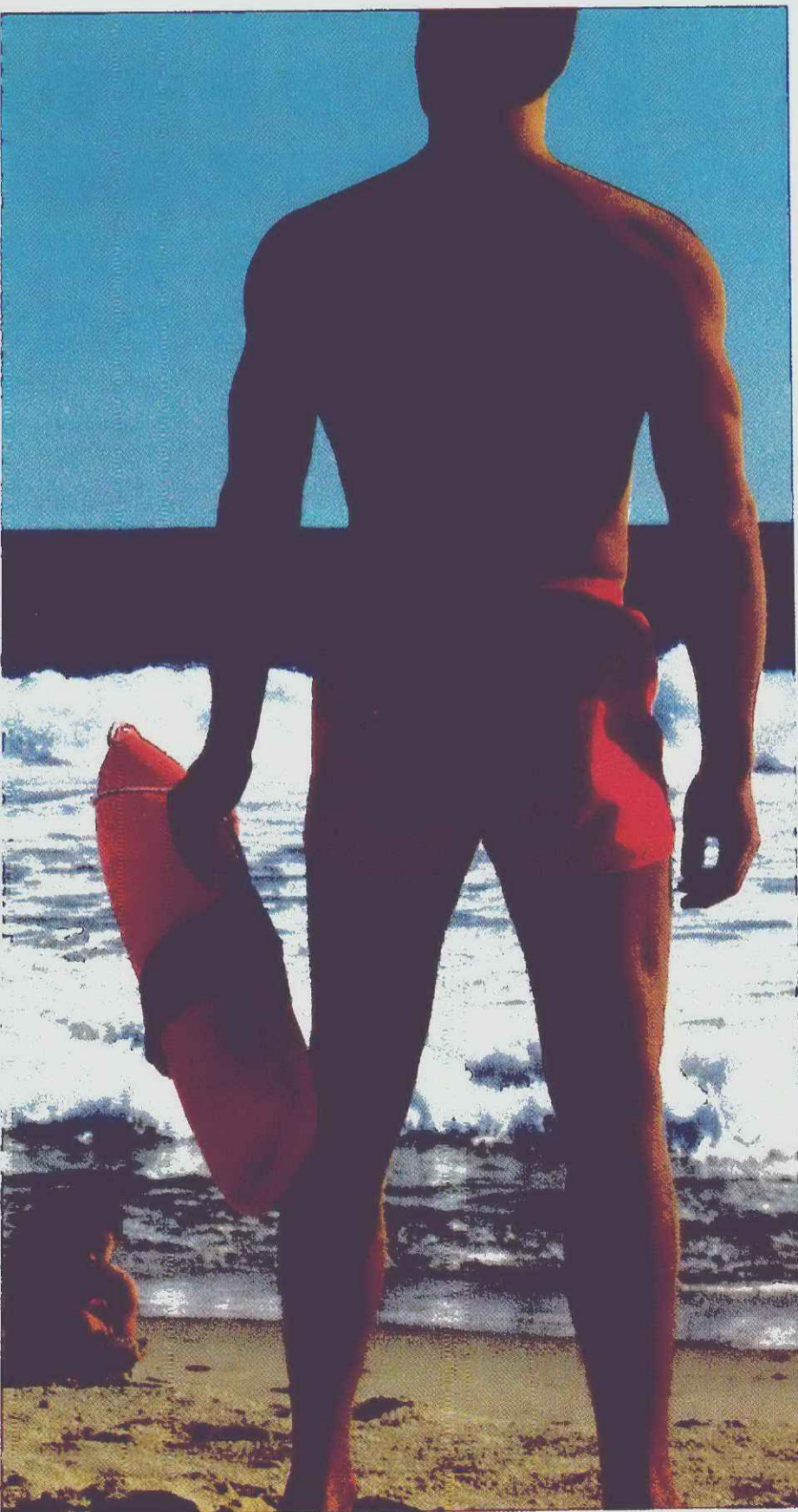
Of the employers offering dependent life insurance plans, 76% offer a fixed amount of coverage for spouses and children. An additional 18% allow an employee to select the amount of coverage he or she wishes to purchase for dependents, and 5% tie the dependents' benefit to a certain percentage of the employee's basic life insurance benefit.

The remaining 1% use some other arrangement.

In 64% of the dependent life insurance plans, the employee pays the total premium. Employees pay a percentage of premium in 12% of the plans, while 24% of the employers offering dependent life insurance coverage pay the entire premium.

The authors say, "Smaller employers tend to fully subsidize this benefit more frequently than larger employers." ■

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Vermont licenses 100th captive insurer

By JERRY GEISEL

WARREN, Vt.—Despite more competition from other states and an improving commercial property/casualty insurance market, Vermont captive growth shows no sign of slowing down.

Last month, the state's Department of Banking and Insurance achieved a milestone when it licensed its 100th captive since the state enacted its landmark 1981 captive statute.

Even if several captives that were licensed but never began operations are excluded from that total, Vermont's current roster of 97 captives is four times higher than Colorado, its closest onshore competitor with 24 captives, and eight times more than Tennessee, which currently has 12 captives.

What is remarkable about Vermont's captive growth is that so much of it has come so fast.

This year alone, 31 captives have been licensed, following the record 36 captives the state licensed in 1986.

And, with captives currently being licensed at the rate of about one per week, the 1986 record should be easily eclipsed.

In fact, in September alone, at least three—and perhaps as many as six—captives will be licensed, said Edward Meehan, chief examiner at the Vermont Department of Banking and Insurance in Montpelier.

This remarkable growth—in contrast to Colorado, where the captive roster has hovered around 25 for the last several years—comes as no surprise to state regulators who

addressed last month's meeting of the Vermont Captive Insurance Assn. in Warren, Vt.

"Everything has really come together in the last two or three years," said Thomas Menon, who recently resigned as Vermont insurance commissioner and now is the state's secretary of administration.

While the current growth has been impressive, it may only be a taste of what is yet to come, officials say.

"We are on the right track to double the number of captives to 200," Mr. Menon said.

If growth continues at the current rate, that goal could be hit within two years, some regulators and captive managers say.

While support in other states for captives has run hot and cold de-

pending on who was sitting in the insurance commissioner's office, the four persons who have occupied Vermont's commissioner of banking and insurance office since 1981 all have been captive boosters.

And, current Commissioner Gretchen Babcock, who took the post following the Mr. Menon's recent resignation, told the conference that she is just as dedicated to captive growth as her predecessors.

"You can expect a lot of support from the Department of Banking and Insurance. We feel a financial

services industry, like captives, is a natural for Vermont. It keeps the green in the Green Mountains," Ms. Babcock said.

She pledged continued support as well as increased monitoring of captives, which she said is good for the state's captive industry.

Already, the state is taking steps to facilitate captive formation as well as increase its scrutiny of captives.

For example, the Department of Banking and Insurance has cut in half to 30 days the amount of time it needs—once a completed application has been received—to decide on licensure.

A major factor in this reduction in processing time is that the department now uses outside, paid experts rather than an advisory board to review captive applications.

Each captive application is reviewed by one of five consulting firms selected randomly by the department. Those firms are Anistics Inc.; Corroon & Black's consulting division; Milliman & Robertson Inc.; the Tillinghast Division of Towers, Perrin, Forster & Crosby; and The Wyatt Co.

Applicants pay the \$1,200 cost of this outside review.

These firms, which, among other things, evaluate whether a captive's proposed capitalization is adequate, submit their recommendations to the department within 10 days after receiving an application.

In addition, Vermont is plowing more resources into captive regulation and supervision.

For example, the Department of Banking and Insurance now is recruiting and hiring five new staffers, including one for the newly created position of assistant chief examiner, whose sole responsibility will be captives.

"The new positions mean we will have better control and more knowledgeable people who can handle day-to-day questions," Mr. Meehan explained.

Funds to pay for a larger staff are being generated by legislation enacted earlier this year giving the department 7.5% of the premium taxes paid by captives. These funds can be used only for captive-related purposes.

The concept of delegating captive premium tax income to captive regulation is vital, state officials say.

As the number of captives rises, premium volume also will increase, ensuring the department will have funds for captive regulation.

Similarly, another recent amendment to Vermont's captive law will enhance captive growth, state captive experts say.

Under that amendment, captives are subject to a \$5,000 minimum premium tax that clears up a prior ambiguity in the state's captive law.

Previously, a captive had to prove that it could provide a direct economic benefit—a term that never had been defined—before the Department of Banking and Insurance would approve the application.

By setting a minimum premium tax, the amendment clarifies what is an economic benefit, said Arthur Koritzinsky, vp at Johnson & Higgins Services Inc. in New York.

As a result, the department now can license small captives that may not have been approved under the economic benefit test.

But Vermont is not the only state that is making changes to its captive statute to enhance its appeal to captives.

For example, Colorado earlier this year approved legislation that, among other things, repeals restrictions on investments by captives and removes a requirement that an applicant for a captive license must prove that insurance is unavailable or unaffordable (BI, March 30).

Continued on page 26

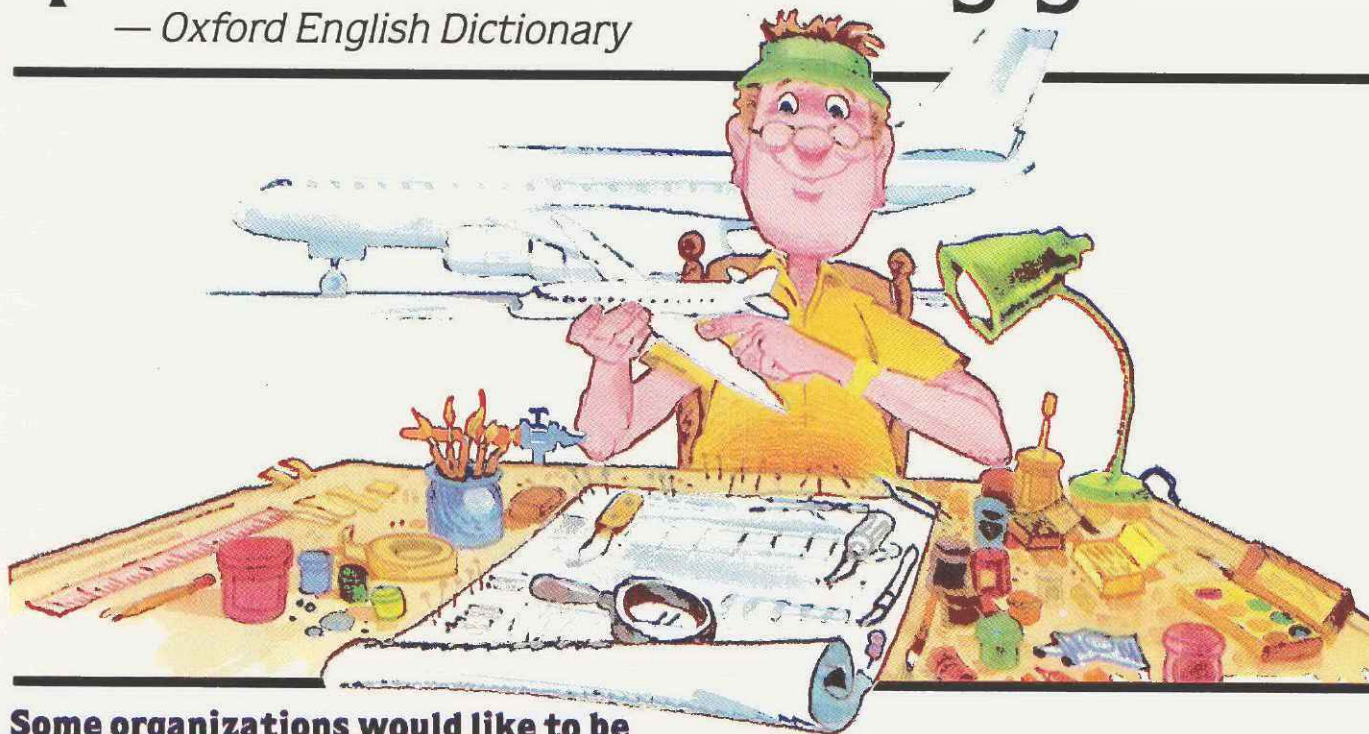


Ms. Babcock

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Vermont captives

Continued from page 24

In addition, Illinois amended its insurance code to give certain tax breaks to captives (*BI*, July 20; Aug. 10).

But Vermont captive supporters, very much aware of the increased competition, doubt other states ever can catch up.

"There is a long learning curve on captive regulation. Other states would have a long way to catch up," Mr. Meehan said, citing Vermont's six years of experience in licensing and regulating captives.

J&H's Mr. Koritzinsky said that merely enacting a captive statute will not ensure captive growth.

"The attitude of the regulators is just as important as the law," he said.

Mr. Meehan also said improved conditions in the commercial insurance market have not slowed down interest in captives.

Indeed, the department expects to grant licenses to another 15-20 captives in the next few months.

But what is changing is the risks written by captives and the types of captives being formed.

For example, corporate interest in forming captives to cover general liability, especially product liability risks, is decreasing. But, there is more interest in establishing captives to cover medical malpractice and professional liability risks, say state officials and captive managers.

"Tough insurance problems, like medical malpractice and professional E&O, will not go away," said Mr. Koritzinsky.

"There still is a serious market deficiency out there. More hospitals will be forming captives," Mr. Meehan predicted.

On the other hand, formation of risk retention groups in Vermont—a major source of recent captive growth in the state—already is slowing.

Vermont now has 12 risk retention groups, all of which have been licensed since Dec. 31, 1986. The risk retention groups comprise about one-third of the captives established in the state during that nine-month period.

A risk retention group is a special multiple-owner captive that, after meeting the insurance requirements of one state, can operate nationwide without having to be licensed in other states.

Mr. Meehan said that a large number of additional risk reten-

tion groups is unlikely, at least in the short term. Of about one dozen pending captives under department review, only one is a prospective risk retention group.

"With the market changing and turning, it is much more difficult to get a group together," Mr. Koritzinsky explained.

While the growth of risk retention groups may ease, Vermont captive regulators say the state still is well on its way toward meeting its next goal of 200 captives. And, eventually, they say Vermont could equal Bermuda as the world's largest captive domicile. Currently, Bermuda has about 1,200 captives, so Vermont still trails far behind.

Ultimately, the future shape of tax laws and swings in the commercial insurance market will be factors affecting Vermont's growth, Mr. Koritzinsky said.

In any case, "Vermont will get its fair share of captives," Mr. Menson predicted.



Photo: Jerry Geisel

■ The Green Mountain State of Vermont is the nation's most popular domicile for captive insurers.

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Attendance up sixfold from '86

WARREN, Vt.—Amid crystal-blue skies and bright sunshine, about 120 people attended the Vermont Captive Insurance Assn. conference, held Aug. 21 at the famed Sugarbush Inn in Warren, Vt.

Attendance at this year's conference was more than six times greater than a similar conference last year.

"We occupied a corner of a restaurant" last year, recalled Thomas Menson, former commissioner of the Vermont Department of Banking and Insurance and now secretary of administration. "I'm amazed at how the captive industry and this association has grown."

Membership in the Vermont Captive Insurance Assn., which now has about 50 members, is open to Vermont captives and managers. Annual dues are \$100.

The VCIA acts as the voice of the state's captive industry on regulatory and legislative issues. It also helps sponsor a booth at the annual Risk & Insurance Management Society conference.

More information about the group is available by writing the Vermont Captive Insurance Assn., Box 13, 7 Burlington Square, Burlington, Vt. 05401. ■

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Vermont can do more to lure captives: Expert

By JERRY GEISEL

WARREN, Vt.—Despite record-setting growth, Vermont can do even more to attract new captive insurance companies, a captive expert says.

Jaxon White, president of MEDMARC Insurance Co. Risk Retention Group, a Vermont-licensed risk retention group that provides up to \$5 million in product liability coverage to about 400 medical equipment manufacturers, says Vermont officials need to publish more information about captive rules and changes.

"A source of information is needed," Mr. White said.

Speaking last month before the Vermont Captive Insurance Assn. conference in Warren, Vt., Mr. White suggested that Vermont re-

gularly publish an official list of newly licensed captives.

"Who is being licensed here? We certainly would be interested in knowing that," said Mr. White, who also is president of Fairfax, Va.-based Hamilton Resources Corp., a consultant and managing general agent for MEDMARC.

Mr. White said a newsletter—published at least twice a year—would be one way the state could keep risk managers and consultants up-to-date on the latest Vermont captive developments.

For example, the newsletter would be a vehicle for state regulators to explain pending and recent changes to Vermont's captive law.

"It would be helpful if someone, such as the state, published changes made to the statute and the steps being taken to implement

those changes," Mr. White said.

In addition, state officials could publish an annual report summing up significant captive developments in Vermont over the year.



Mr. White

"An annual report could be a way of generating new business," Mr. White said.

The Department of Banking and Insurance, which regulates captives, also could send a questionnaire to newly licensed captives so they can evaluate and critique the captive application process, Mr. White suggested.

"Does the current application

meet current needs? Perhaps there should be a critique process," he said.

To prevent wasting time, Mr. White recommends that parents of prospective captives make an appointment with the Department of Banking and Insurance only if they are serious about setting up a captive.

Vermont captive managers can do even more to ensure that captives comply with state rules and regulations, Mr. White suggested. Management companies can develop a simple checklist to make sure they and their clients have complied with all rules, he said.

Repeating criticism heard frequently in Vermont captive circles, Mr. White said the banking community needs to do more to meet captives' needs for financial ser-

vices.

For example, while MEDMARC is a large captive—it was licensed earlier this year with \$10 million in capital and surplus and could write \$20 million in premiums this year—it was not approached by a single Vermont bank.

"We have significant banking needs," Mr. White said, listing such basic items as letters of credits and electronic fund transfers.

By contrast, in Bermuda—where MEDMARC was domiciled for eight years before becoming the first off-shore captive to come ashore as a risk retention group under the 1986 amendments to the federal Risk Retention Act (BI, Feb. 2)—there is a strong financial services infrastructure to support captives, Mr. White observed.

If the number of Vermont captives continues to swell, service vendors—including banks, accountants and actuarial firms—will become more eager to grab a slice of Vermont's captive business.

"They will come when they realize the potential of the state," Mr. White said.

Mr. White also pointed out that Vermont captives should not be advocating the lowest possible state premium tax.

Instead, taxes should be set at a "realistic" level, he said. In fact, captives would understand the need for higher taxes if more revenues were needed to support efficient regulation.

Amendments this year to Vermont's captive statute establish a two-tier premium tax structure, under which the tax on the first \$15 million of direct premiums written by a captive is 0.8%, while the tax on direct premiums exceeding \$15 million is 0.6%. The premium tax on reinsurance business is 0.3% on the first \$15 million of reinsurance assumed and 0.2% on reinsurance premiums exceeding \$15 million.

In addition, captives face a \$5,000 minimum premium tax.

Mr. White also said the department should make it clear that it supports risk retention groups.

"Other states should know that Vermont risk retention groups are well-regulated," said Mr. White.

While not supplying any numbers, Mr. White noted that coming ashore to Vermont from Bermuda was a time-consuming and expensive process for MEDMARC.

With the move completed, MEDMARC has a vested interest in Vermont retaining its reputation as the premier domestic captive domicile. "We want intelligent people in captive regulation," he said.

The future of Vermont as a captive domicile also could be helped by recent changes in tax law.

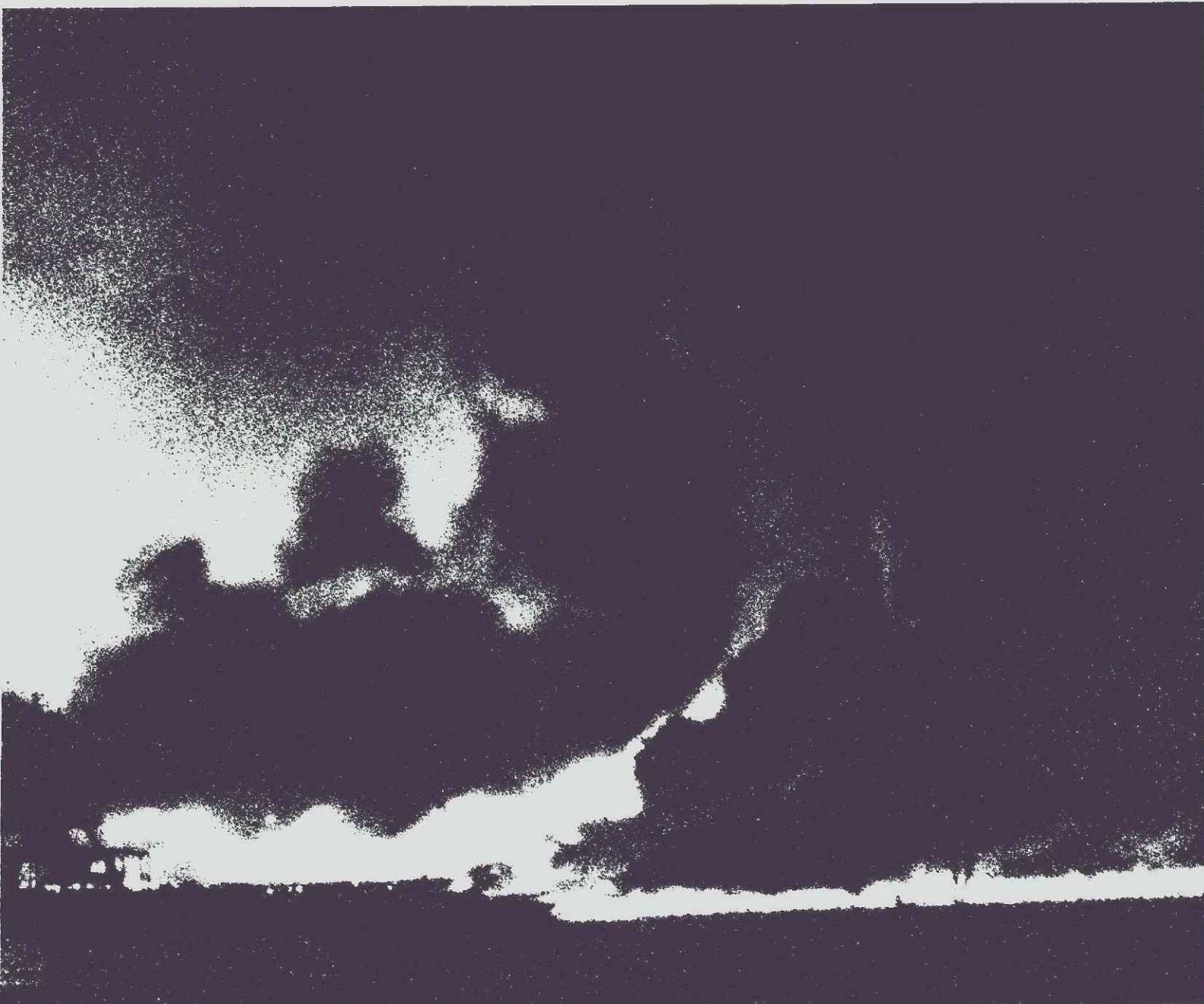
James Cameron, a tax expert and a partner in the New York office of the law firm of Baker & McKenzie, said there no longer is any tax advantage in being offshore.

However, because of liberal licensing requirements, captives starting off on a "shoestring" may be better able to begin their operations offshore than in a domestic state, Mr. Cameron said.

Mr. Cameron noted that one key advantage of establishing a risk retention group compared with an offshore group captive is that such groups can operate nationwide—after meeting the licensing requirements of one state—without having to use a fronting insurer to issue policies.

Mr. Cameron noted that both risk retention groups and purchasing groups have come under attack by state regulators. He urged buyers to make a coordinated response to such attacks, adding that without such a response, risk retention and purchasing groups will not reach their full potential. ■

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Markets

New AIG unit to develop managed care overseas

New York-based American International Group Inc. has created a new division to develop managed health care plans overseas.

American International Health Care Inc. of Potomac, Md., initially will concentrate on developing health maintenance organizations or similar structures in Europe and Southeast Asia.

The new company follows the July 1986 acquisition of Potomac-based Jurgovan & Blair Inc., a health care management and consulting company.

Thomas C. Ramey, director of Jurgovan & Blair's international

operations, has been named president of the new division.

"Most countries have social health care systems," said Mr. Ramey. "But the costs have increased to the point that governments are encouraging private sector initiative to share the burden. The need is for managed care programs, such as health maintenance organizations in the United States, which combine insurance and service delivery."

For more information contact Paula Moore at American International Health Care Inc., 7811 Montrose Road, Potomac, Md. 20854; 301-251-8600.

Captive consultant

American National General Agencies Inc. of Los Angeles has spun off ANGA Risk Services to provide risk retention group, captive insurance company and purchasing group consulting services.

Richard Nieder, who was involved in special captive and risk retention projects at American National General Agencies, will head the new division. Mr. Nieder also served as ANGA's Denver branch underwriting manager.

Based in Denver, ANGA will take advantage of Colorado's captive law, Mr. Nieder said.

For more information contact Mr. Nieder at ANGA Risk Services, 1776 S. Jackson, Suite 1120, Denver, Colo. 80210; 303-692-9063.

Four brokers merge

Four San Jose, Calif., brokerages have merged: BFB&K Insurance Services, Klindt Insurance Services, CQB Insurance Services and Klindt Financial Group.

The new company, COMPRO Insurance Services Inc., will have annual premiums of \$35 million, according to COMPRO President and Chief Executive Officer Philip Barry, formerly of BFB&K of Los Gatos, Calif.

Acquisitions of other brokerages will generate \$100 million in premium volume for COMPRO in five years, predicted Mr. Barry.

COMPRO divisions will specialize in employee benefits, financial planning, international services, risk management and high technology.

Principals in the new company include Jan Kellogg, Clayton Bruntz and Lon Fenchel, all formerly of BFB&K; Ken Steffen, formerly of Klindt Insurance Services; and Kevin Quinn and Fritz Bodenheimer, formerly of CQB Insurance Services. Bruce Lichtenberg and Jim McIntire, formerly with Klindt Financial Group, will direct the company's employee benefits and financial services divisions.

Mergers/acquisitions

Rollins Burdick Hunter Co. of Texas has announced an agreement in principle to merge with Houston-based Adams & Porter International Inc. Adams & Porter is an independent agency known for its special interest in marine and energy risks.

Los Angeles-based wholesaler Swett & Crawford Group has entered into an agreement to acquire Robert S. Martin Corp., a Detroit-based wholesale broker. Robert S. Martin, principal officer of the brokerage, will continue as president. The Martin office will be merged with Swett's Birmingham, Mich., office.



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• A flier available from Trenwick Services Ltd. describes the company's **captive management services**. For a free copy, write 102 in the box on the reader service coupon.

Commercial property/casualty insurance

• "Directors and Officers Governmental Actions Legal Expense Reimbursement Insurance," a flier available from NAS Insurance Services Inc., describes **GALEXI, insurance for directors and officers of regulated industries** such as securities, utilities and communications. For a free copy, write

201 in the box on the reader service coupon.

• NAS Insurance Services Inc. offers a brochure including a description, application and sample policy of **GALEXI PLUS, a program providing directors with legal expense reimbursement** for suits from depositors, borrowers and shareholders. For a free copy, write 202 in the box on the reader service coupon.

• NAS Insurance Services Inc. offers a description, application and sample policy of a **legal expense reimbursement plan available to independent banks**. For a free copy, write 203 in the box on the reader service coupon.

• "REALEX—Errors and Omissions Legal Expense Reimbursement Insurance," a brochure available from NAS Insurance Services Inc., contains a description, application and sample of an **errors and omissions insurance policy for Realtors**. For a free copy, write 204 in the box on the reader service coupon.

• "Putting Risk into Perspective for the Health Care Industry," a booklet offered by Corroon & Black Corp., describes specialized insurance products and services the company offers to **health care institutions and professionals**. For a free copy, write 205 in the box on the reader service coupon.

• "Putting Risks into Perspective for the Construction Industry," a booklet describing insurance products and services for **U.S. and international contractors**, is available from Corroon & Black Corp. For a free copy, write 206 in the box on the reader service coupon.

• Swett & Crawford Group offers an informational kit detailing **commercial insurance coverages** available from each of its branch offices. For a free copy, write 207 in the box on the reader service coupon.

• "Quotations" is a monthly newsletter published by Swett & Crawford Group describing **commercial insurance products and services** offered by the wholesale broker. For a free copy, write 208 in the box on the reader service

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• Rhulen Agency Inc. offers a pamphlet, "Only Surgery Will Save Their Horse," which describes the company's **equine surgical insurance** programs. For a free copy, write 210 in the box on the reader service coupon.

• Corroon & Black Corp. offers a booklet describing property/casualty and liability programs for **commercial ventures into space**. For a free copy, write 211 in the box on the reader service coupon.

• "Professional Insurance Corporation Newsletter" is a quarterly **publication containing information on insurance topics** in general and on products available from Professional Insurance Corp. For a free copy, write 212 in the box on the reader service coupon.

• "Business Interruption Insurance for Today's Losses" is a booklet available from The Alex N. Sill Co. that discusses **business interruption insurance** and includes examples of solutions to problems. For a free copy, write 213 in the box on the reader service coupon.

• "What to Do When the Adjuster Says 'No,'" a written presentation offering **solutions to disagreement between adjusters and policyholders** regarding building claims, is available from The Alex N. Sill Co. For a free copy, write 214 in the box on the reader service coupon.

• The American Arbitration Assn. offers a procedural guide to help insurers and claimants **resolve property and liability claims** through arbitration or mediation. For a free copy, write 215 in the box on the reader service coupon.

• "Dispute Resolution Procedures for Insurance Claims" is a pamphlet describing the American Arbitration Assn.'s services designed to help insurers and claimants **resolve claims through ar-**

Continued on page 32

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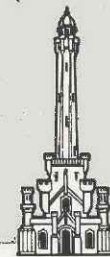
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• NLS Publishing Co. offers "INSight," a monthly newsletter highlighting **significant events in insurance regulation.** For a free copy, write 220 in the box on the reader service coupon.

• Canadian Industrial Risks Insurers offers an eight-page brochure describing its **combined fire, difference-in-conditions and boiler and machinery coverage.** For a free copy, write 221 in the box on the reader service coupon.

• Canadian Industrial Risks Insurers offers "Five Good Reasons," a kit containing information on the **commercial insurance products and services** the company offers. For a free copy, write 222 in the box on the reader service coupon.

• Industrial Risk Insurers offers a four-page folder describing the history and development of its **property insurance and loss prevention services.** For a free copy, write 223 in the box on the reader service coupon.

• "Worldwide Property Insurance," a six-page brochure available from Industrial Risk Insurers, provides information on the company's **underwriting and loss prevention services** for U.S. and foreign businesses. For a free copy, write 224 in the box on the reader service coupon.

• Trenwick Syndicate Corp., a **syndicate on the New York Insurance Exchange,** describes its underwriting philosophy in a two-page folder. For a free copy, write 225 in the box on the reader service coupon.

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from Shand, Morahan & Co. Inc., discusses the increased need for **professional liability insurance by health care professionals** other than physicians, surgeons and dentists. For a free copy, write 226 in the box on the reader service coupon.

• Shand, Morahan & Co. Inc. offers a reprint of "Are MGAs Still in Vogue?" an article examining the **changing role of managing general agents** in the excess/surplus lines market. For a free copy, write 227 in the box on the reader service coupon.

• The **New York Insurance Exchange** offers a brochure con-

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• A brochure is available from Zurich-American Insurance Group detailing the **property/casualty insurance programs** available from its Special Risk Division for large and complex risks. For a free copy, write 230 in the box on the

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• Global Special Risks is offering a flier describing its **global insurance programs.** For a free copy, write 231 in the box on the reader service coupon.

Employee benefits

• Upjohn HealthCare Services offers a 12-page brochure detailing the company's **home health care programs** designed to promote cost control. For a free copy, write 301 in the box on the reader service coupon.

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The 100th anniversary of the signing of the U.S. Constitution took place in 1887 with a celebration in Philadelphia. In little more than two months, volunteers led by Colonel A. Loudon Snowden marshalled Philadelphia's commercial and manufacturing interests to put together a massive, three-day civic and industrial pageant that drew 1.5 million spectators. Visitors to the celebration took with them a souvenir program containing the Constitution written on 14 pages of very small type followed by 24 pages of very large advertisements.

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BI's annual info section

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The materials, all free of charge, are organized under these headings: captives, commercial property/casualty insurance, employee benefits, employee benefit 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, write the key numbers of the items you want in the boxes on the reader service coupons provided on several of the following pages.

Fill out the remainder of the coupon; then mail it to *Business Insurance*, c/o Hartley Data Service Inc., 1807 Glenview Road, Glenview, Ill. 60025.

All requests for free Info materials must be received before Nov. 16 in order to be processed.

• **Case studies illustrating home health care programs** available from Upjohn HealthCare Services are detailed in a flier available from the company. For a free copy, write 302 in the box on the reader service coupon.

• "Aftercare," a pamphlet available from Upjohn HealthCare Services, details the company's **in-home psychiatric nursing services**. For a free copy, write 303 in the box on the reader service coupon.

• "Lost Work Time: Categories, Costs and Prevention," a survey published by Advisory Communications Systems Inc., reports on

employee time off and time lost in dealing with personal problems, including legal problems. For a free copy, write 304 in the box on the reader service coupon.

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• A nine-page booklet available from Sanus Corp. Health Systems describes features of the Sanus Health Plan, a **health mainte-**

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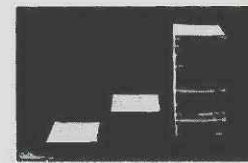
• "The Sanus Report" is a quarterly publication offered by Sanus Corp. Health Systems discussing **health care cost-containment issues** for employers. For a free copy, write 309 in the box on the reader service coupon.

• A quarterly publication of Warren, McVeigh & Griffin Inc., "The Employee Benefits Management Letter," contains information on **topics of interest to employee benefit managers**. For a free copy, write 310 in the box on the reader service coupon.

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cost-containment features of Crawford & Co.'s **medical bill audit programs** is available from the company. For a free copy, write 311 in the box on the reader service coupon.

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• The Employee Benefit Research Institute offers sample copies of "EBRI Issue Brief," a monthly newsletter reporting on **topics pertaining to employee benefits**. For a free copy, write 315 in the box on the reader service coupon.

• "Case Management in the PPO System" is a five-page article discussing the principles of case management programs and preferred provider organizations. It is available from Pacific Review Services. For a free copy, write 316 in the box on the reader service coupon.

• International Data Processing Inc.'s products and services designed to **control benefit costs** are discussed in "Communique," a newsletter available from the company. For a free copy, write 317 in the box on the reader service coupon.

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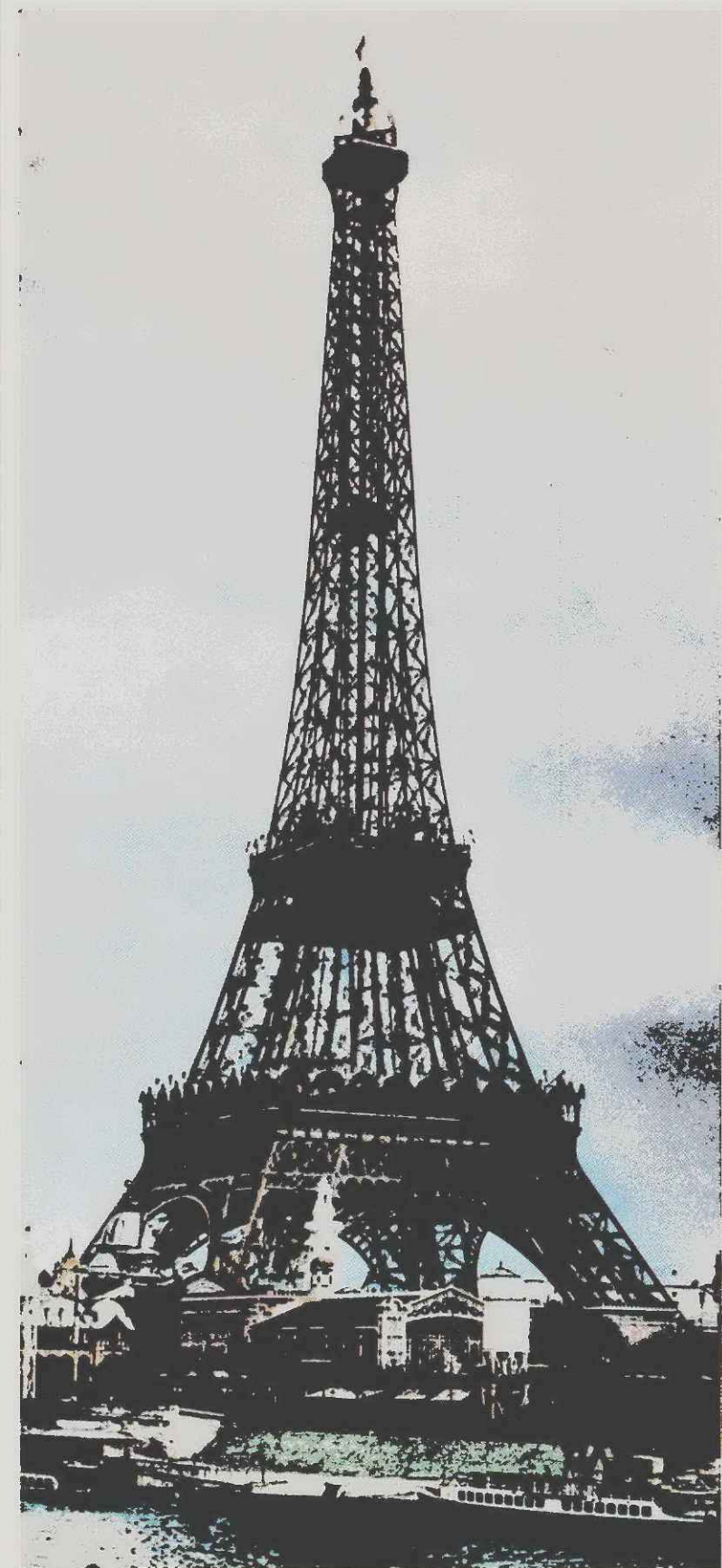
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- Employee Benefit Research
Continued on page 36

The insurance company that started business on a handshake and a promise, is one of the most trusted names in commercial insurance today.

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Continued from page 34

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Continued on facing page



This Time The Patient Is The Company Medical Plan.

When corporate America gave its medical plans a check-up last year, it found a suspicious growth.

Costs swelled 7.7 percent. And early indications are this rate could double in 1987.

Health care is raising major financial concerns, say 1,466 employers responding to the 1986 Johnson & Higgins HealthGroup study of corporate health care plans.

Among them is whether alternative delivery systems, such as HMOs, and cost-control programs, such as Second Surgical Opinions, actually are delivering on their promise of plan savings.

Also, nearly three of five employers admitted they hadn't begun to deal with the massive financial problem of retiree health care liability, estimated now to exceed \$100 billion.

Yet, by 1996, companies will be obligated to provide health benefits to one retiree for every two active employees.

By then Medicare very likely will be a shadow of its present self.

The time is right for alert corporations to operate carefully on their medical plans.

There are effective ways to use the alternative delivery systems (HMO negotiations get easier when hard data is

presented. And PPO shared savings promise to attract nearly double the number of employers this year).

There are measurable utilization techniques that do the cost-containment job.

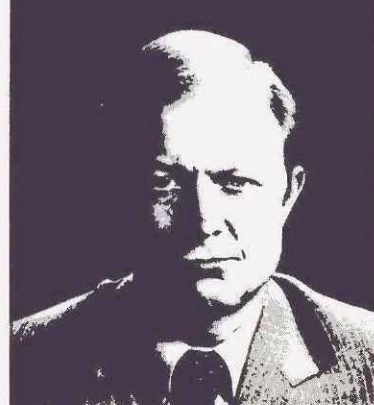
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Striking it rich

Employers can find 'gold' in pension record keeping

By Grant H. Morris

GOLD MINING HAS enjoyed a revival of sorts in the past few years, spurred on by new technology. Benefit managers, who may not wish to subject themselves to the vagaries of climate and geology which characterize gold mining, may find that new computer technology has created the opportunity to find gold closer to home—among records for defined benefit plans.

Yes, gold, or something very close to it—namely, the fees paid to actuarial consulting firms, year after year, for doing routine work. Perhaps you thought that the annual pension plan valuation involved higher mathematics, and the invocation of mysterious formulas that only they could understand and apply?

Well, that may be so, but before anything actuarial happens to the client's data, it is brought together by the client. This in itself may be an expensive and time-consuming task, depending on how good the employer's payroll and human resources records are. Then it is sent to the actuary, who sets his high-priced clerks to work, doing "cleanup."

It has been estimated that this process can account for 40% of the bill for an annual valuation where benefits statements are prepared.

Prices for actuarial work vary widely, depending upon the complexity of the plan, what the client has asked the actuary to do, etc. But, costs averaging \$20 per participant per year for a settled plan with no great demands are not uncommon in plans with 2,000 or more participants. Indeed, this estimate may be on the low side. Inevitably, smaller plans pay higher per capita fees, in inverse proportion to the number of participants.

In our example, the costs total \$40,000 per year for a 2,000-participant plan, and 40% of that is \$16,000. Note that this money is paid out every year for the performance of work the typical actuary will say he doesn't like to do, work the client likewise would prefer to avoid. And, interestingly enough, this is work which neither of them need to be doing anymore.

The hardware and software are here now to enable the benefits manager to reduce his actuarial costs (*BI*, May 11). And the cost of implementing this new technology can be offset by the cost of the "data cleanup" alone.

Just as with gold mining, there has always been room for considerable savings in defined benefit plans—when the right technology came along. To see where these savings are, let's take a look at the characteristics of these new administrative systems and some of the things they can do to lower production costs for a defined benefit plan.

From the viewpoint of the employee benefit manager, who is often running

an operation that is both undermanned and subject to demands from many directions (government, management, employees—both active and former—and others), perhaps the most important characteristic of any new system is that it be easy to install and use. Installation should proceed in easy-to-manage steps, so that the corporate benefits department is not suddenly overwhelmed with more than it can digest.

In practice, any well-designed system for the administration of defined benefit

plans should be easy to install, since most of the numbers used from the onset come from the actuary's most recent year-end valuation file. In use, it should be easy to maintain, since it operates primarily in passive mode, receiving its input from the payroll and personnel systems, automatically writing over the data each month. It should require little attention from the benefits department personnel.

At this point, the skeptics are apt to

ask: "What is the point of just copying over the data from payroll and personnel without adding anything to it?" Well, it isn't that simple. There is a certain amount of redundancy between payroll/personnel/benefits, but no effort is required on anyone's part to make the benefits copy, and it can be useful in finding discrepancies between the departments' data banks. In addition, a proper administration system will have a provision for creating new records and for correcting certain items on existing ones (although neither of these features should see much use). And, the system should have the ability to allow benefits staff to input certain data that only they have, such as beneficiary designation codes.

Speaking out

At this point, the benefits department has established control over the company's defined benefit plan records. In the process of doing so, it has probably begun to realize the obvious truth that who controls the records also controls the costs and schedules associated with them.

However, the really important point about this kind of system is that it puts control of the records where it should be, with the responsible user. At the end of the first phase of installation, a system for defined benefit plan administration will give the benefits manager an on-line and comprehensive record for each active participant, updated with the latest personnel/payroll data at the end of each month. The monthly updating program will deliver reports on the levels of vested and credited service, changes in status, accumulated pension earnings and headcounts year-to-date, and comparative figures against prior years. The benefits manager will have the ability to look up the latest status of any participant at any time, without assistance from

an outside actuary or an in-house data processing system.

In cases where it is feasible to do so, a somewhat more full-blown version of the system should be capable of reporting group insurance records by sex and class of employee, as well as producing current compensation data by these and other categories.

The most obvious result of the first stage will be visible at year-end. Since all the payroll/personnel data has been

included in the benefits data base regularly throughout the year, the benefits manager does not have to wait for the data to come in, nor must he or she check it over. The data is already there, and the only thing required is to copy it and send it to the actuary.

The user now has all the same data as the actuary. By running a few reports from this file, checking them out and then sending them along, the benefits manager can quickly put an end to the inconvenience, high cost and redundancy of the process the

actuary calls "cleanup."

At this point, the benefits department has established control over the company's defined benefit plan records. In the process of doing so, it has probably begun to realize the obvious truth that who controls the records also controls the costs and schedules associated with them. Even more important, the base has been established upon which some serious gold mining can be done.

Once a data base has been set up for active participants, there are four more steps the benefits manager can take to enhance the cost savings while building toward a totally integrated administrative system.

One of the immediate cost savings generated by having control of the records is that the benefits manager can now perform retirement calculations for participants as they reach retirement age. In very simple plans, with no history of changed and grandfathered benefits and where the back salary history can be relied upon, this step can follow very quickly the installation of the data base for active participants.

In the more typical situation, where there have been changes and the benefit formula is complex, it may take some time to get the program working to do these calculations.

Whatever the investment, this step will be worthwhile in nearly every case. Here again, we have work which most actuarial firms say they don't want to do. It is a distraction, causing an expensive actuarial clerk to be

taken off work of higher value and take the time to look up the client's benefit formula, look up the previous year-end status of the participant, get the pay history, do the calculation and then check it. Charges for each such calculation tend to be rather high—\$150 is not uncommon, and prices as high as \$1,000 are not unheard of—and the length of time that elapses before these calculations are delivered seems to reflect the annoyance felt by those who have to do them.

As a corollary to the retirement calculation, the benefits manager will probably want to invoke the capacity of the new system to make benefit estimates for active participants at any time during their career, based on assumptions about future pay increases and levels of Social Security payments. This is not necessarily going to save a great deal of money, since such calculations are usually done in-house if they are done at all.

However, the ability to deliver a printed estimate to any participant as soon as it is requested will have at least two positive effects. First, it is going to make life much easier for the benefit clerks who, until the microcomputer takes over, have to drop whatever they're doing and go through a lot of steps to produce what is required. Second, this new capability will be the most visible feature of the new pension administration system and can be exploited to boost employee morale.

Having established the data base of active participants and used it first to eliminate the annual gathering and cleanup of data, then to save the cost of external preparation of retirement calculations, the benefits manager is now in a position to save his or her company even more money and time by taking on the annual statement to participants. These statements vary widely in scope, from the bare minimum required by the Employee Retirement Income Security Act to the elaborate three-color booklets that take into account all of the employee's benefits down to electric lights and floor space. They all have one thing in common: the data must be accurate.

The participant's pension earnings must be recorded accurately, and his or her basic data must be up-to-date.

Most benefits managers will choose not to become involved in the tricky task of printing fancy multicolor booklets, wisely leaving that to professionals. However, armed with the new system, there is no one more professionally qualified to deliver the data which goes into the statement than the benefits manager.

Here again, we see an illustration of the fact that whoever controls the records also controls the costs and the schedule.

Continued on next page

Grant H. Morris heads Morris Associates, a management consulting firm in New York.

ASK A BENEFIT MANAGER

Managed health care rides crest to future

Q

Lately I have seen many references to managed health care as a way to control health care costs. What is managed health care? Also, what do you think the future is for managed health care?

A

I have received many questions on managed health care and alternative delivery systems. Since there is real interest in this subject, I plan to write a series of articles on it.

This month, I will review what a managed health care system is and its future. In subsequent columns, I will review health maintenance organizations, preferred provider organizations and indemnity plans and how they fit into an overall managed care strategy. In addition, I will review how you can develop and provide a dual- and triple-option plan with existing HMO and PPO networks and insurers.

What is managed care? Basically, managed health care is a health care program that uses a variety of features to control health care costs. The features range from pre-admission certification and concurrent review to capitation plans of physicians so that they bear the financial risk for providing medical services. The most frequently used approaches in managed health care are health maintenance organizations and preferred provider organizations.

A recent study indicated that managed care or

alternative delivery systems, which consist of arrangements other than conventional insured programs, will cover 80% of employees by 1990. Other studies are somewhat less bullish and estimate that 30% to 50% of Americans will belong to HMOs by the mid-1990s.

Managed care is clearly the wave of the future. The growth of HMOs and PPOs will continue to accelerate as more people seek low-cost, quality alternatives to fee-for-service programs. PPOs that manage care effectively will become a major force in the medical care market.

This change in the health care delivery system will incorporate the advantages of all the present arrangements and be more efficient and cost-effective to employers. As employee benefit professionals, we must be prepared to adopt, design and manage these programs to obtain the opportunities of lower overall health care costs for our companies.

Health care experts believe that the HMO concept is cost-effective; however, HMO laws and regulations have made HMOs more costly to many employers since they attract the younger, healthier employees while the indemnity plan is left with older employees, who, in many cases, have more and larger claims.

As you know, HMO regulations required employers to calculate the cost of the indemnity plan as the basis for determining how much was to be paid to the HMO for employees enrolled for HMO coverage. It is now clear that this method of calculation resulted in many employers reimbursing too much to the HMO for the risk they were assuming.

Having a higher percentage of employees in HMOs gives employers increased leverage with the HMO. This leverage can also be used to negotiate tailor-made benefit plans with some of the larger

insurance carriers, such as the relatively new triple-option plans. Triple-option plans include HMOs, PPOs and indemnity plans, essentially allowing an employer to administer three plans under one master plan or contract while reducing both adverse selection and administrative costs and maintaining control over all health care cost expenditures.

In November's column, I will review the health maintenance organizations and preferred provider organizations in more depth and review their strengths and weaknesses.

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

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

This month's column, on employee benefits issues is written by Joseph W. Duva, director of employee benefits at Allied-Signal Inc. in Morristown, N.J. Ralph F. Perry Jr., vp and director of risk management at Amfac Inc. in San Francisco answers risk management questions. And, William J. Miner, an actuary with The Wyatt Co. in Chicago, answers actuarial questions on benefits issues. Richard E. Sherman, a principal with Coopers & Lybrand in San Francisco, answers actuarial questions in the casualty field. Mr. Duva's and Mr. Perry's columns appear alternately on the second Monday of each month. Mr. Miner's and Mr. Sherman's columns appear alternately on the first Monday of each month. Mr. Duva's next column will appear in November.

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



Mr. Duva

Pension records

Continued from previous page

A completely integrated and comprehensive system for defined benefit administration requires a data base of retired participants, their beneficiaries and vested terminees. The basic data to be kept in these categories is essentially the same as for active lives, and can be copied over automatically by the system during the monthly update, when it detects a transaction indicative of this change in status. Additional data, which must be entered by benefits department staff, include name and address, and codes indicating the choice of settlement, amount and frequency of payments, final payment date, etc.

When this phase of installation is completed, the benefits manager will be able to communicate with retired and separated employees as required

by ERISA and by the company; he or she will be able to process the annuity payroll itself, or track the activities of the trustee in paying annuitants; he or she will be able to answer questions directly from the CRT screen on any item of data stored in the system.

The benefits manager will have a complete integrated application, covering every facet of defined benefits administration, and this makes it possible to contemplate the actuarial mysteries alluded to earlier.

After the first four steps are running smoothly, some of the more courageous benefits managers may want to try their hand at taking over routine actuarial work, thus working the last seam of gold in this mine.

This is not for everyone, and shouldn't be undertaken without the assistance of a person trained in

actuarial science. However, those who begin to probe the possibilities will discover that one of the basic elements required for the valuation of a defined benefit plan is a set of headcounts and covered pension earnings by status (active, retired, vested terminees), with the actives broken down between fully vested and non-vested, this year compared to last year.

These figures, of course, are already in the system, and can be produced at any time. Beyond this level, there are many other values that can be derived from the data in the system; there is nothing particularly mysterious about them, but they do require mathematical processes that an actuarial programmer can code.

Clearly, there are substantial savings to be made when the benefits function takes control over the

pension records. In addition, there is an obvious increase in convenience and ease of operations for all concerned.

Lest anyone think that all of this is being done at the expense of the actuary, it should be noted that several of the major actuarial firms are now marketing systems like those described to be used by their clients in-house. The majority of actuaries would prefer to do research, studies and forecasts for retirement plans, work which is far more challenging to them (and more profitable too).

The gold has been lying there waiting to be mined for a long time. The hardware and the software are now available to do the work in a cost-effective manner. It shouldn't be too long before most benefits managers start prospecting.

Agent not responsible for 'educating' insured: Court

The Supreme Court of Arkansas ruled that an insurance agent was not under duty to inform a policyholder under a fire insurance policy of the difference between replacement coverage and coverage based upon actual cash value.

In 1980, the Stokeses borrowed money and opened The Western Shop. At the same time, they insured

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

Legal briefs

the contents for \$20,000 for loss by fire through The Harrell Agency. A policy was issued by Granite State Insurance Co. In early April 1983, Mr. Stokes increased the coverage to \$50,000. On April 27, 1983, the shop was destroyed by fire. No agreement was reached on the value of the contents. The Stokeses sued Granite and Sybil Harrell, the agent. They alleged that if recovery against Granite was less than the replacement cost of \$50,000, they were entitled to judgment for the difference against Ms.

Harrell. The trial court ruled in favor of Ms. Harrell and a jury awarded the Stokeses nearly \$40,000 against Granite.

On appeal, the Stokeses maintained that Ms. Harrell was negligent in failing to inform them of the difference between replacement coverage and coverage based on actual cash value. The court said that she had no duty to advise them, noting that there is some tendency among the courts to place a responsibility on the policyholder to "educate himself concerning matters of insurance coverage." *Stokes vs. Harrell*, Supreme Court of Arkansas, June 2, 1986 (BI/03/M/-10)

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Employee benefit information systems

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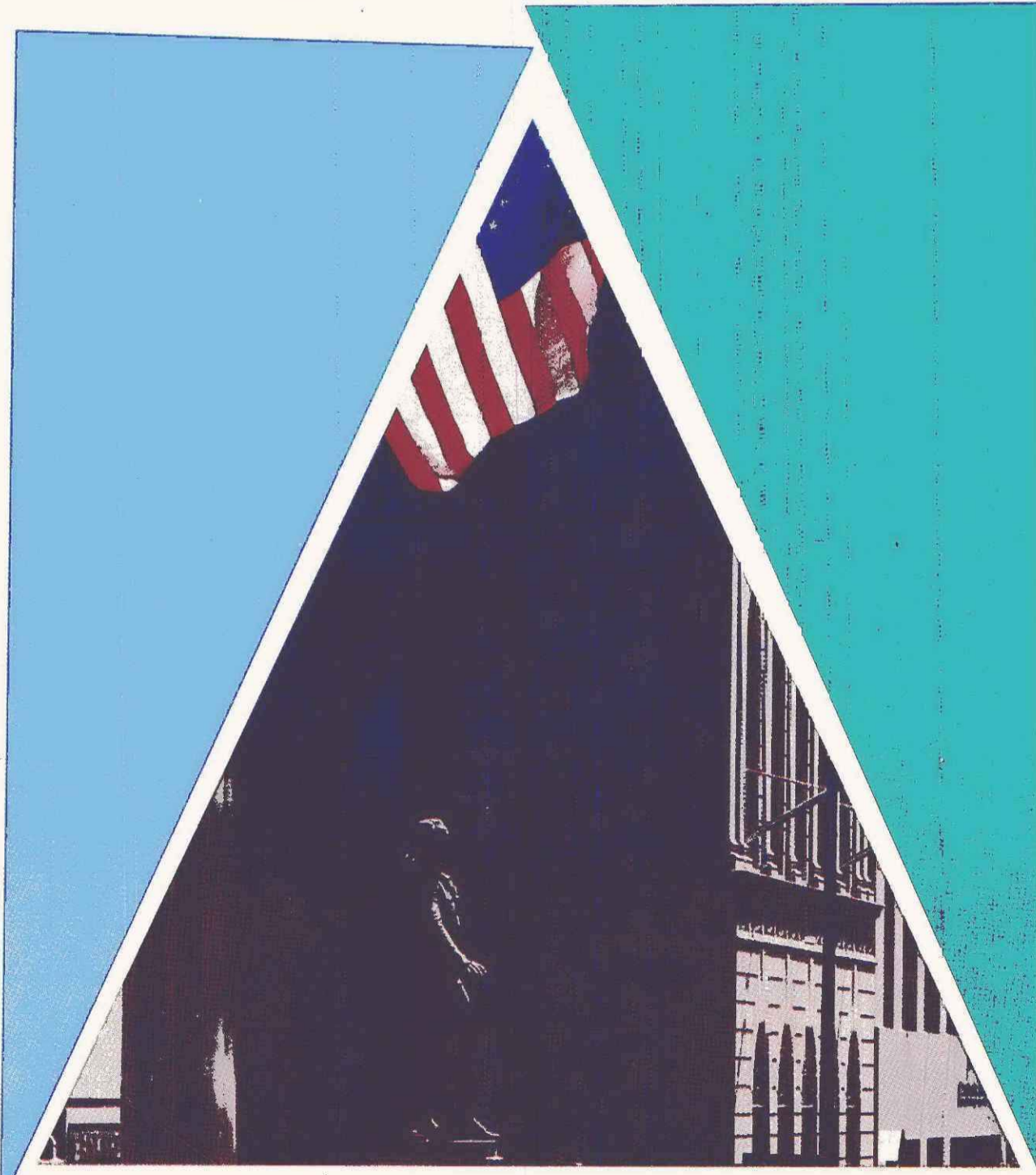
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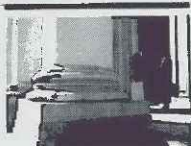
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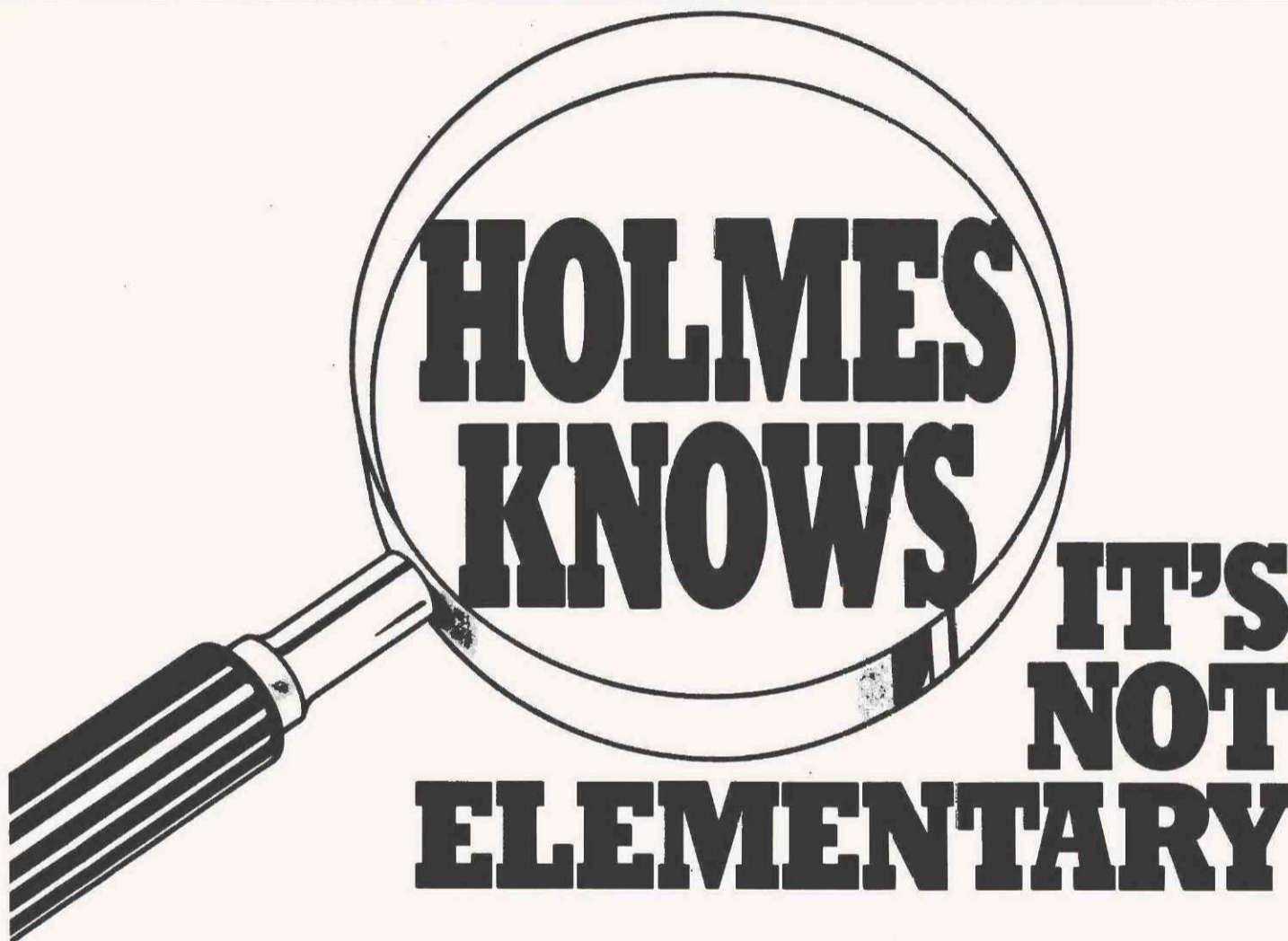
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Continued on facing page



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- "Update," a quarterly newsletter published by Frank Gates Service Co., provides information on **topics related to workers compensation**, self-insurance and health programs. For a free copy, write 1414 in the box on the reader service coupon.

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FOR THE PERIOD FROM JAN 1987 THRU JAN 1987			GRDV*TG002200 BNPL*HRUR0002					
CLIENT ID. CL REPORT TYPE: RES		VERSION: 00	GALAXY LIFE INSURANCE COMPANY BLOCK OF BUSINESS REPORT TRUE GROUP BLOCK OF BUSINESS				PAGE NUMBER: 02/05/87	250
FOR THE PERIOD FROM JAN 1987 THRU JAN 1987			GRDV*TG002001 BNPL*NCHM0001					
*** DATES *** EFF	*** TERM *** LIVES NEW/DEP	VOLUME NEW/DEP	PREMIUM NEW/DEP	HR CLAIMS NEW/DEP	CLAIMS AMT NEW/DEP	LOSS RATIO	COMMISSIONS	
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PBGC proposes plan termination process

By DEBORAH SHALOWITZ

Washington

WASHINGTON—Proposed regulations establishing deadline dates for pension plan terminations have been issued by the Pension Benefit Guaranty Corp.

The Single-Employer Pension Plan Amendments Act of 1986 changed many of the rules for pension plan terminations, but the law did not specify how employers should comply with those changes.

These proposed regulations issued by the PBGC provide interpretations of SEPPA and detailed instructions on how to comply with the law.

SEPPA requires that pension plan administrators send plan participants a notice of their intent to terminate a plan at least 60 days before the proposed termination

date.

Under the proposed regulations, plan administrators also must file a termination notice with the PBGC within 60 days after the proposed termination date, whereas SEPPA did not specify a time limit for this action.

Also under the proposed regulations, employers must distribute pension plan assets to beneficiaries within 30 days after the PBGC's review period of the termination ends. The PBGC review period for a termination notice is 60 days.

In addition, the PBGC advises employers to apply to the Internal Revenue Service for a determination letter upon termination at

about the same time that notices of intent to terminate are sent to plan participants. This will allow the IRS enough time to process the application before an employer must distribute the assets to beneficiaries.

An IRS determination letter upon termination verifies that the pension plan is non-discriminatory and assets can be distributed as set out by the employer.

The proposed regulations also specify exactly what information must be included concerning benefit commitments to different classes of plan participants. Retirees who have been receiving benefits for more than a year do

not have to receive a letter on benefit commitments, the proposal states.

The PBGC proposes in the regulations that if a union says a plan termination would violate a collective bargaining agreement, the union must initiate its challenge in the courts or before the National Labor Relations Board before the agency will suspend the termination process.

The PBGC also asked for comments on how such a challenge can be prevented from bogging down the whole termination process.

A provision of SEPPA allows a financially troubled company to terminate a pension plan—without fully funding promised benefits—when it has filed for reorganization under Chapter 11 of the Federal Bankruptcy Act and the bank-

ruptcy judge approves the termination.

The proposed regulations were published in the Federal Register on Sept. 2.

Comments on the proposed regulations must be received by the PBGC by Nov. 2. They should be addressed to the Office of the General Counsel, Code 22500, 2020 K St. N.W., Washington, D.C. 20006.

ERISA letters

A new series of opinion letters issued under the Employee Retirement Income Security Act between July 9, 1986, and June 8, 1987, is available from the U.S. Department of Labor's Pension and Welfare Benefits Administration.

Opinion letters are issued in response to inquiries by individuals and organizations concerning effects of actions and transactions under ERISA.

An opinion letter on a particular part of the law becomes an unofficial standard and often is used as a precedent in future discussions, according to a PWBA spokesman.

A compilation of the newly released opinion letters—titled ERISA Opinion Letter No. 23—may be purchased for \$3.70 prepaid from the Pension and Welfare Benefits Administration, U.S. Department of Labor, Room N-5507, 200 Constitution Ave. N.W., Washington, D.C. 20210.

COBRA rules

The U.S. Chamber of Commerce joins the business community in lambasting the Internal Revenue Service's proposed COBRA health rules.

In a 16-page letter to the IRS, the Chamber "expressed alarm" at the agency's regulations to implement the health care continuation provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985.

"The draconian penalties of the proposed regulations go far beyond the mandate of COBRA and are inconsistent with the remedial intent of COBRA," the Chamber said.

The Chamber noted that it has been "deluged with comments from employers regarding the adverse impact the proposed regulations will have on their business and their employment relationships."

In its letter, the Chamber recommended a number of changes in the proposed regulations, including allowing employers that quickly correct inadvertent violations to retain their annual tax deduction for health care expenses.

Under the proposed regulations, if an employer violates COBRA involving just one employee for just one day, an employer could lose a full year of tax deductions for health care expenses.

Benzene exposure

Permissible exposure limits to benzene are 90% lower under a new standard issued by the Occupational Safety and Health Administration.

Workers now may be exposed to only one part benzene per 1 million parts of air averaged over an eight-hour workday. The previous benzene exposure level was 10 parts per million.

A five parts per million short-term exposure limit averaged over a 15-minute period also is permissible under the new rule.

The standard will be effective mid-December.

Workers exposed to benzene face a significant risk of developing leukemia and other diseases of the blood and blood-forming organs, according to OSHA.

Continued on next page

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a lower co-insurance percentage. Both plans also include hospital and outpatient surgery "pre-certification" provisions, prescription drug card coverage, and a minimum of \$10,000 group life and AD&D insurance per employee.

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Continued from previous page

The agency estimates that 240,000 workers are exposed to benzene in the industrial sectors over which the agency has jurisdiction. Meeting the standard will cost employers approximately \$24 million annually, representing less than 0.2% of the annual revenues of the various industry sectors, according to OSHA.

Benzene is a clear, colorless highly flammable liquid used widely—often as a solvent—in the chemical, printing, lithograph, rubber cement, rubber fabricating, paint, varnish, stain remover, adhesive and petroleum industries.

In addition to reducing the permissible benzene exposure level, provisions of the new standard cover methods of compliance, personal protective equipment, employee monitoring, medical surveillance, medical removal protection, communication of hazard information to employees, regulated areas and record keeping.

Copies of the new standard can be obtained by sending a self-addressed mailing label to a regional OSHA office or to the OSHA Publications Office, Room N3101, 200 Constitution Ave. N.W., Washington, D.C. 20210.

The previous benzene exposure standard was set under the same law that created OSHA in 1970. OSHA issued a benzene standard of its own in 1978, but the standard has faced court challenges.

Blue Cross growth

Enrollment in Blue Cross & Blue Shield Plan health maintenance organizations grew by 44% in 1986 to 3.6 million members at year-end, up from 2.5 million in 1985.

According to Bernard R. Tresnowski, president of the Washington-based Blue Cross & Blue Shield Assn., this increase sets a record for the most members added in any 12-month period.

At year-end 1984, total enrollment was nearly 2.1 million members.

Fifteen new Blues-sponsored HMOs began in 1986, bringing to 90 the total number of HMOs sponsored by BC/BS. There were 62 Blues-sponsored HMOs in 1984.

Blue Cross and Blue Shield Plan HMOs operate in 41 states, the District of Columbia and Puerto Rico.

OSHA lead rule

The Occupational Safety and Health Administration is giving employers in nine industrial sectors an opportunity to comment on a proposed rule limiting worker exposure to lead.

Comments on that rule, which would limit exposure to 50 micrograms of lead per cubic meter of air over an eight-hour period, are due Sept. 15, but a hearing on the proposed rule has been postponed from Sept. 15 to Sept. 29.

The industrial sectors covered under the rule: lead chromate pigments production; lead chemicals production; non-ferrous foundries; brass and bronze ingot production; secondary copper smelting; battery breaking when not part of secondary lead smelting; leaded steel production; shipbuilding and ship repair; and stevedoring.

The hearing will begin at 9:30 a.m. in the Labor Department's auditorium.

Group life purchases

Group purchases of life insurance last year reached \$374.7 billion, up 17.3% from 1985's level of \$319.5 billion, according to the Washington-based American Council of Life Insurance.

Total purchases of life insurance in 1986 were \$1.3 trillion, up 8.3% from 1985's total of \$1.2 trillion, says the ACLI.

Life insurance companies re-

ceived a total of \$194 billion in premiums in 1986, which was 24.5% above 1985's premium level of \$155.8 billion.

Of the total premium amount, life insurance premiums accounted for \$66.2 billion in 1986, up 10.2% from \$60.1 billion in 1985; annuity considerations accounted for \$83.7 billion in 1986, up 55.3% from \$53.9 billion in 1985; and health insurance premiums accounted for \$44.1 billion in 1986, up 5.5% from \$41.8 billion in 1985.

The group also reported that in 1986 there was a total of \$6.72 trillion of life insurance in force in the United States. That amount is 11% higher than 1985's total of \$6.1 trillion.

Life insurance companies paid benefits totaling \$68.3 billion in 1986, 2.7% higher than 1985 payments of \$66.5 billion.

Assets of life insurance companies totaled \$937.5 billion in 1986, up 13.5% from \$825.9 billion in 1985.

Update

Business Insurance Update

Workers Comp

BI editors address the issues of worker safety and rehabilitation.

publishing: September 28
ad closing: September 15

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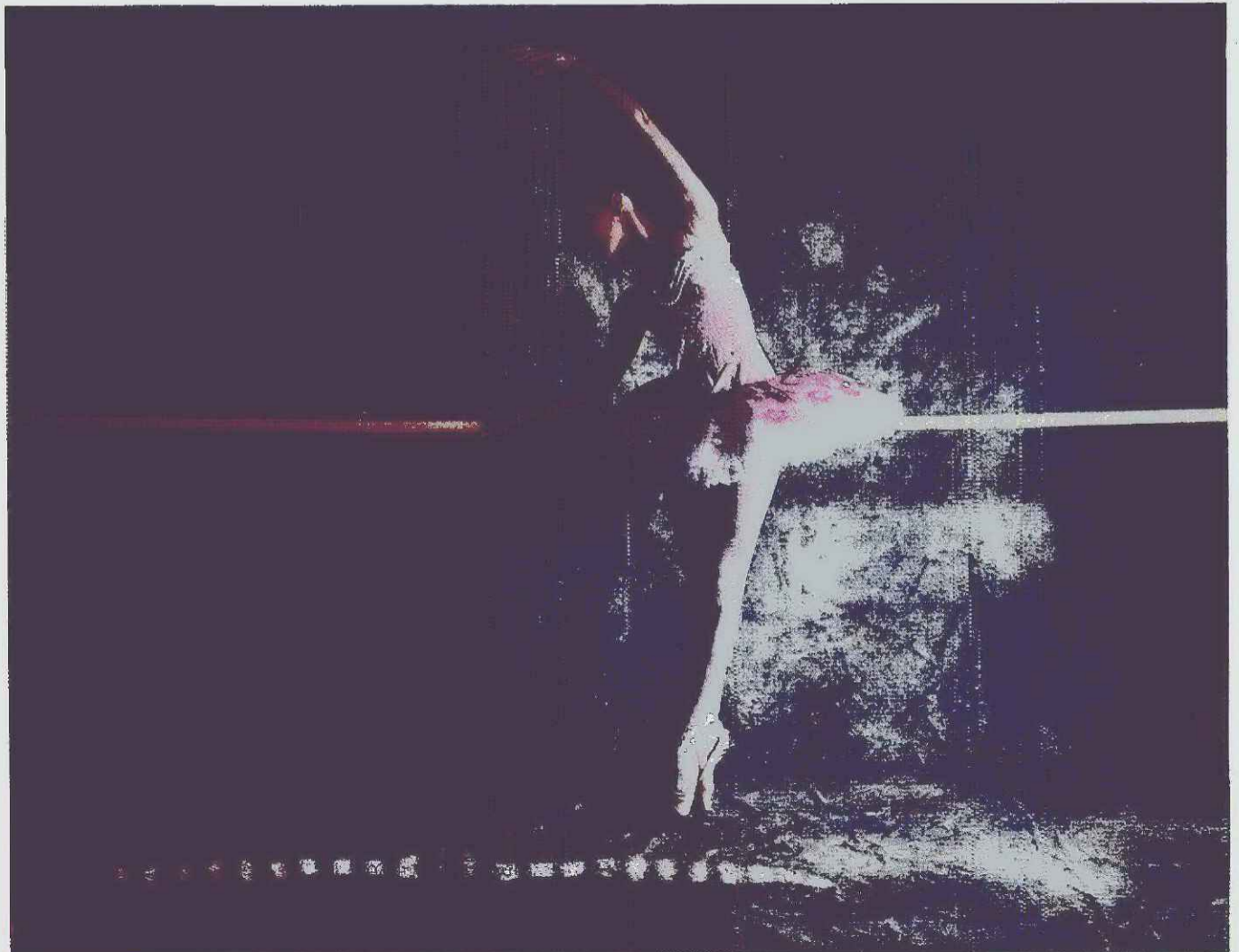
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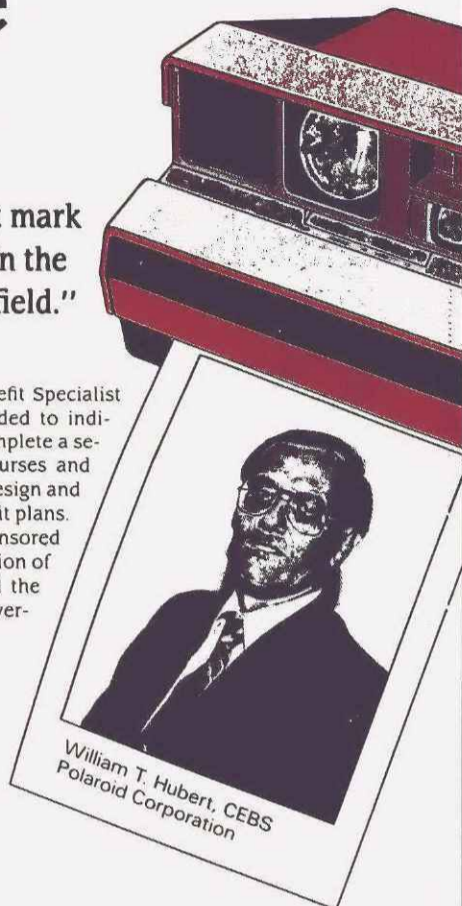
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Sedgwick remains committed to U.S. presence: Chairman

By CAROLYN ALDRED and STACY SHAPIRO

LONDON—Lloyd's of London broker Sedgwick Group P.L.C. is determined to maintain its strong presence in the United States despite declining property insurance rates and departures at U.S. reinsurance broker Sullivan Payne Co., according to Chairman Carel Mosselmans.

"Despite the current difficulties facing us in the U.S., (Sedgwick) remains convinced that our strategy of establishing Sedgwick as the only European international broker with a major presence in North America is correct," Mr. Mosselmans said when he announced the company's first-half results earlier this month.

Pretax profits for the Sedgwick for the six months ended June 30 fell 12.5% to 81 million pounds (\$130.4 million) at June 30 exchange rates) from 92.6 million pounds (\$141.7 million) (at June 30, 1986, exchange rates) reported during the first six months of 1986.

Revenues rose 9.2% to 357.7 million pounds (\$575.9 million) from 327.7 million pounds (\$501.4 million), while expenses rose 21.8% to 278.1 million pounds (\$447.7 million) from 228.4 million pounds (\$349.5 million).

Both revenues and expenses for 1987 include the effect of U.S. acquisitions made late in 1986 that were not included in the 1986 first-half results. These acquisitions include the purchase of Memphis, Tenn.-based Crump Cos. Inc. for about \$307 million (*BI*, Sept. 1, 1986) and Armistead Group Inc. of Nashville, Tenn., for \$32.5 million (*BI*, Aug. 25, 1986).

A reduction in U.S. property insurance rates has "adversely affected the group's results during the first half of the year," Mr.

Mosselmans said.

"The speed and severity of the decline in rates has placed pressure on profit margins. It is this pressure on rates which has materially affected the results of the James Group in North America as it has a high proportion of property and commercial package business," he explained.

Falling property insurance rates also have affected the results of Sedgwick's London-based operations, he added.

On the reinsurance side, the results of reinsurance broker E.W. Payne Cos. Ltd. have been adversely affected by a greatly reduced contribution from Sullivan Payne Co. in the United States, which has lost business as a result of senior staff departures, said Mr. Mosselmans. The staff departures included Sullivan's former President and Chief Executive Officer James J. Meenaghan and former Chairman W.E. (Gene) Taylor.

Also, a capacity shortage in the London and international reinsurance markets has restricted growth in this area, Mr. Mosselmans said.

"The overall contribution to the group's profits from all our major activities is thus below expectation and, if allowance is made for acquisitions, substantially less than last year," he commented.

U.K. insurer results

British insurance companies are living up to stock analysts' expectations as underwriting results show massive improvements for the first half of 1987.

The interim pretax profit of London-based Sun Alliance and London Insurance P.L.C. for the six months ended June 30 jumped 142.8% to 104.4 million (\$168.1 million) from 43 million pounds (\$65.8 million) for the first six months of 1986.

Property/casualty premium volume increased to more than 1 billion pounds (\$1.61 billion) from

London

958.3 million pounds (\$1.5 billion) for the first half of 1986, while the underwriting loss for its property/casualty business was more than halved to 30.2 million pounds (\$48.6 million) from 73 million pounds (\$111.7 million).

Strong rate increases in the United States resulted in a profit of 4.1 million pounds (\$6.6 million) for Sun Alliance's U.S. operations, compared with a loss of 3.9 million pounds (\$6 million) for the same period last year. Improvement was most noticeable in the liability and commercial property classes.

Meanwhile, London-based Guardian Royal Exchange P.L.C. increased pretax profit 46.8% to 82.2 million pounds (\$132.3 million) for the first six months of 1987 from 56 million pounds (\$85.7 million) for the same period in 1986.

Underwriting losses decreased by 25.5% to 31 million pounds (\$49.9 million) from 45.6 million pounds (\$69.8 million) for the first six months of 1986.

Premium volume grew to 795 million pounds (\$1.3 billion) from 721.1 million pounds (\$1.1 billion) last year.

GRE's U.S. operation experienced a turnaround to a profit of 1.8 million pounds (\$2.9 million) from a loss of 2.9 million pounds (\$4.4 million) for the first half of 1986.

"GRE sees this as a good result in the face of a market, which is beginning to show signs of a downturn particularly in casualty insurance. But with the restructuring in its operations in the United States, GRE believes it is now better placed to cope with any down cycle especially in its Midwestern operation," according to a statement from the company.

Meanwhile, London-based Eagle Star Group P.L.C. boosted its profit for the first six months of 1987 to 160 million pounds (\$257.6 million) from 95 million pounds

Continued on next page

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Continued from previous page (\$145.4 million) in first six months of 1986. Gross written premiums for its property/casualty business increased 22% to 700 million pounds (\$1.1 billion) from 574 pounds (\$878.2 million), while its underwriting loss increased 55.3% to 59 million pounds (\$95 million) from 38 million pounds (\$58.1 million) a year earlier.

"Underwriting results improved in all classes of business except in the employers' liability account where it has been necessary to substantially strengthen reserves primarily in respect of industrial disease claims," said a statement from B.A.T. Industries P.L.C., Eagle Star's parent company.

Medical damages

The British Medical Assn. is seeking a parliamentary inquiry into the increasing amount of damages being awarded by British courts for medical negligence.

The association is calling for a government inquiry into the matter following massive rate hikes by two medical insurance companies to a standard annual rate of 1,080 pounds per doctor (\$1,793 at current rates) beginning Jan. 1, 1988 (*BI*, Sept. 7).

The BMA also will be making "urgent representations" to the Department of Health and Social Security on the effects of the increasing medical insurance costs on doctors in training.

Lloyd's elections

With Lloyd's of London Council elections slated for Nov. 18, Chairman Peter Miller has not yet announced whether he will seek a fifth term.

However, he did say, "When one has less than 20% of one's (life) span left, one thinks of how to spend one's last years."

If Mr. Miller does step down, as many expect, Lloyd's Senior Deputy Chairman Murray Lawrence—who is up for re-election to another four-year term to the Council this November—is expected to become Lloyd's next chairman.

Meanwhile, non-Lloyd's members will vote for three new non-Lloyd's members to Lloyd's Council instead of two, following the resignation of non-Lloyd's Council member John de Courcy Ling.

Mr. de Courcy Ling has announced that he will resign at year-end "due to increasing commitment within the European Parliament," where he is a member.

Disciplinary actions

Two Lloyd's of London members have been censured and suspended for three months from entering Lloyd's or being involved directly or indirectly in brokering at Lloyd's for using company credit cards to buy rare stamps and antique books.

Lloyd's member Anthony J.P. Houston, deputy chairman and chief executive of non-Lloyd's broker Triton Insurance Brokers Ltd., was charged with conducting insurance business in a discreditable manner. Lloyd's said that Mr. Houston used a company credit card to obtain 62,644 pounds (\$103,989) to buy the stamps and books by "falsely representing them as legitimate business expenses."

Lloyd's member Michael N. Buckley, chairman of Triton, also used a company credit card to obtain a total of 89,056 pounds (\$147,832) for the same purpose, according to Lloyd's.

Both Mr. Buckley and Mr. Houston returned the sums of money to Triton before the disciplinary proceedings began. Nevertheless, Lloyd's penalized them and ordered each to pay 1,250 pounds (\$2,075).

Mr. Houston appealed the

Lloyd's penalty, but President of Lloyd's Tribunal David Calcutt upheld the Lloyd's decision. However, Mr. Calcutt added the provision that Mr. Houston and Mr. Buckley should be allowed to act for their clients provided they do not enter Lloyd's or use Lloyd's facilities for three months.

Neill report

The Council of Lloyd's last week proposed implementing three more of the 70 recommendations made by the quasi-government committee headed by Sir Patrick Neill, according to Lloyd's Chairman Peter Miller.

Lloyd's will set up a continuous monitoring system of underwriting agents that are registered for indefinite periods. Monitoring will include an annual review of syndicate and holding company accounts and a five-year detailed look at the character and suitability of directors/partners and un-

derwriters; conditions of premises; and members' comments.

Also, Lloyd's will set up a members' ombudsman and a modified arbitration procedure to help settle disputes between underwriting agents and members, provided the disputed amount does not exceed 100,000 pounds (\$166,000 at current exchange rates).

However, Lloyd's has proposed rejecting a Neill committee recommendation for re-registering underwriting agents every five years.

Lloyd's already has implemented 20 of the Neill recommendations.

Insurance services

Lloyd's of London broker Ballantyne, McKean & Sullivan Ltd. has launched a new company to broker insurance to financial institutions.

BMS BankAssure Ltd. has been formed by a team of brokers from Bankscope Ltd., a subsidiary of Lloyd's broker Seascope Insurance

Services Ltd., including former Bankscope managing director Graham Barnes.

BMS BankAssure Ltd. will help arrange insurance for banks and financial institutions' asset-based loan portfolios, particularly for aircraft, ship and oil-rig financing, said Mr. Barnes.

The company also will specialize in political risk insurance for financial institutions and mortgages' and lessors' insurance against breach of warranty, he said.

Mr. Barnes expects the company's first-year net revenues to total about 250,000 pounds (\$415,000).

Meanwhile, Seascope plans to develop Bankscope into a "much broader financial services business" with new staff, said Seascope Chairman Nick Samuelson.

The subsidiary recently acquired a trade credit company called Risk Administration Ltd. for an undisclosed sum. A bankers blanket bond team from Lloyd's broker

Alexander Howden Ltd. is expected to join in the next month.

Ombudsman group

Lloyd's of London is joining Britain's Insurance Ombudsman program, an independent consumer complaint organization.

Detailed discussions are to take place concerning how Lloyd's underwriters will participate in the program, Lloyd's announced this month.

The Insurance Ombudsman Bureau presently involves 191 members from 78 company groups and handles consumer complaints relating to insurance. The consumer inquiries department of the Corporation of Lloyd's, which is independent of underwriters, handles complaints arising from personal lines policies issued by Lloyd's.

Most of the cases investigated by the department relate to motor insurance, or automobile insurance policies.



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SEPT. 17. Weathering the Storm: Building for Today and Tomorrow seminar in Garden City, N.Y., sponsored by the New York Property Insurance Underwriting Assn.; free. Bob Burke, 212-208-9800.

SEPT. 17. Assessing Vendors (HMOs, PPOs, Utilization Review Firms, etc.) workshop in Cleveland, sponsored by the Health Research Institute; \$250. Also Oct. 8 in Boston; Oct. 29 in San Francisco; Nov. 12 in New York; and Dec. 10 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 17. Risk Management and Safety Techniques for Public Agency Recreation Programs and Facilities seminar in San Diego, sponsored by Risk Management Seminars; \$150 in advance; \$175 at the door. Also Oct. 15 in Anaheim, Calif.; Oct. 29 in Pleasanton, Calif.; Nov. 18 in Sacramento, Calif.; Nov. 19 in Fresno, Calif. Risk Management Seminars, P.O. Box 1601, Sonoma, Calif. 95476-1601; 415-943-1405.

SEPT. 17. Cost Containment Through Communications and Education workshop in Cleveland sponsored by the Health Research Institute; \$250. Also Oct. 8 in Boston; Oct. 29 in San Francisco; Nov. 12 in New York; and Dec. 10 in Chicago. Health Research Institute, 1600 S.

Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 17-18. Labor/Management Cost Containment workshop in Cleveland, sponsored by the Health Research Institute; \$495. Also Sept. 17-18 in Cleveland; Oct. 8-9 in Boston; Nov. 12-13 in New York; and Dec. 10-11 in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

SEPT. 17-18. 17th Annual Employee Benefits Institute in New York, sponsored by the Practising Law Institute; \$425. Practising Law Institute, Dept. 22, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

SEPT. 17-19. Management Challenges in Mental Health Service Delivery seminar in Minneapolis, sponsored by the Group Health Assn. of America; \$430 for association members; \$500 for non-members. Group Health Assn. of America, 1129 20th St. N.W., Suite 600, Washington, D.C. 20036; 202-778-3200.

SEPT. 20-23. 1987 Canadian Risk Management Conference: Expo I-A Risk Management Exposition in Vancouver, British Columbia; \$275 Canadian (approximately \$207). Barbara Wallwork, 604-668-4225.

SEPT. 20-23. 42nd Annual Workers Compensation Educational Conference in Orlando, Fla., sponsored by the Florida Workers' Compensation Institute Inc.; \$95. James M. McConaughay, Florida Workers' Compensation Educational Conference, P.O. Drawer 229, Tallahassee, Fla. 32302-0229; 904-222-8121.

SEPT. 21-22. Health Care Services: Buying Right in a Competitive Market conference in Chicago, sponsored by Charles D. Spencer & Associates Inc.; \$400 for subscribers; \$485 for non-subscribers. Charles D. Spencer & Associates Inc., 222 W. Adams St., Chicago, Ill. 60606; 312-236-2615.

SEPT. 21-22. Utilizing the New CGL Forms: Negotiating, Pricing and Structuring Liability Insurance and Reinsurance Programs conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

SEPT. 21-25. Developing and Managing a Basic Safety and Health Program course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$650. Also Nov. 2-6. Tommy Thomas, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

SEPT. 22-23. Trucking Risks Seminar in Los Angeles, sponsored by the American Assn. of Managing General Agents; \$195. American Assn. of Managing General Agents, 1001 Connecticut Ave. N.W., Suite 800, Washington, D.C. 20036.

SEPT. 28-29. Managed Healthcare: Who's In Control? seminar in Washington, D.C., sponsored by the American Assn. of Preferred Provider Organizations; \$450 for AAPP0 members; \$495 for non-members. American Assn. of Preferred Provider Organizations, 1101 Connecticut Ave. N.W., Suite 700, Washington, D.C. 20036; 202-857-1128.

SEPT. 28-29. The Property & Casualty Insurance Tax Institute conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

SEPT. 28-30. Audio-Visual Media for Safety and Health: Developing and Producing Inexpensive Programs course in Los Angeles, sponsored by the University of Southern California's Institute of Safety and Systems Management; \$420. University of California, Institute of Safety and Systems Management, Office of Extension and In-service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

SEPT. 29-30. Recent Developments in Insurance and Reinsurance Disputes in the Property & Casualty Industry conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Also Oct. 15-16 in San Francisco. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

SEPT. 30. Controlling Your Workers Compensation Costs workshop in Springfield, Ill., sponsored by the Illinois State Chamber of Commerce; \$90 for ISCC members; \$135 for non-members. Illinois State Chamber of Commerce, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-7373.

SEPT. 30. Will the Risk Retention Act of 1986 Revolutionize the Way Business Is Done? conference in Philadelphia sponsored by the Insurance Society of Pennsylvania; \$125. Insurance Society of Philadelphia, 737 Public Ledger Building, Philadelphia, Pa. 19106; 215-627-5306.

OCT. 1. Group Property & Liability Insurance: To Bear or Not To Bear Risk workshop in Irving, Texas, sponsored by the Society of Chartered Property & Casualty Underwriters and the Fort Worth Chapter of the Society of CPCU; \$125 for Society members; \$155 for all others. Mari Jennings, professional services coordinator, Society of CPCU, Kahler Hall, 720 Providence Road, CB#9, Malvern, Pa. 19355; 215-251-2741.

OCT. 1-2. Insurance Market Prospects for 1988—Home and Overseas conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 373.75 pounds (approximately \$594). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 1-2. Ergonomics: Building Efficiency and Safety in the Workplace in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$300. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

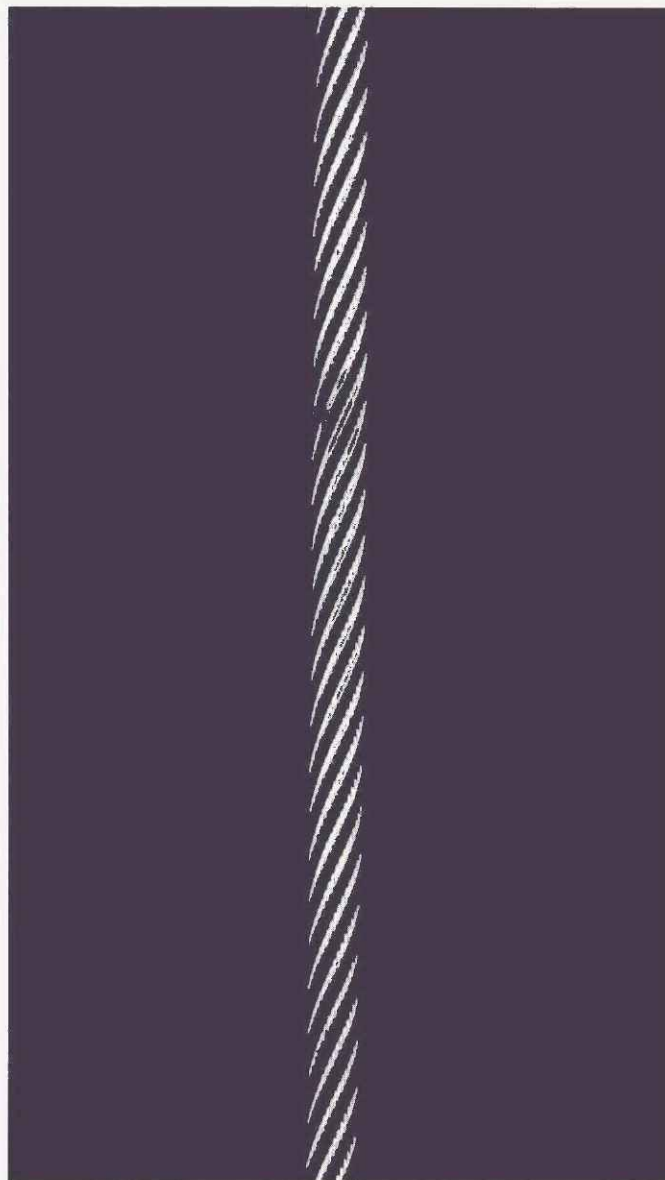
OCT. 2. Insurance Market Prospects for 1988 conference in London, sponsored by Insurance & Reinsurance Research Group Ltd.; 325 pounds (approximately \$516). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 3. Promoting Safety and Health in Today's Economy course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$150. Institute of Safety & Systems

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Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 4-7. 1987 Benefit Communication Institute in Williamsburg, Va., sponsored by the International Foundation of Employee Benefit Plans; \$525 for IFEBP members; \$600 for non-members. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 5-6. Environmental Risk Management Course: Minimizing and Insuring Against Pollution Liability Exposures conference in Washington, D.C., sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

OCT. 5-6. ERISA II: Preparing for Major Pension & Benefit Changes in the 100th Congress conference in Washington, D.C., sponsored by the National Employee Benefits Institute; no charge to single NEBI member representatives; \$100 for additional NEBI member representatives; \$395 for non-members. National Employee Benefits Institute, 2445 M St. N.W., Suite 400, Washington, D.C. 20037; 800-558-7258.

OCT. 5-6. Health Care Cost Containment workshop in Boston, sponsored by the Health Research Institute; \$495. Also **Oct. 26-27** in San Francisco; **Nov. 9-10** in New York; and **Dec. 7-8** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 5-7. Insurer Solvency Assessment conference in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 506 pounds (approximately \$804). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 6. Quality Assurance & Utilization Management: Partners in Managed Care seminar in Monterey, Calif., sponsored by the American Medical Care & Review Assn.'s Medical Issues Section; \$175 for AMCRA members; \$275 for non-members. After Sept. 18: \$250 for AMCRA members; \$350 for non-members. American Medical Care & Review Assn., 5410 Grosvenor Lane, Suite 210, Bethesda, Md. 20814; 301-493-9552.

OCT. 6-7. Product Safety and Liability Prevention: The Role of Warnings a course to be held in Madison, Wis., sponsored by the College of Engineering at the University of Wisconsin-Madison; \$695; \$645 not including the needed coursebook. Engineering Registration, The Wisconsin Center, 702 Langdon St., Madison, Wis. 53706; 800-262-6243; 800-362-3020 within Wisconsin.

OCT. 6-7. Personnel Law Update 1987 seminar held in Boston, sponsored by the Council on Education in Management; \$495; \$475 each for two or more participants from the same organization. Also **Oct. 7-8** in Denver; **Oct. 13-14** in Philadelphia; **Oct. 14-15** in Chicago; **Oct. 20-21** in Los Angeles; **Oct. 27-28** in Seattle; **Nov. 4-5** in Detroit, Morristown, N.J., Honolulu; **Nov. 10-11** in San Diego; **Nov. 17-18** in San Jose, Calif., Minneapolis; **Dec. 1-2** in Tampa, Fla.; and **Dec. 8-9** in Phoenix, Ariz. Karen Nelson, Council on Education in Management, 321 Lennon Lane, Walnut Creek, Calif. 94598; 415-934-8333.

OCT. 7. Health Improvement/Wellness workshop in Boston, sponsored by the Health Research Institute; \$250. Also **Oct. 28** in San Francisco; **Nov. 11** in New York; and **Dec. 9** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 7. Agency Captives seminar in Austin, Texas, co-sponsored by Rossiter Blumentritt Consultants and Cayman Business Services; \$50; \$65 at the door. Rossiter Blumentritt Consultants, P.O. Box 12844, Austin, Texas 78711; 512-472-7659.

OCT. 7. Advanced "Post Graduate" Cost Management workshop in Boston, sponsored by the Health Research Institute; \$250. Also **Oct. 28** in San Francisco; **Nov. 11** in New York; and **Dec. 9** in Chicago. Health Research Institute, 1600 S. Main Plaza, Suite 170, Walnut Creek, Calif. 94596; 415-676-2320.

OCT. 7-8. Fourth Annual Banks and Insurance Conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

OCT. 7-9. American Medical Care & Review Assn.'s 16th Annual Conference and House of Delegates in Monterey, Calif.; \$475 for AMCRA members; \$575 for non-members; \$100 for spouses/guests. After Sept. 18: \$575 for AMCRA members; \$675 for non-members; \$175 for spouses/guests. American Medical Care & Review Assn., 5410 Grosvenor Lane, Suite 210, Bethesda, Md. 20814; 301-493-9552.

OCT. 7-9. Recognition of Accident Potential in the Workplace Due to Human Factors course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$435. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 8-9. Advanced Trial Techniques in Medical Malpractice Cases seminar in San

Francisco, sponsored by the Practising Law Institute; \$390. Practising Law Institute, Dept. 8A-105, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700, extension 271.

OCT. 9. Offshore Captive Formation seminar in Austin, Texas, co-sponsored by Rossiter Blumentritt Consultants and Cayman Business Services; \$50; \$65 at the door. Rossiter Blumentritt Consultants, P.O. Box 12844, Austin, Texas 78711; 512-472-7659.

OCT. 9. Current Trends in the Legal Environment of Workers Compensation seminar in New York, sponsored by the National Council on Compensation Insurance; \$165 for NCCI members; \$205 for non-members. Mary Ellen Robinson, National Council on Compensation Insurance, 1 Penn Plaza, New York, N.Y. 10119; 212-560-1066.

OCT. 11-14. Remembering the Past... Anticipating the Future: The Society of Chartered Property & Casualty Underwriters' 43rd Annual Meeting and Seminars in San Antonio, Texas; \$325 for Society of CPCU members, \$170 for spouses/guests. Society of CPCU, Kahler Hall, Providence Road, CB#9, Malvern, Pa. 19355-0709.

OCT. 11-14. Risk Management Forum: Association European des Assures de l'Industrie and the Risk & Insurance Management Society Inc. International Conference in

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Monte Carlo; 2,300 French francs (approximately \$368) for university members or university students; 4,600 French francs (approximately \$735) for members of a corporate risk management department; 6,300 French francs (approximately \$1,007) for insurers, brokers, adjusters and other insurance industry professionals other than those listed here. AEAI/RIMS Monte Carlo Conference, SOCFI, 14 Rue Mandar, 75002 Paris, France.

OCT. 11-16. Fundamentals of Employee Benefits Management conference in Brookfield, Wis., sponsored by the International Foundation of Employee Benefit Plans; \$900. Registrations Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 12-16. Management and Administrative Skills for the Occupational Safety and Health Professional course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$735. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 14-15. Constructing, Processing and Marketing Variable Insurance Products conference in New York, sponsored by the Institute for International Research Inc.; \$895. Institute for International Research Inc., 310 Madison Ave., Suite 1212, New York, N.Y. 10017; 800-345-8016; 212-883-1770.

OCT. 14-15. Emerging Technology-The Impact on Product Safety, Insurance and Critical Business Decisions conference in Stamford, Conn., co-sponsored by the National Safety Council and the Engineering & Safety Service of the American Insurance Services Group Inc.; \$300 for members; \$400 for non-members. Edward S. Charkey, American Insurance Services Group Inc., 85 John St., New York, N.Y. 10038; 212-669-0400.

OCT. 14-16. New Age Retirement Planning workshop in New Orleans, sponsored by Retirement Advisors; \$495; \$395 if registration is made three weeks in advance. Also Nov. 11-13 in New York. Retirement Advisors, 919 Third Ave., New York, N.Y. 10022; 212-421-2400.

OCT. 15-17. Annual Conference of the Profit Sharing Council of America in Washington, D.C.; \$585 for first member delegates; \$525 for additional member delegates; \$645 for non-member delegates; \$180 for non-delegates.

Profit Sharing Council of America, 20 N. Wacker Drive, Chicago, Ill. 60606; 312-372-3411.

OCT. 19-23. Recognition of Occupational Health Hazards course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$735. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

OCT. 20-22. Cargo Insurance Clauses Workshop in London, sponsored by the Insurance & Reinsurance Research Group Ltd.; 506 pounds (approximately \$804). Caroline Atkinson, Insurance & Reinsurance Research Group Ltd., Bridge House, 181 Queen Victoria St., London EC4V 4DD; 01-236-2175.

OCT. 22. Coping With the Responsibilities of Risk Management workshop in Northbrook, Ill., sponsored by the Chicago, Wisconsin and Northeastern Illinois chapters of the Risk & Insurance Management Society; \$80 for RIMS members and prospective members. Art Meyer, Wisconsin Gas Co., 626 E. Wisconsin Ave., Milwaukee, Wis. 53202; 414-291-6520.

OCT. 22-23. Advanced Employee Benefits Workshop in New York, sponsored by the Practising Law Institute; \$475. Practising Law Institute, Dept. 2Z, 810 Seventh Ave., New York, N.Y. 10019; 212-765-5700.

OCT. 22-23. Letters of Credit and Trust Agreements in the Insurance Industry conference in New York, sponsored by Executive Enterprises Inc.; \$875; \$775 for additional registrants from same organization. Executive Enterprises Inc., 22 W. 21st St., New York, N.Y. 10010-6904; 800-223-0787; 800-831-8333 within New York.

OCT. 22-24. 11th Annual Employment Law Seminar in Napa, Calif., sponsored by the Defense Research Institute Inc.; \$525 for DRI members; \$550 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

OCT. 25-28. 1987 Corporate Health Care Cost Management Conference in Washington, D.C., sponsored by the International Foundation of Employee Benefit Plans; \$605 for IFEBP members; \$680 for non-members. Registration Department, International Foundation of Employee Benefit Plans, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

OCT. 26-27. Insurance Company SEC Accounting and Reporting course in New York, sponsored by Peat Marwick Main & Co.; \$725. Peat Marwick Registrar, Executive Education Department, 3 Chestnut Ridge Road, Montvale, N.J. 07645-0435; 800-762-3932.

OCT. 26-27. Fall Conference of the American Assn. of Insurance Services in Charleston, S.C.; \$250 for first registrant; \$125 for additional registrant from same organization; \$100

for spouses. American Assn. of Insurance Services, 1035 S. York Road, Bensenville, Ill. 60106; 312-595-3225.

OCT. 26-28. Government Risk Management Seminars: Basic Fundamentals, Advanced Techniques or School Risk Management in Washington, D.C., sponsored by the Public Risk & Insurance Management Assn.; \$350 for PRIMA members; \$400 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

OCT. 29-31. Asbestos Medicine seminar in Reno, Nev., sponsored by the Defense Research Institute Inc.; \$410 for DRI members; \$435 for non-members. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

NOV. 1-4. Insurance Technical Conference in Boston, co-sponsored by the Alliance of American Insurers and the American Assn. of Insurance Services; \$275 for Alliance/AAIS members/subscribers; \$100 for family members; \$325 for non-members. Donna G. Pillstrom, Alliance of American Insurers, 1501 Woodfield Road, Suite 400 W, Schaumburg, Ill. 60173-4980; 312-490-8595.

NOV. 2-6. Sampling and Evaluating Airborne Asbestos Dust course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$725. Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

NOV. 5-6. Integrating and Expanding the Role of Employee Health Care conference in San Antonio, Texas, sponsored by the American Hospital Assn.; before Sept. 4: \$320 for AHA members, \$420 for non-members; after Sept. 4: \$395 for AHA members, \$495 for non-members. American Hospital Assn., P.O. Box 98946, Chicago, Ill. 60693; 312-280-6083.

NOV. 5-6. Managing Intergovernmental Pools conference in San Antonio, Texas, sponsored by the Public Risk & Insurance Management Assn.; \$150 for PRIMA members; \$250 for non-members. Public Risk & Insurance Management Assn., 1120 G St. N.W., Suite 400, Washington, D.C. 20005; 202-626-4650.

NOV. 8-11. Legislative Research Commission's Third Biennial Workers Compensation Seminar in Louisville, Ky.; before Oct. 9: \$150; after Oct. 9: \$190. Charlene Collins, Legislative Research Commission, Fourth Floor, Capitol Building, Frankfort, Ky. 40601; 502-5640-8100.

NOV. 9-10. The Solution to the High Cost Claim—Medical Case Management conference in New York, sponsored by Intracorp; \$385; \$340 per additional registrant from the same organization. Jackie Mazoway, Intracorp, Chesterbrook Corporate Center, 701 Lee Road, Wayne, Pa. 19087; 800-345-1075.

NOV. 9-10. Bad Faith First Party Insurance Claims conference in Boston, sponsored by the Defense Research Institute Inc.; \$345 for DRI members; \$370 for non-members; discounts available for two or more persons from the same organization. Defense Research Institute Inc., 750 N. Lake Shore Drive, Suite 500, Chicago, Ill. 60611; 312-944-0575.

NOV. 9-12. Seventh Annual Construction Insurance Conference and Pre-conference Seminars in New Orleans, sponsored by the International Risk Management Institute Inc.; \$235 for one pre-conference seminar (Nov. 9): Construction Insurance Primer, Insurance Cost Control, or Risk Financing Alternatives; \$495 for conference (Nov. 10-12); \$595 for conference and one pre-conference seminar. International Risk Management Institute Inc., 12222 Merit Drive, Suite 1660, Dallas, Texas 75251-2217; 800-527-2580; 214-960-7693 within Texas.

NOV. 15-19. National Assn. of Independent Insurers' 42nd Annual Meeting in Maui, Hawaii; \$250 for members; \$350 for subscribers and guests; \$100 for spouses. National Assn. of Independent Insurers, 2600 River Road, Des Plaines, Ill. 60018-3286; 312-297-7800.

NOV. 16-20. Fundamentals of Industrial Hygiene Monitoring course in Long Grove, Ill., sponsored by National Loss Control Service Corp.; \$500. John Garis, NATLSCO, K-3, Long Grove, Ill. 60049; 800-323-9585; 312-540-2400 within Illinois.

NOV. 30-DEC. 1. Behavioral Science as an Approach to Accident Prevention course in Los Angeles, sponsored by the Institute of Safety & Systems Management at the University of Southern California; \$375. The Institute of Safety & Systems Management, University of Southern California, Office of Extension and In-Service Programs, 3500 S. Figueroa St., Suite 202, Los Angeles, Calif. 90007; 213-743-6523.

DEC. 4-9. 33rd Annual Employee Benefits Conference in San Francisco, sponsored by the International Foundation of Employee Benefit Plans; before Oct. 4: \$480 IFEBP members only; after Oct. 4: \$525 IFEBP members only. Registration Department, International Foundation of Employee Benefit Plans, 18700 Bluemound Road, P.O. Box 69, Brookfield, Wis. 53008-0069; 414-786-6700.

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Comings & goings: buyers

Barnett Banks names Corse to benefits post

Catherine Corse, 34, has been promoted to assistant vp and manager of employee benefits at Barnett Banks Inc. in Jacksonville, Fla. Ms. Corse oversees Barnett's employee benefit plans, assuming some of the duties previously handled by Maureen Connelly, who has left the company. She reports to Lou Garner, vp-compensation and employee benefits. Ms. Corse holds a bachelors degree in English from Vassar College in Poughkeepsie, N.Y., and a masters degree in English from the University of Michigan at Ann Arbor. Ms. Corse, who most recently was the company's employee benefits officer, previously worked for Prudential Insurance Co. of America in Jacksonville. Ms. Corse was responsible for Barnett's award winning employee benefits communication program, which tied for third place in the audio-visual category of *Business Insurance's* 1987 Employee Benefits Communication Awards competition (*BI*, Aug. 3).



Ms. Corse

Michael Zuckerman has been named director of risk management at Thomas Jefferson University in Philadelphia. In this position he oversees property/casualty insurance and risk management for the university, reporting to Samuel H. Ballam III, associate vp for finance and treasurer. Prior to joining Thomas Jefferson, Mr. Zuckerman worked for Johnson & Higgins in Philadelphia. Mr. Zuckerman received a bachelor of business administration degree and a master of business administration degree from Temple University in Philadelphia and a doctor of law degree from John Marshall Law School in Chicago. Mr. Zuckerman teaches insurance in the evening MBA program of LaSalle University in Philadelphia. He is a deputy member of the Risk & Insurance Management Society and a member of the University Risk & Insurance Management Assn.



Mr. Zuckerman

Ira E. Cohen, 31, has been named assistant secretary in the Insurance and Risk Financing Group at Irving Trust Co. in New York. In this position, he handles financial-related coverages and reports to Vp James S. Gamble. Before joining Irving Trust, Mr. Cohen was an account executive with Johnson & Higgins Inc. of New Jersey in Parsippany. He received a bachelor of science degree in business administration from Montclair State College in Upper Montclair, N.J., and also holds the Chartered Property & Casualty Underwriter designation.

We'd like to report on staff changes in your company's risk management, safety or employee benefits department. Just drop a note to Paul Winston, Assistant Copy Editor, *Business Insurance*, 740 N. Rush St., Chicago, Ill. 60611-2590, or call 312-649-5442. Please send a photo.

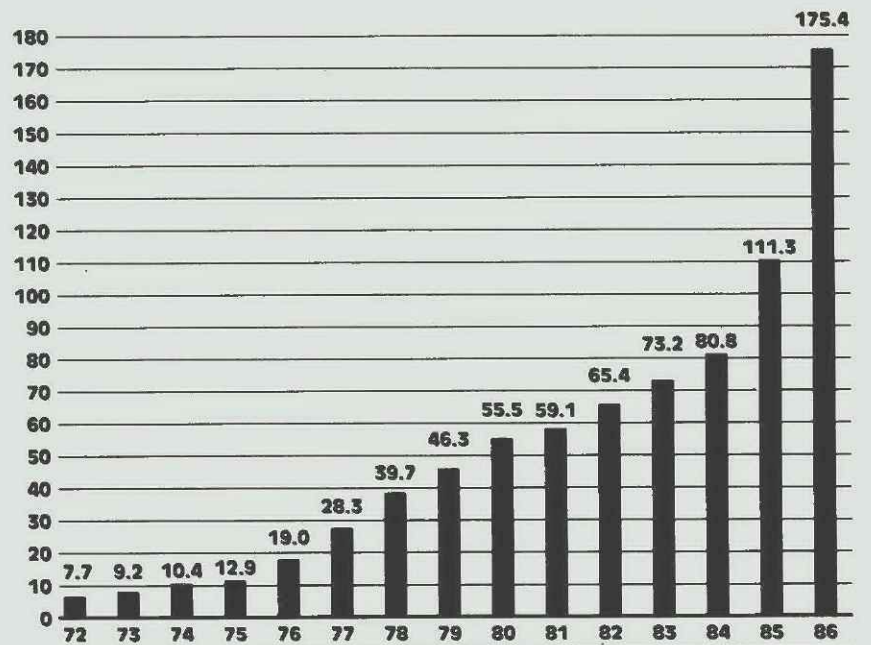
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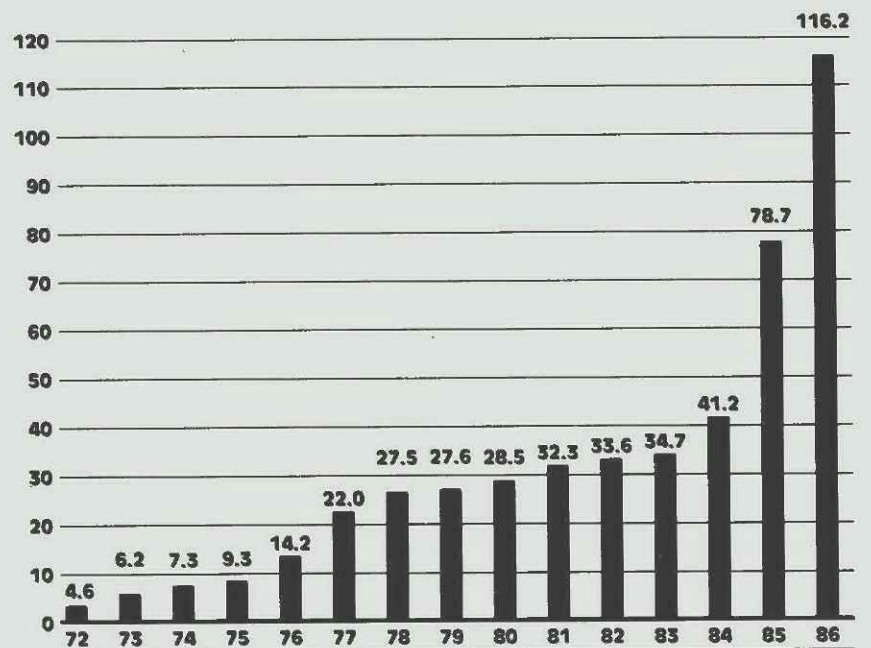
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Haven to head Hall's New York affiliate

Marvin R. Haven has been appointed president and chief operating officer of Frank B. Hall & Co. of New York Inc.

Prior to his appointment, Mr. Haven was Hall's Southeast regional manager for 2½ years. Before that, he was chairman and chief executive officer of Frank B. Hall & Co. of Florida in Coral Gables. Mr. Haven joined Hall in 1976.

Other broker changes:

David D. Haynes appointed deputy chief administrative officer of Fred S. James & Co. Inc. Mr. Haynes will work from James' Memphis and Knoxville, Tenn., offices. Mr. Haynes joined James in 1986 when James acquired the Nashville, Tenn.-based Armistead Group. He had been president of Armistead since 1984.

Comings & goings: industry

Lewis C. Ting joined Johnson & Higgins' international department as vp. Mr. Ting will work in Hong Kong. Most recently, Mr. Ting was manager of international benefits at SmithKline Beckman Corp. in Philadelphia.

Grover B. Simpson promoted to vp from producer at Lockton Insurance Agency in Prairie Village, Kan.

Dennis B. Parrott appointed manager of the sales department in the Los Angeles office of Johnson & Higgins of California. Previously, Mr. Parrott was vp and senior employee benefits consultant as well as a senior account manager.

At Des Moines, Iowa-based Kirke-Van Orsdel Inc., **Rachel E. Pluhar** named vp of the company's



Ms. Pluhar

Washington, D.C., office, where she manages the accounts of several major association clients. She joined the brokerage in 1986 as an account executive in the East Coast office.

Steven C. Bloss promoted to regional vp-Midwest region for Seibels Bruce Insurance Cos. in Columbia, S.C.

Most recently, he was vp-personal lines underwriting. Mr. Bloss also was elected executive vp of Kentucky Insurance Co., a subsidiary of the Seibels Bruce Group.

Steven E. Beck named vp at John Burnham & Co. Commercial Insurance in Irvine, Calif. Mr. Beck, who formerly was property/casualty manager for Fred S. James & Co. of Tucson, Ariz., will manage Burnham's property/casualty department.

Insurers

Richard L. Allen promoted to senior vp of marketing, underwriting and regional operations at Peerless Insurance Co. in Keene, N.H. Mr. Allen's responsibilities include Excelsior Insurance Co. in Syracuse, N.Y., a sister company.

Norman H. Burdick promoted to senior vp-risk management from vp at Argonaut Insurance Co. in Menlo Park, Calif. Prior to joining Argonaut, Mr. Burdick was senior managing staff counsel in the Chicago office of Home Insurance Group of New York.

J. Scott Rodeghiero promoted to vp-corporate claims operations from second vp-reinsurance claims at John Hancock Property & Casualty Insurance Cos. in Boston.

Howard Logue elected regional vp of SAFECO Insurance Co. of America in Seattle. Mr. Logue will continue as the Pacific Northwest region claims manager.

Peter O. Monrad appointed president and chief executive officer of First Transcontinental Life Insurance Corp., a subsidiary of Los Angeles-based TPA of America Inc. Mr. Monrad currently is vp-insured operations of TPA of America and executive vp of First Transcontinental. In addition to his positions with First Transcontinental, he will continue as vp-insured operations of TPA of America.

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OVERVIEW. IRI's total management program for loss prevention and control. Get a copy of our complimentary 6-page brochure or ask about the modestly-priced 96-page, 14-section Manual and accompanying Forms Packet. Each section in the Manual addresses management's role in creating a program to help control specific situations or problem areas within a facility. The sections discuss Impairments to Protective Systems; Smoking Regulations; Maintenance; Employee Training; New Construction; Insurance Company Recommendations; Pre-Emergency Planning; Hazardous Materials Evaluation; Cutting, Welding and Other Hot Work; Loss Prevention Inspection; Fire Protection and Security Surveillance; Fire Protection Equipment Inspection; Hazard Identification and Evaluation; and Proper Housekeeping.

In addition to printed information, you might like to preview an introductory slide presentation on OVERVIEW or a case history update, titled "OVERVIEW in Action." Your only cost is return shipping.

RSVP (Restore Shut Valves Promptly). This is a total Impairment Handling program, found in Section 1 of OVERVIEW. The complete how-to kit includes a file folder, booklet, shut-off tags and riser labels. Plus, a narrated slide presentation.

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Casey Hamlin promoted to vp of Sherwood Insurance Services, a wholesale brokerage and managing general agent in Los Angeles.

Marilyn Thomas promoted to senior vp from vp at Stewart Smith West Inc. in Los Angeles. She continues as manager of the casualty department and director of Stewart Smith West.

Reinsurance

Thomas Tartaro joined John P. Woods Co. Inc., New York reinsurance intermediaries, as executive vp. Previously, Mr. Tartaro was departmental vp at Newark, N.J.-based Prudential Reinsurance Co.

Robert D. Kleppinger promoted to vp-claims of Prudential Reinsurance Co. in Newark, N.J. Mr. Kleppinger has headed the company's claims department since he joined two years ago as functional vp.

Robert F. Kennedy promoted to vp from assistant vp in the domestic treaty division of American Re-Insurance Co. in New York.

Also at American Re-Insurance in New York, **Edward E. Duess** promoted to vp from director in the treaty underwriting department of the domestic treaty division.



Mr. Kennedy

Other suppliers

Robert B. Shomer promoted to executive vp of ALTA Health Strategies Inc. in Salt Lake City, Utah, the nation's largest third-party administrator as ranked by *Business Insurance*. Previously, Mr. Shomer was vp-marketing.

At The Wyatt Co. in New York, **Howard Peyser**, **Brian D. Canes** and **Joseph Chrostowski** joined as consultants. Mr. Peyser consults on the legal aspects of employee benefits. Mr. Canes consults on defined contribution plans and their administration. Mr. Chrostowski is a consultant and practice leader in health and welfare benefits.

At M.G. Skinner & Associates in Los Angeles, **Joseph M. Lally** named executive vp and **Alison Jones** appointed vp-operations. Mr. Lally helped create the firm in 1979. Previously, Ms. Jones was director of the agency consulting group for CIGNA Corp. in Philadelphia.

OSHA

Continued from page 1
by October 1988," Mr. Pendergrass declared.

The list was developed in the early 1970s and has not been updated since. OSHA could have updated the standard for the more than 400 substances on the list individually, but decided it would be speedier to update the entire list at once, OSHA officials explained.

This method of revision is supported by the National Assn. of Manufacturers in Washington, according to Susan Spangler, director of loss prevention and control.

Yet critics charge OSHA's actions are often too little, too late.

For example, a standard reducing permissible exposure to benzene was issued after nearly a decade of debate.

Even Mr. Pendergrass admits that the amount of time it takes the agency to get anything done is "a big frustration."

So, the question remains whether OSHA, established by the Occupational Safety and Health Act of 1970, is effective in its role as policeman and team leader for U.S. employers and employees.

According to Mr. Pendergrass, "If you look at the records that have existed since 1970, I think it is quite evident that OSHA has had a significant effect" on safety.

He asserts that "there has been a fairly steady decline in the past 15 years" in the injury incidence rate.

Yet, according to the Labor Department's Bureau of Labor Statistics, lost workday injury cases per 100 full-time workers rose to 4.2 in 1979 from 3.2 in 1972 and then declined through 1985 to 3.6—not quite the level it had been previously (see chart, page 66).

Sometimes statistics can "give a false impression," Mr. Pendergrass said. He said that by continually refining its inspection methods, OSHA is increasingly effective.

In addition to conducting random inspections and responding to reports of alleged dangers, complaints, catastrophes and fatalities, OSHA uses data on workplace injuries and illnesses to determine which industries and activities are most dangerous. OSHA claims these inspections have produced significant results in abating the worst workplace dangers.

In the manufacturing sector, OSHA selects for inspection industries with lost workday injury rates higher than 3.4 per 100 full-time workers—the lowest rate in the last 10 years.

Further targeting occurs within these industries: OSHA uses company records on injuries and illnesses to determine the least safe establishments within an industry.

In addition, OSHA conducts spot checks in one in every nine manufacturing establishments.

OSHA has separate safety and inspection targeting systems for construction and maritime workplaces, both of which have higher injury rates than the manufacturing sector.

More than half of all OSHA inspections—55% in fiscal 1985—were conducted in construction, where the average lost workday injury rate was 6.9 per 100 full-time workers in 1984, the last year for which information is available.

OSHA also uses a targeting policy to go after industries and workplaces with a high rate of serious health violations. Special emphasis programs address uniquely hazardous industries such as trenching and excavation and farming with migrant labor.

Local special emphasis programs direct agency resources to workplaces or industries that, on average, may not be highly hazardous nationwide but are considered highly hazardous in selected areas of the country. These programs focus on operations and hazards such as floating fish processing,

cotton dust, logging, oil and gas well drilling, grain elevators and copper smelters.

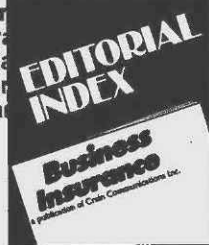
OSHA measures the success of its targeting programs by the percentage of inspections with violations. The more violations per inspection, so the theory goes, the more effective OSHA has been in targeting resources to companies that are not complying with federal safety and health standards.

In fiscal 1986, only 22% of the workplaces targeted for inspection were in compliance with federal standards. This compares with a compliance rate of 37% for all inspections and 44% for inspections stemming from complaints, accidents and follow-ups. These figures exclude records inspections.

However, from fiscal 1980 through 1986, total violations and penalties proposed have not increased as steadily as one might expect from an increasingly sophisticated targeting policy.

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EI 9/14

Does your employee belong in a psychiatric hospital?

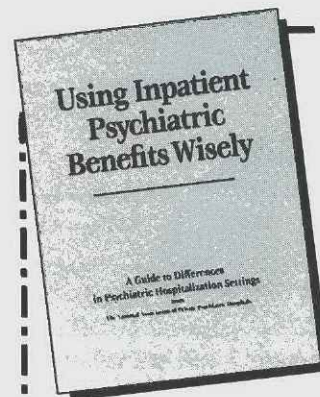
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BI 9/14

The National Association of Private Psychiatric Hospitals

OSHA chief has corporate experience

By DEBORAH SHALOWITZ

WASHINGTON—John Ambrose Pendergrass is the kind of man who wouldn't mind being put out of business—for the right reason, that is.

"I cannot think of anything better than if there is not a need for an Occupational Safety and Health Administration," the OSHA administrator says.

However, as assistant secretary of labor for occupational safety and health, Mr. Pendergrass tends to his responsibility for government policies and activities aimed at ensuring the safety and health of American workers with affable zeal.

Mr. Pendergrass, who as OSHA administrator oversees safety and

'I cannot think of anything better than if there is not a need for an Occupational Safety and Health Administration,' says John Ambrose Pendergrass, assistant secretary of labor for occupational safety and health.

health at about 5 million worksites in the United States, brings to the agency almost three decades of experience in occupational safety and health.

The majority of his career had been with Minnesota Mining & Manufacturing Co. in St. Paul, Minn. During his 22 years at 3M, Mr. Pendergrass rose from industrial hygienist to associate director

of the medical department and established a well-respected safety and health program for the company's 86,000 employees.

He also helped the company develop an occupational safety and health products division that produces and sells videotapes to train workers on safety and health procedures.

The most important lesson Mr. Pendergrass learned at 3M was how to work effectively with management, he recalls. A company safety manager or industrial hygienist must figure out how to sell programs to management, Mr. Pendergrass explained.

To do this, Mr. Pendergrass suggests that safety and health managers find a problem that managers at the company are aware of and solve it. This helps "establish your credibility," Mr. Pendergrass explained.

It remains important throughout a safety or health manager's career

"to make sure people understand what you're doing and why and how it's beneficial" to the company, he said.

These communication skills were one of the reasons Mr. Pendergrass, 62, was recruited for the top spot at OSHA, according to Richard Boggs, vp of Organization Resources Counselors Inc., a Washington, D.C., management consulting firm.

Organizational Resources spent six months talking to more than 200 people about applying to become an assistant labor secretary for OSHA, but most of them were not interested in the position, Mr. Boggs related.

"It's a miserable job," Mr. Boggs said. "The political liability is great, the frustration at getting things done is bad and living in Washington is not the easiest thing to do."

Furthermore, "for somebody with lots of experience and background, the pay is not that good," he said.

Occupational Resources eventually submitted a list of almost 30 names of potential candidates to the Secretary of Labor William Brock.

Mr. Boggs noted that Occupational Resources does not recommend people for jobs—it only alerts a client about potential can-



Before taking the top post at OSHA, John A. Pendergrass 'cussed the agency for years.'

didates. Initially, Mr. Pendergrass said, his reaction was not positive when Mr. Boggs approached him about the position.

"I'd cussed the agency for years," he laughed.

But after thinking about it for a while, he decided he wanted to help OSHA do a good job, he explained.

He was confirmed by the Senate for the post in May 1986 and said

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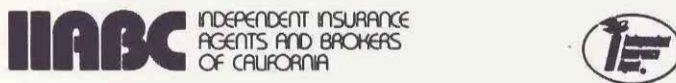
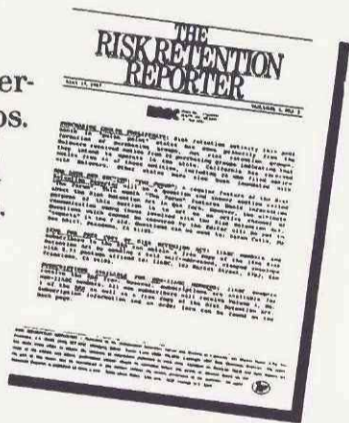
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1970 law outlines OSHA's authority

By DEBORAH SHALOWITZ

OSHA provisions do not apply to state and local governments in their role as employers. However, any state that wants to administer its own job safety and health program must meet standards at least as stringent as those for private employees.

According to an OSHA handbook, "an occupational injury is any injury such as a cut, fracture,

sprain or amputation which results from a work-related accident or from exposure involving a single

incident in the work environment."

An occupational illness is defined as "any abnormal condition or disorder, other than one resulting from an occupational injury, caused by exposure to environmental factors associated with employment. Included are acute and chronic illnesses and diseases which may be caused by inhalation, absorption, ingestion or direct contact with toxic substances or harmful agents."

According to the handbook, all occupational illnesses must be recorded regardless of severity. Injuries must be recorded if they result in:

- Death, which must be recorded regardless of the length of time between the injury and death.
- One or more lost workdays.
- Restriction of work or motion.
- Loss of consciousness.
- Transfer to another job.
- Medical treatment other than first aid.

WASHINGTON—The Occupational Safety and Health Act of 1970 enjoined OSHA to encourage employers and employees to reduce the number of workplace hazards and to either implement new or improve existing safety and health programs.

In general, provisions of the act extend to all employers and their employees in the 50 states, the District of Columbia, Puerto Rico and all other territories under the jurisdiction of the federal government.

Regulation is provided either directly by the federal Occupational Safety and Health Administration or through an OSHA-approved state program.

The act encourages states to establish their own job safety and health programs. Once approved, OSHA funds up to 50% of the state plans' operating costs. State occupational safety and health plans must provide standards and enforcement programs that are at least as stringent as the federal program's.

Currently, 23 states and two territories have their own OSHA-approved occupational safety and health plans.

These jurisdictions are: Alaska, Arizona, California, Connecticut, Hawaii, Indiana, Iowa, Kentucky, Maryland, Michigan, Minnesota, Nevada, New Mexico, New York, North Carolina, Oregon, Puerto Rico, South Carolina, Tennessee, Utah, Vermont, Virginia, the U.S. Virgin Islands, Washington and Wyoming. In Connecticut and New York, the health and safety plan covers only state and local government employees.

People who are self-employed, farms that employ only immediate family members and workplaces already protected by other federal agencies, such as the mining industry, are not covered under the OSHA act.

Under the legislation, federal agencies must establish and maintain a comprehensive safety and health program.

OSHA provisions do not apply to state and local governments in their role as employers. However, any state that wants to administer its own job safety and health program must cover its state and local government workers with standards at least as stringent as those for private employees.

Employers of 11 or more employees must maintain records of occupational injuries and illnesses as they occur.

Pendergrass

Continued from previous page
he expects to serve through the end of his term in 1988.

Mr. Pendergrass' experience at other companies and formal education help him in that effort.

Mr. Pendergrass, a native of Valley Head, Ala., received a bachelor's of science degree in biology and chemistry from the University of Alabama in 1948 and a master's of public health degree from the University of Michigan in 1955.

He stumbled into the field of occupational health when he landed a position as a biologist in toxicology studies at the Tennessee Valley Authority in Muscle Shoals, Ala., Mr. Pendergrass recalled. He worked for the TVA for five years, which were interrupted by a two-year stint with the U.S. Navy during the Korean War.

Mr. Pendergrass also has held industrial hygiene positions at Boeing Airplane Co. in Wichita, Kan. and at American Cyanamid Co. in New York and in Wayne, N.J. ■

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Vice-Presidents, General Managers
and Other Administrative Personnel
..... 3,136

Financial:
Chief Financial Officers and Vice-
presidents of Finance 2,683
Secretaries, Treasurers, controllers
and other Financial Personnel 4,888

Risk/Employee Benefits:
Vice-presidents, directors, manag-
ers, and other related department
personnel of: insurance, risk, em-
ployee benefits, personnel, com-
pensation, pension, safety, security,
industrial relations, human re-
sources and employee/labor rela-
tions 8,144

Sub-total 21,277

Associations 506

Government, Unions and Educa-
tional Institutions 1,400

Commercial Consumers
Sub-total 23,183

Insurance Agents and Brokers 11,009

Insurance Companies 7,111

Financial Institutions 989

Actuaries, Attorneys, Adjusters, Ap-
praisers and Consultants 5,560

Others Allied to the Field 1,442

TOTAL 49,294

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Liquidation dispute

Continued from page 1

205(c)(1) are "claims by policyholders, beneficiaries, insureds and liability claims against insureds covered under insurance policies and insurance contracts issued by the company. . ." and also claims filed against the insolvent company's estate by the Illinois Insurance Guaranty Fund.

One step below these claims, according to Section 205(d)(1) are "all other claims of general creditors."

Among the arguments by Mr. Washburn, in his role as liquidator, were that the language of priority (c) does not encompass claims of companies that Reserve and Security Casualty reinsured and said these claims should be classified with claims of general creditors under priority (d).

By giving priority to policyholders, the state Legislature intended to protect insurance consumers and not insurance companies that can protect themselves, Mr. Washburn contended.

Moreover, if the Legislature had wanted to protect insurers under priority (c), it would have explicitly included claims stemming from reinsurance agreements under that priority, he argued.

The ceding companies argued that the terms of the Illinois priority statute expressly provides that reinsurance agreements have priority (c) creditor status.

In addition, the insurers said the Illinois Insurance Guaranty Fund, and not the priority statute, is meant to protect insurance consumers.

They also argued that public policy considerations compel a finding that reinsureds are priority (c) creditors of Reserve and Security Casualty.

At an Aug. 19 hearing, however, Judge Shields accepted the arguments by attorneys for the liquidator.

"If the Legislature wanted to include reinsurance or reinsurance contracts or reinsurance issues in the legislation, it would have done so," Judge Shields said. "We have to presume it understood the issues and understood the words and understood the meaning of the various terms. It did not do so."

In addition, Judge Shields said he was persuaded by the argument that reinsurers, as professionals, could have protected themselves by purchasing forms of security that would have enabled them to be paid even before direct policyholders' claims were paid.

Moreover, reinsurance contracts are negotiated and thus should not be treated the same as insurance contracts involving insurance consumers, the judge said.

Judge Shields also disagreed that policyholders are adequately protected by the guaranty funds, thereby enabling reinsureds to be treated equally as class (c) creditors.

"They (guaranty funds) don't protect everyone or anyone entirely," he said.

In addition, Judge Shields focused on language in section (c) of the code that says this section covers claims under insurance policies and insurance contracts "issued by the company."

"It doesn't say 'made,' it doesn't say 'entered into,'" he said. "It . . . contemplates policies, in the sense of insurance policies, as distinguished from insurance contracts."

In addition, the liquidator has the responsibility of interpreting or attaching the plain meaning to the statutory language, and his interpretation of the statute is entitled to substantial deference, Judge Shields said.

"Considering all those factors, the Court approves the plan of distribution which puts the obligations with respect to reinsurers in the Category D," Judge Shields ruled.

In an order entered on Aug. 31, Judge Shields also permitted the liquidator to defer determination of the reinsurance claims until all claims within priority (c) have been paid in full.

Last week, an attorney for some of the major ceding companies involved in the case said it was uncertain whether the

companies would appeal Judge Shields' decision.

However, Michael M. Marick, with the Chicago firm of Phelan, Pope & John, disagreed with the decision, contending that reinsurance claims against insolvent insurers fall within section (c) of the priority statutes, because policyholders are already protected from insolvent insurers' by state guaranty funds and because of public policy.

Mr. Marick predicted the decision would not have a significant impact on other states that address the issue, although he did say the ruling could lead to higher insurance costs for policyholders.

"It is a significant possibility that premiums could increase if it turns out that reinsureds are relegated to general creditor status in the insolvency distribution scheme," Mr. Marick said.

Attorneys for Mr. Washburn praised the decision, pointing out that it gives more protection to direct policyholders with claims pending against insolvent insurers.

"We're very pleased with the outcome," said James R. Stinson, who represents Mr. Washburn in his capacity as Security Casualty's liquidator.

Mr. Stinson, with the Chicago-based firm of Sidley & Austin, said the decision was "very significant" and reaffirms the role of the Illinois insurance director in protecting insurance buyers and making sure that assets of insolvent insurers are distributed to consumers.

"We're very pleased," said John Gavin, an attorney with the Chicago firm of Hopkins & Sutter, who represents Mr. Washburn in his capacity as liquidator of Reserve.

"We think it upholds the rights of policyholders to first claim on the assets of the estate as opposed to the reinsured insurance companies," Mr. Gavin continued.

An attorney for the Illinois Insurance Guaranty Fund also praised the decision. The Illinois fund and the Texas Property & Casualty Insurance Guaranty Assn. intervened in the case, siding with the liquidator.

"It is very important from the perspective of guaranty funds," said Don W. Fowler, with the Chicago firm of Lord, Bissell & Brook.

When guaranty funds are not reimbursed for claims paid to policyholders from the estates of insolvent insurers, the shortfall is made up by assessments against licensed insurance companies, the costs of which are passed directly on to policyholders, Mr. Fowler explained.

"To the extent guaranty funds can't collect from insolvent insurers, all of us pay," he said.

Also benefitting directly from the decision are policyholders of Reserve and Security Casualty who for various reasons cannot recover from state guaranty funds, according to attorneys for the liquidator.

These policyholders include those who have claims against Reserve and Security Casualty that exceed the limits that guaranty funds are permitted to pay for any one claim. The Illinois guaranty fund can pay a maximum of \$150,000 per claim.

These policyholders will obtain larger amounts if ceding companies are not included in category (c), attorneys say.

In addition, excluding companies from category (c) that ceded reinsurance will allow direct policyholders that purchased coverage from Reserve or Security on a surplus lines basis to recover a higher percentage from the insurers' estates.

Except in New Jersey, no state guaranty fund covers surplus lines claims, and the New Jersey Surplus Lines Insurance Guaranty Fund does not cover claims owed by Reserve or Security Casualty (BI, Aug. 10).

Attorneys for insurers and reinsurers say the issue of whether ceding companies have the same payment priority as direct policyholders in a liquidation will come up more frequently with the increasing number of insurer insolvencies.

"It's an issue that will be dealt with repeatedly over the next few years," said Jonathan Bank, with the Los Angeles firm of Buchalter Nemer Fields & Younger. ■

By giving priority to policyholders, the Legislature intended to protect insurance consumers and not insurers that can protect themselves, Mr. Washburn says.

Air India claims

Continued from page 2

view I have formed of the relevant contracts," he added.

However, an earlier inter-market arbitration panel hearing a similar dispute between LMX underwriters led by Mr. Outhwaite and nine Lloyd's underwriters led by William Maitland, chairman of Janson Green Ltd., ruled in Mr. Outhwaite's favor.

The Outhwaite agency has now lodged an appeal against the High Court judgment. The appeal is due to be heard in October or November, said Mr. Hussey.

The appellate court's decision will "certainly set a legal precedent on such settlements," said a lawyer with Ince & Co., the law firm representing the Outhwaite agency.

While Judge Hamilton's ruling was only a summary judgment that "does not have a great deal of (legal) authority and limited precedent value," the appeal will be heard by a full appellate court with full discovery proceedings, pointed out a lawyer from Clyde & Co., the law firm representing the plaintiffs.

Meanwhile, Mr. Outhwaite has indicated that he will not pay claims unless pressed by the courts or arbitrators, other underwriters say. Mr. Outhwaite was not available for comment.

However, excess-of-loss claims presented by the four plaintiffs in the court case have been paid as a result of the judgment, confirmed Derek Pursell, claims manager for the Outhwaite agency.

The four plaintiffs are:

- K.H.E. Boden, underwriter for marine syndicate 710, managed by Laurence Phipps (Agencies) Ltd. Syndicate 710 had participated in GIC's war risk reinsurance policy and on quota-share contracts for other participating syndicates. Two layers of excess-of-loss reinsurance purchased by Mr. Boden's syndicate are at issue in the case: \$337,000 excess of \$50,000 and \$750,000 excess of \$387,000, both confined to war risks reinsurance, court papers state.

Judge Hamilton ruled that Mr. Boden was entitled to receive payments of \$45,316.50 to cover interim payments for the Air India loss.

- John Tilling, underwriter for aviation syndicate 340, managed by Gravett & Tilling (Underwriting Agencies) Ltd.

- Michael Gravett, underwriter for non-marine syndicate 227, also managed by Gravett & Tilling.

Both Mr. Tilling and Mr. Gravett's syndicates have two excess-of-loss reinsurance layers at issue: \$250,000 excess of \$50,000 and \$500,000 excess of \$300,000, confined to war risk losses. Both underwriters have made interim payments quota-share reinsurance claims and were judged to be entitled to excess-of-loss reinsurance payments of \$97,869.81, court papers state.

- Peter Hardy, underwriter for marine syndicate 382, managed by Hardy (Underwriting Agencies) Ltd. Mr. Hardy's syndicate has one excess-of-loss layer at issue: \$100,000 excess of \$200,000 covering both war risks and all risks.

The syndicate took part in both GIC's war and all-risk reinsurance policies and, furthermore, has paid \$371,275 in claims and is entitled to \$9,523.80 in excess-of-loss payments, according to court papers.

Many other Lloyd's and London market underwriters are awaiting the appellate decision before presenting claims to their LMX reinsurers, sources say.

However, Mr. Tilling believes some claims already are being presented to LMX underwriters as a result of the initial judgment.

"Mr. Outhwaite is not the only underwriter refusing to pay. Collections are now on their way round again" in the aftermath of Judge Hamilton's decision, Mr. Tilling said.

This type of inter-market dispute normally would never reach the British courts but instead would be settled either by agreement or arbitration. However, because of the large amounts involved in the Air India case and the long delay before arbitration, underwriters were anxious to seek payment from reinsurers, observers say.

Because the matter now will receive a full court hearing, a precedent will be set, underwriters say.

Continued on next page

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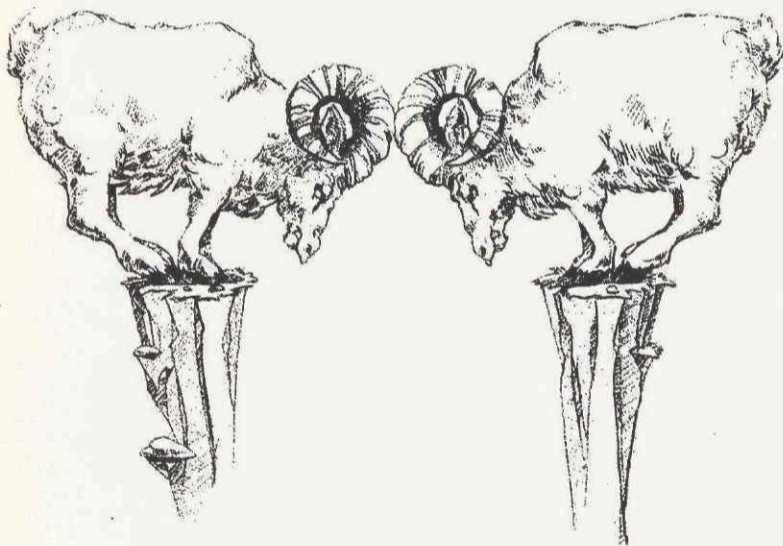
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Air India dispute

Continued from previous page

"If we lose the appeal, it could seriously affect reinsurers' outlook when writing excess-of-loss business," noted the Outhwaite agency's Mr. Pursell.

Until recently there was no mention of loans in LMX policy wording, but it was always generally accepted by marine LMX underwriters that "loan payments" were not covered by LMX contracts, said Mr. Pursell.

However, following 1986 renewals, some marine LMX underwriters began to deliberately exclude loan coverage in policy language as a result of the Air India dispute.

When the 14 LMX underwriters on the policy led by Mr. Outhwaite—who took a 26% line—first were approached for payment, all but one—who had a 5.3% line—refused to pay, according to Mr. Pursell.

LMX underwriters in the aviation market, however, have tended to take a different view of the dispute and indeed some underwriters in both the marine and the aviation markets are settling the claims for "commercial" reasons, market observers noted.

However, if the appellate court finds that the Outhwaite agency cannot use market practice as an argument against paying the Air India claims, LMX reinsurers seriously will have to rethink their position and even introduce a standard clause relating to loan payments, according to Mr. Pursell.

Meanwhile, Stephen Merrett, chairman of Merrett Holdings P.L.C. and a leading Lloyd's LMX underwriter, does not believe the judgment will have a major impact on the market.

"The judgment merely looks back at a stage of development in the excess-of-loss market," he said, adding the aviation market has done a "good deal" to make this sort of thing less likely since the Air India crash.

"There are discussions in the aviation reinsurance market to ensure that relationships don't allow a division of this sort to develop," he said.

The Air India incident is an isolated case, Mr. Merrett explained, adding that "it is very rare that such an extraordinarily protracted arbitration process is arranged."

'I am convinced that there ought to be the choice available to policyholders of one hull policy covering war and all-risks,' says Mr. Bolton. 'It would then be up to the insurance industry to sort out all the spurious arguments afterwards.'

The reinsurance dispute stems from a market agreement known as the "50/50 provisional claims settlement."

On Oct. 12, 1983, a standard form—the AVS 103 or 50/50 provisional claims settlement clause—was introduced into the London aviation market "clearly drafted to protect an insured airline who effected separate all risks and war risks cover," said Judge Hamilton in his judgment.

This clause—"of obvious benefit to the insured and credit to the insurance market"—provides that aviation all risk and war risk insurers each advance 50% of the claim to the policyholder if the claim is disputed, he noted. The two sets of underwriters then decide ultimate liability through arbitration.

Air India's insurer, GIC, purchased separate reinsurance for war risks, 79.7% of which was placed in the London market, and all risks, 75.15% of which was placed in the London market.

The GIC reinsurance had a 50/50 claims agreement, according to court papers.

This clause agreed to "provisionally fund" a claim by a "loan on the basis of 50%/50% or as mutually agreed between the respective leading underwriters" if there are circumstances "which give rise to reasonable doubt" as to whether the hull "all risks" or hull "war risks" insurers were liable for the claim.

However, although Air India's claim was promptly paid by GIC, the uncertainty surrounding the disaster caused London reinsurers to delay payment to GIC, despite the 50/50 clause.

London reinsurance broker C.T. Bowring & Co. Ltd. was forced to pay a "substantial" amount of the reinsurance claim to GIC, while all-risk and war risk reinsurers squabbled over who should pay the claim (BI, Aug. 19, 1985).

Tony Bolton, chairman of Bowring Aviation Ltd., refused to dis-

cuss details of the Air India settlement but confirmed that "all but \$200,000" has been paid to GIC by the reinsurers.

GIC's hull war risk reinsurance is led in the London market by marine syndicate 932, managed by Janson Green Ltd., confirmed Mr. Maitland. GIC's hull all-risk reinsurance is led by aviation syndicate 90, better known as the Ariel syndicate, which is managed by Methuen (Lloyd's Underwriting Agents) Ltd., a spokesman confirmed.

Both war risk and all-risk reinsurers refused to discuss details of the Air India settlement before arbitration.

"There is nothing wrong with the existing 50%/50% agreement," according to Mr. Maitland, adding that the only alternative is to have aviation all-risk underwriters pay the full loss and then prove a claim is a war risk loss.

"Providing the policyholder gets paid one way or another, the rest is a market matter," Mr. Maitland noted.

Some brokers, however, believe the London market should now bring back the option of writing both war risk and all-risk aviation reinsurance coverage under the same policy.

"I am convinced that there ought to be the choice available to policyholders of one hull policy covering war and all-risks," said Bowring's Mr. Bolton. "It would then be up to the insurance industry to sort out all the spurious arguments afterwards."

Also, by offering both types of coverage under one policy, underwriters could "stop the flood out of London of all-risk business," Mr. Bolton noted.

Mr. Merrett, however, disagrees. "There is no reason why policies shouldn't be placed in two markets," he said, adding that any problems are confined to the insurance industry, since airlines buy only one policy covering all types of risks, including war risks. ■

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NYIE liabilities

Continued from page 1

The chairman of the security fund's board of directors has committed to work with the exchange to develop the Syndicate 100 plan, and security fund and exchange leaders agreed to ask the New York Insurance Department for help with the plan.

Separately, the NYIE board also voted to petition the department to liquidate three of the eight syndicates it previously declared insolvent. Exchange officials refused to identify the three syndicates.

Meanwhile, exchange members are divided over the impact that the Tillinghast report and the subsequent security fund drawdown may have on the exchange.

Concerns expressed by underwriting managers and others include:

- The possibility that current syndicate members—or former members whose deposits are still held by the security fund—could challenge the drawdown in court. This, in turn, could slow the Syndicate 100 plan and deplete security fund assets available to cover the insolvencies, observers say.

"That potentially could tie things up for a long time, with nothing being resolved. That could be very damaging," said one observer who asked not to be named.

- Uncertainties over whether the funds raised by a future assessment of underwriting members could be used to cover the current group of insolvencies.

In a Sept. 3 memo to members, NYIE President Joseph Fahys noted the exchange board's power to assess each syndicate up to \$500,000 to meet unpaid contractual obligations "in the event of future insolvencies."

This section of the exchange constitution provides only that the assessments may be made "for purposes related to an insolvent underwriting member" without specifying whether the insolvency may be an existing one.

Another section, however, provides that in the event of one or more insolvencies, the security fund will not be liable to pay more than the amount existing in the fund on the date the syndicates are declared insolvent by the board.

"It's not clear to me what direction will be taken there," said John Slattery, senior vp with Pan Atlantic Management Corp., one of the NYIE's largest underwriting managers.

- The possibility the drawdown could push syndicates currently close to the exchange's minimum capital and surplus guidelines into an impaired condition.

Syndicates count their initial \$500,000 deposit to the security fund as part of their surplus.

As of June 30, at least three syndicates were within \$500,000 of the exchange's minimum surplus requirement of \$2.2 million for members writing property/casualty or life/health business, though only one of the syndicates was actively underwriting. Several other syndicates would be close to the \$2.2 million minimum after the drawdown based on the June 30 figures.

- The exchange's ability to attract profitable reinsurance business could be damaged in the wake of the drawdown. In addition, some fear the exchange's ability to

attract new syndicate investors also could be damaged.

The drawdown—coupled with the recently announced withdrawal plan of The 1792 Co., perennially the exchange's largest syndicate—is "the death knell of the exchange as far as we are concerned," said one major exchange broker who asked not to be named. "There's just no way that anybody is going to place their reinsurance on the exchange at this point."

The broker noted that when he recently tried to place a retrocession for one exchange syndicate with another syndicate, the ceding syndicate's parent company refused to accept the second NYIE syndicate as adequate security.

"Whether it's right or not, the perception of the exchange is that it is not a market that (ceding companies) would want intermediaries to place business with," the broker said. "Their credibility is zero."

But others see the drawdown as a step in the right direction.

"I frankly view this as a more positive development than a negative development," said Roy G. Nelson Jr., president of Johnson & Higgins Willis Faber (USA) Inc., one of the largest NYIE underwriting managers. "This will allow them to move forward with the Syndicate 100 rescue plan."

Mr. Nelson noted that syndicates that will be hurt most by the drawdown are those with only \$3 million to \$4 million in surplus. However, he added that such syndicates already were having problems attracting business because their surplus is not large enough to gain the approval of ceding insurers' security committees.

"The sense of fear for the destruction of the exchange because of the security fund being drawn down is ridiculous," added Peter H. Bickford, an attorney with the New York firm of Calinoff & Katz and former general counsel of the exchange.

"It's a gloomy event because you are funding the mistakes of your colleagues. But on the other hand, as a market mechanism, it's doing exactly what it was supposed to do," Mr. Slattery observed.

Since last summer, the exchange's board has declared eight syndicates insolvent. These are The Heartland Group Inc., Burt Syndicate Inc., First New York Syndicate Corp., Realex Group N.V., KCC New York Syndicate Corp., Candon Syndicate N.V., Pine Top Syndicate Inc. and U.S. Risk Inc.

Only one of these syndicates, Heartland, has been ordered liquidated by a New York court.

The \$25 million drawdown is coming out of the exchange's deposit fund, which totaled \$25.5 million at year-end 1986 and which was built with \$500,000 initial contributions required of each syndicate member.

The two-part security fund also includes a surcharge fund, to which each syndicate contributes a percentage of gross written premiums, and which must be drawn on first if the security fund becomes liable for insolvent syndicates' obligations. The surcharge fund totaled \$13.6 million at year-end 1986.

In a Sept. 3 memo to exchange syndicates, Patrick J. Foley, chairman of NYIE Security Fund and associate general counsel of American International Group

Inc., reported that the surcharge fund would not be adequate to cover the insolvent syndicates and that the deposit fund would thus be drawn down.

The security fund board had reached this conclusion after a review of a preliminary draft of the Tillinghast report, Mr. Foley's memo says.

Exchange sources add that the drawdown decision also was prompted by the board's desire to block New York Insurance Department liquidators from drawing on the deposits of syndicates that may be placed in court-supervised liquidation.

Heartland's liquidator drew down the syndicate's \$500,000 deposit soon after Heartland was ordered into liquidation earlier this year, sources note.

Mr. Fahys, Mr. Foley and other exchange officials declined to comment for the record on the Tillinghast report, which covers six of the eight insolvent syndicates.

However, exchange members were told at a meeting last week that unpaid obligations could amount to three times the amount available in the security fund or more, according to several exchange sources who requested anonymity.

Mr. Fahys also declined to comment on details of the Syndicate 100 plan until after the exchange board reviews it.

Under a July draft of the plan, insurers that ceded business to the insolvent syndicates would be asked to accept novation agreements under which they would collect a percentage of the claim payments owed them.

The security fund drawdown may encourage commutations of reinsurance contracts with exchange syndicates by ceding companies, some of which have resisted commutations with the expectation that they would eventually collect 100 cents on the dollar from the security fund, according to one attorney who asked to remain anonymous.

"I think there was a lot of surprise initially at the revelation that the security fund would not be enough to cover the shortfall," according to the attorney, who said he already has received calls from ceding insurers taking a second look at commutations.

Meanwhile, underwriting managers and others express concern about the exchange's ability to attract new syndicate investors.

Problems related to the security fund are not the most important potential roadblock to new investment, the attorney said. Instead, the biggest concern is over a possible exodus of current underwriting members from the exchange, leaving fewer syndicates to share the exchange's expenses.

Several syndicates recently filed notices of their intention to withdraw from the exchange, including 1792 and Golden Hill Syndicate Inc.

While members' security fund liabilities are capped, the attorney noted, syndicates' obligations to cover the expenses of operating the exchange—including fixed costs related to its building and computer systems—are not.

"That to me is a far more important concern than the drawdown, the possibility of which has always been there," the attorney said. ■

Update

WPPSS bond settlement

TUCSON, Ariz.—Insurers that hold about 15%, or \$348 million, of the \$2.25 billion in defaulted Washington Public Power Supply System bonds may share in a \$92 million settlement.

Dozens of brokerage houses and bond underwriting syndicates agreed to pay the settlement to resolve a class-action suit brought by bondholders that charged the concerns sold the bonds using misleading information between January 1977 and June 1983.

Spokesmen for most of the brokerages and underwriting syndicates contacted say their firms are not insured for the loss but that the payouts will not materially affect their companies.

The agreement, which is subject to the approval of a U.S. District Court judge in Tucson, does not include an admission of fault or liability, said William Clark, a vp for Merrill Lynch & Co. Merrill Lynch expects to pay about \$3.2 million of the settlement.

In addition, Smith Barney, Harris Upham & Co. will pay \$4.26 million, Salomon Brothers Inc. will pay about \$3 million and Prudential-Bache Securities Inc. will pay less than \$5 million.

WPPSS sold the bonds to fund construction of two nuclear power units, but the project was canceled in 1982. WPPSS defaulted on the bonds in 1983 (BI, Aug. 1, 1983) after the Washington State Supreme Court ruled that participating utilities lacked legal authority to repay the bonds. The default cost AMBAC Indemnity Corp. about \$25 million in financial guarantee losses (BI, Oct. 20, 1986).

Additional litigation also is pending against utilities, state officials, engineers, financial consultants and law firms involved in the project.

Judge stays Robins lawsuits

RICHMOND, Va.—U.S. District Judge Robert Merhige Jr. has stayed lawsuits filed recently against A.H. Robins Co.'s directors and officers, its liability insurer, its outside auditor and subsidiaries by the committee representing Dalkon Shield claimants.

In issuing the stay, Judge Merhige said it was appropriate to conserve Robins' estate by avoiding unnecessary legal expenses, a company spokesman said. Judge Merhige permitted the suits to be filed—even though Robins is in bankruptcy—so that the statute of limitations would not expire.

One of the suits alleges that Robins officers acted with gross negligence and breached their fiduciary duty concerning the manufacture and sale of the Dalkon Shield intrauterine device (BI, Aug. 24).

Robins, whose proposed merger with pharmaceutical manufacturer Rorer Group Inc. is pending, recently filed an amended reorganization plan in U.S. Bankruptcy Court. Robins faces more than 200,000 claims from women who used the Dalkon Shield.

Argonaut acquisition fails

LOS ANGELES—The stock price of Los Angeles-based Argonaut Group Inc., parent of Argonaut Insurance Co., plunged last week after acquisition talks with Clarendon Group Ltd. broke down.

Argonaut's stock price fell last week to \$43.25 per share on Sept. 10 from \$51 per share on Sept. 4.

Argonaut said its was unable to hash out the details of \$52-a-share acquisition offer from Clarendon, a Bermuda-based insurer. Argonaut has 11.7 million shares outstanding. "A conclusion to those negotiations is unlikely," an Argonaut spokesman said.

Argonaut officials did not elaborate on the details of the negotiations. Clarendon officials did not return phone calls.

Argonaut's net premiums written in the first six months of 1987 totaled \$164.2 million. Work comp represents more than 60% of Argonaut's total business, with general liability being the next major line.

Argonaut's net income in the first half of 1987 more than doubled to \$41.3 million, including capital gains of \$7.7 million, from \$17.1 million in the first six months of 1986, including capital gains of \$3.9 million.

Briefly noted

Stewart Wrightson Ltd. Chairman Alan Colls has refused a place on the Willis Faber P.L.C. board of directors following the merger of the two London brokers. Mr. Colls resigned as a director partly because of Willis Faber's inability to agree to takeover terms with Nicholson Stewart Wrightson Ltd., a specialist aviation reinsurance broker 51% owned by Stewart Wrightson, that Mr. Colls helped found. In addition, three directors that own the other 49% of Nicholson Stewart Wrightson have exercised their option to purchase all shares in the company. . . . The California Insurance Department has issued a **cease and desist order** against Insurance Corp. of America, a West Virginia corporation based in Boca Raton, Fla., that claims to operate free of state or federal regulation. The department has set a Sept. 17 hearing on the order. . . . Twelve insurance companies, led by Royal Insurance Co. of Toronto, have paid \$41 million Canadian (\$31.1 million) to settle a claim arising from an October 1986 fire at a **Montreal shopping plaza**, representing the largest insurance payout in Canada in more than a decade. . . . The 1987 editions of **Best's Insurance Reports** are due out beginning this week, said a spokeswoman at A.M. Best Co. Inc. The Life/Health edition is expected to begin shipping today, while the Property/Casualty edition will be shipped starting Sept. 21, she said. "I believe they're actually coming out earlier than last year's," said a Best spokesman in response to comments that the editions were overdue. . . . **Medicare payments** to individual health maintenance organizations will increase an average of 13.5% nationwide on Jan. 1, the federal Health Care Financing Administration announced last week. Total Medicare payments to HMOs are projected to increase 68% to an estimated \$3.7 billion in fiscal 1988 because more Medicare recipients are receiving coverage from HMOs and because of the growth in Medicare outpatient services, said an HCFA spokeswoman.

Pension managers lack coverage: Survey

About half the firms that manage pension plan funds responding to a recent survey are operating without errors and omissions insurance, according to William M. Mercer-Meindinger-Hansen Inc.

The New York-based employee benefits consulting-firm surveyed 119 management companies, all but four of which are responsible for pension assets of \$50 million or more.

"Pension plan sponsors are hiring asset managers whether they have E&O insurance or not," said Donald Gingery, associate in Mercer's Louisville, Ky., office.

"As a matter of fact, based on our survey findings, if they only hired investment advisors with this coverage, they'd be cutting the universe of available investment management firms in half."

The survey shows that the majority of respondents, 66.4%, say their clients have not asked them to obtain E&O coverage.

Of the firms that do have E&O coverage, only 10 of the 59 firms reporting have less than \$500 million in funds under management. And about 91% of the firms have never filed a claim. ■

Oregon allows banks to sell insurance

SALEM, Ore.—State-chartered banks and bank holding companies in Oregon will be allowed to sell all types of insurance, except title insurance, beginning Sept. 27 under a recently enacted law.

H.B. 2451, which was introduced at the request of the Oregon Bankers Assn. and signed into law by Gov. Neil Goldschmidt in July, expands the powers of banks in the state to include insurance sales.

Insurer and insurance producer trade associations lobbied unsuccessfully to convince legislators to kill the bill, according to Mary Jo Whittaker, executive vp for the Professional Insurance Agents of Oregon in Salem.

The banking industry "tried during the last three sessions to get this type of a bill through... and finally garnered enough political support" to succeed, Ms. Whittaker said.

Chief among the insurance industry's concerns about banks selling insurance is the potential for the bank or bank holding company to influence its customers to purchase insurance from the bank in return for securing a loan or other service from the bank.

"Banks could use their leverage to coerce, either explicitly or implicitly, consumers who purchase insurance," said Jay H. Berman, director of state affairs for the National Assn. of Professional Insurance Agents in Alexandria, Va.

"There are major problems with bringing banks and insurance even remotely together under one roof, and the No. 1 problem is coercion," said Mr. Zeman.

"There is no way to get around the feeling of bank customers that buying insurance from the bank just may help them get that loan," Mr. Zeman added.

But while insurance industry lobbyists were unsuccessful in stopping the legislation, they were able to persuade legislators to add amendments to the bill requiring banks to issue disclosure statements to clients saying they were not required to buy insurance from the banks. Also, the law requires the insurance operations to be physically separated from banking activities.

"The issues were argued through the legislative process and they did recognize two of our major concerns," acknowledged James S. Stickles, regional vp for the Alliance of American Insurers in San Francisco.

Under guidelines spelled out in the law:

- A bank's insurance activities fall under the supervision

Around the states

of the insurance commissioner. A bank also must submit to the commissioner a formal business plan of its insurance activities and show evidence of satisfactory management of its insurance operations.

- Any insurance agency activity must be physically separated from the premises where a bank conducts its business.

- Those who sell insurance for a bank must conduct no other activities for the institution.

- Prior to selling any insurance policy, a bank must inform customers in writing that they are not required to purchase insurance from the bank as a condition of obtaining any other service or engaging in any other transaction with the bank.

- A bank or bank holding company must file a written report to the state Insurance Department no later than March 31 of each year that details its insurance activities, the contents of which will be established by the insurance commissioner.

- Banks are prohibited "from using customer information obtained from another insurance agent to promote, develop or solicit insurance business for the bank unless the other agent consents to such use of the information."

Although legislators adopted amendments to address the issue of coercion, the industry's remains concerned about it, sources say.

Customer coercion is "not always explicit; oftentimes it is only implied, but these things often go together like marriage," said Ms. Butterfield.

Even though banks are now required to issue a disclosure statement to clients, "there's no such thing as a regulatory wall to protect consumers" from coercion, Mr. Berman stressed.

By Linda J. Collins

Michigan workers compensation law

DETROIT—Two Michigan employers that self-insure their workers compensation risks and three insurers are challeng-

ing a recent Michigan law that would force them to pay more than \$23 million in additional coordinated workers compensation disability benefits.

The controversy surrounding the new law, which reverses a state Supreme Court decision, stems from a March 31, 1982, law allowing an employer to offset an injured employee's workers compensation disability payments by the amount of money the employee receives from employer-paid benefit programs.

The Michigan Supreme Court ruled in October 1985 that the offset should apply to workers compensation benefits paid to all workers, regardless of when they were injured, for benefit periods subsequent to March 31, 1982. However, the Legislature adopted a law in May 1987 stipulating that the offset should apply only to persons injured after law went into effect on March 31, 1982.

Detroit-based General Motors Corp., which faces an additional \$15 million in liabilities under the new law, and Ford Motor Co., which faces an additional \$7 million in liabilities, filed the original suit against Attorney General Frank Kelley; Edward Welch, director of the state's Bureau of Workers' Compensation; the AFL-CIO; and a few employees that have received workers comp benefits.

Also filing suit was Detroit-based Michigan Mutual Insurance Co., which faces a \$1.5 million payout, according to Tom Hoeg, MMI vp and general counsel.

The plaintiffs were later joined by Citizen Insurance Co. of America in Howell, Mich., and the privately operated Michigan Accident Fund in Lansing, Mich. Figures were not available about the payout the additional plaintiffs faced.

"If this law is allowed to stand, judicial decisions will have no certainty because the Legislature can change the laws, Mr. Hoeg said.

In addition, some employees are receiving far more in benefits than they received in income while working, he pointed out.

The Michigan Supreme Court late last month declined Gov. James Blanchard's request to take jurisdiction of the case, so it will continue to be heard by a judge in Ingham County Circuit Court in Lansing.

However, Mr. Hoeg predicts that any lower court decision will be appealed to the state Supreme Court.

—By Meg Fletcher

Outhwaite settlement

Continued from page 3

Underwriters and reinsurers estimate the amount of outstanding liabilities and the runoff reinsurers establish a premium based on that estimate.

Mr. Skey had been forced to keep syndicate 219's accounts open for the 1984 underwriting year because Mr. Outhwaite had refused to settle on a claim of \$447,091.

But the 1984 accounts of the syndicate will be closed next year, Mr. Skey said.

Meanwhile, one syndicate that had taken the Outhwaite agency to court over its refusal to pay claims now is appealing a court denial for a summary judgment.

Marine syndicate 764/763, underwritten by Norman P. Compton and managed by Philip N. Christie & Co. Ltd., had filed a lawsuit in London's High Court against the Outhwaite syndicate in January in an attempt to recover \$627,094 in claims it made on a \$5 million runoff policy.

An appeal hearing will be held Sept. 29, a Christie spokesman said.

"We have been unable to reach common ground," said Mr. Pursell, commenting on the dispute with the Christie syndicate.

Several other Lloyd's syndicates are taking Mr. Outhwaite to arbitration. They are:

- Marine syndicate 17/16/18, underwritten by J.A. Oliver, and non-marine syndicate 15, underwritten by D.A. Barker. Both are managed by Stewart & Hughman Ltd.

"Arbitrators have been agreed between both parties and we are proceeding towards arbitration," commented Peter Stilwell, underwriter for Stewart & Hughman.

Lloyd's members estimate that Mr. Outhwaite's refusal to pay claims may cost the syndicates 6.8 million pounds (\$11.2 million at current exchange rates) out of a total of 45.5 million pounds (\$74.9 million) in asbestos losses.

As a result of such refusals, Stewart & Hughman was forced to postpone its plans to go public this year. Stewart & Hughman also had to leave its accounts open for 1984, the year just closed under Lloyd's three-year accounting system.

- Marine syndicate 28, managed by Murray Lawrence & Partners, and marine syndicate 363, managed by Birrell Smith Underwriting Agencies Ltd. Both syndicates are underwritten by J.J.S. Birrell.

The two syndicates have filed a joint claim for \$35,000 on their joint runoff reinsurance policy placed with the Outhwaite syndicate, which covers years up to and including 1970, sources say.

"We have put in a valid claim and are going to arbitration because (the claim) has been denied," said Paul Archard, managing partner of Murray Lawrence & Partners.

However, the arbitration has been a time-consuming process to set up, said Mr. Archard.

"Part of the problem has been finding experienced people in the market to act as arbitrators who are not themselves involved in a dispute," he said.

No date has been fixed for arbitration, he said.

Several other syndicates have been forced to keep their 1984 underwriting accounts open as a result of Mr. Outhwaite's refusal to pay runoff policy claims. These include:

- Non-marine syndicate 570/347, managed by M.H. Cockell & Partners and underwritten by Michael Cockell. The syndicate filed its first claim for \$1.47 million last November after it had reached the attachment point under a runoff reinsurance agreement that covered all liabilities exceeding \$12 million.

However, the Outhwaite syndicate asked for proof of loss and reserved its right to question the validity of the policy.

Mr. Cockell could not be reached for comment.

- Non-marine syndicate 179, underwritten by Ron Hampton and managed by Anton Underwriting Agencies Ltd. Mr. Hampton was unavailable for comment last week.

Several other underwriters who have yet to file claims are anxiously awaiting the outcome of the arbitrations.

For example, David Beaumont, underwriter of marine syndicate 448, managed by Wellington Underwriting Agencies Ltd., is expecting "a large claim to be filed soon."

In May, the Outhwaite agency asked Lloyd's names belonging to syndicate 661 and marine syndicate 317 in 1982 to pay a total of 10.3 million pounds (\$17 million) in cash by the end of July to respond to asbestos and pollution-related claims, the majority of which had been filed against runoff reinsurance policies (BI, May 11).

The syndicates' liabilities, primarily arising from the runoff policies written in 1982, total 248.5 million pounds (\$367.8 million at year-end 1986 exchange rates), according to the syndicates' 1986 annual report (BI, June 8).

Most of the liabilities are covered by special reinsurance policies, including "time and distance" policies under which "amounts are collectible at different dates based on our projections of likely cash requirements," the report says. ■

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New business to sustain brokers during soft market

By **LEONARD M. WILSON**
Special to Business Insurance

SOFT MARKETS for commercial insurance raise a central question for publicly owned insurance brokers: How can growth be sustained when commissions are burdened by declining premium rates?

Progress, inevitably, must decelerate, but strong results on the new business front hold forth the potential of continued operating gains.

The direction of premium rates affects the level of new business. Rising rates inflate the dollar value of new business, while declining rates have an opposite effect. Ostensibly, soft markets also are less favorable to new business generation because the placing clout of the broker is no longer a drawing card for attracting new clients.



Mr. Wilson

Most of the publicly owned brokers do not get too specific about the magnitude of their new business production. But it is clear that over the past decade, new business development has been prolific and, indeed, was robust through both soft and tight markets, contrary to established notions.

In the present rate environment, we expect the publicly owned insurance brokers to sustain U.S. retail commission growth in an annual range of 5% to 10%. In our forecasts, we are inclined toward the upper end of this range for 1987. We can get at the question of how much new business is needed to sustain this projected growth rate by first looking at the other components of the commission stream.

Soft rates probably have reduced commissions close to 10% across a full book of business in retail insurance brokerage. This allows for more intense competition in commercial property and milder rate cutting—but steady rate deterioration—in liability lines.

It also recognizes that commissions may

not drop as much as total premium volume as insurance brokers seek to sustain their compensation based upon services provided the client.

Underlying economic growth, which translates into business expansion for the typical client, may currently boost coverage enough to lift renewals 4% to 5% as an average. Rising employment rolls, increasing inventories and greater capital spending are the source of greater premium dollars.

Lost business is a fact of life, and the volatility of the insurance cycle has quite likely lifted the ratio in recent years. It is entirely possible that the public brokers are dealing with a less seasoned book of business due to the surge in new business during 1985 and 1986. Less seasoning means greater client turnover. Attrition in commissions from lost clients might be as much as 5% in the present environment.

Lower premium rates and lost business together have an adverse impact on renewals, only partially offset by additional coverage. Based upon our estimates, renewal commissions are likely to experience a decline of roughly 8% to 10% year over year. This shrinkage was more painful in 1982 and 1983 when premium rates were plunging. But a drop of this magnitude is in stark contrast to an estimated 10% rise in renewal commissions during 1986 when premium rates were still advancing. How many businesses undergo a 20% swing in billings due to pricing within a 12-month period?

As we indicated earlier, it is difficult to quantify new business for the public brokers with any degree of precision. We estimate that new business, on average, may amount to 15% to 20% of the prior year's commissions for most of the public brokers. This range is applicable despite variations in client composition.

For example, Marsh & McLennan Cos. Inc. is heavily oriented to Fortune 100 companies, while the other insurance brokers claim a higher proportion of middle-market clients.

If the numbers we have cited hold, then retail brokerage in the current soft market can support our indicated growth projection of 5% to 10%, depending upon where within the estimated range new business falls for a particular broker.

There is a ceiling on new business growth imposed by physical constraints. A broker has only so many producers, even with a program of expansion. It takes time and mis-

sionary effort to line up prospective new clients. The pipeline of potential new business at varying stages of development can accommodate only gradual increases. Technical staff, critical to securing new clients, may be fully allocated.

In addition, the competition for new business is bound to intensify because all brokers are confronted by pressure on renewals.

A titanic amount of new business in the aggregate must be generated if all the alphabet brokers—including Johnson & Higgins Inc., Fred S. James & Co. Inc. and Rollins Burdick Hunter Co.—are to reach our estimated target. Gains on the part of the alphabet brokers imply growth in market share. Some may fall short.

We think the public brokers have gotten a great deal better at organizing for new business over the past decade. Disciplines and direction are stronger. Technical skills are more formidable. Brokers are more adept at adapting their selling approach to allow for the differing client needs of a soft market.

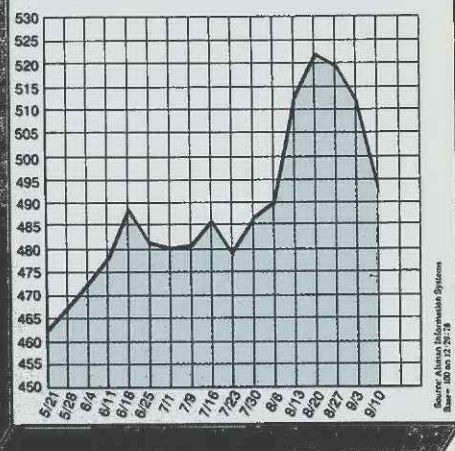
While new business is one of the pivotal elements for growth and profitability in the soft market, progress in retail brokerage is no longer the whole story for the public brokers. Overall results will also reflect performance in such areas as reinsurance brokerage, employee benefits, international insurance brokerage and investment income. In fact, in some instances, retail brokerage is less than 50% of the total revenue stream.

The importance of these other segments varies considerably from broker to broker. But, in domestic retail brokerage, new business is a clearly identifiable growth variable. The contribution of new business in other segments is more difficult to isolate for the outside observer. In reinsurance brokerage, new business may not be a primary factor. In international brokerage, the role of new business may depend upon the geographical location.

The soft market, at this juncture, seems likely to last at least through 1988. The pressure on the production effort will not soon abate.

The tandem credo of insurance brokerage for an indefinite period will have to be production and expense control. The progress of new business over upcoming quarters will doubtless be a particular preoccupation of investors. Any sign of faltering will heighten the present cautious attitude toward insurance brokerage stocks.

BI Insurance Index



Insurance industry stocks continued to fall last week, as the *Business Insurance* stock index dropped 12.6 points to 494.8 on Sept. 10 from 507.4 on Sept. 3. Declining issues for the period were led by Argonaut Group Inc., down 15.2%; Tokio Marine & Fire Insurance Co. Ltd., down 10.9%; Seibels Bruce Group Inc., down 6.3%; Washington National Corp., down 6.0%; and W.R. Berkley Corp., down 5.6%. Advancing issues were led by Business Men's Assurance Co., up 4.0%; United Fire & Casualty Co., up 2.5%; Kemper Corp., up 2.4%; General Re Corp., up 2.3%; AVEMCO Corp., up 1.2%; and Berkshire Hathaway Inc., up 1.1%. Industry stocks showing the heaviest activity last week were: Sears Roebuck & Co., 2.4 million shares traded; United States Fidelity & Guaranty Corp., 2.3 million shares traded; and ITT Corp. 1.8 million shares traded. The *Business Insurance* index fell more sharply than other market indicators during the period, dropping off 2.5%. The Standard & Poor's 500 fell 3.08 points, a 1.0% decline, and the New York Stock Exchange composite dropped 1.88 points, also declining 1.0%. The Dow Jones 30 Industrials lost 23.44 points for a 0.9% decline.

British Issues

Sept. 8 Companies	Price	P/E	Div. %	Yield %	1 Week	
					High-Low	per cent
Commi Union	365	13.5	17.8	4.9	365-361	
Genl Accident	1037	10.6	38.3	3.7	1037-1025	
Gdn Royal Exch	1012	12.6	46.5	4.6	1012-994	
Royal	555	9.4	21.2	3.8	555-545	
Sun Alliance	1075	11.8	32.2	3.0	1075-1037	
Brokers						
CE Heath	514	15.3	34.5	6.7	514-512	
Hogg Robinson	211	11.7	15.7	4.5	224-211	
JH Minet	408	13.4	12.9	3.2	409-404	
Sedg Grp	295	17.1	16.4	5.6	304-290	
Willis Faber	373	14.0	14.8	3.9	388-373	

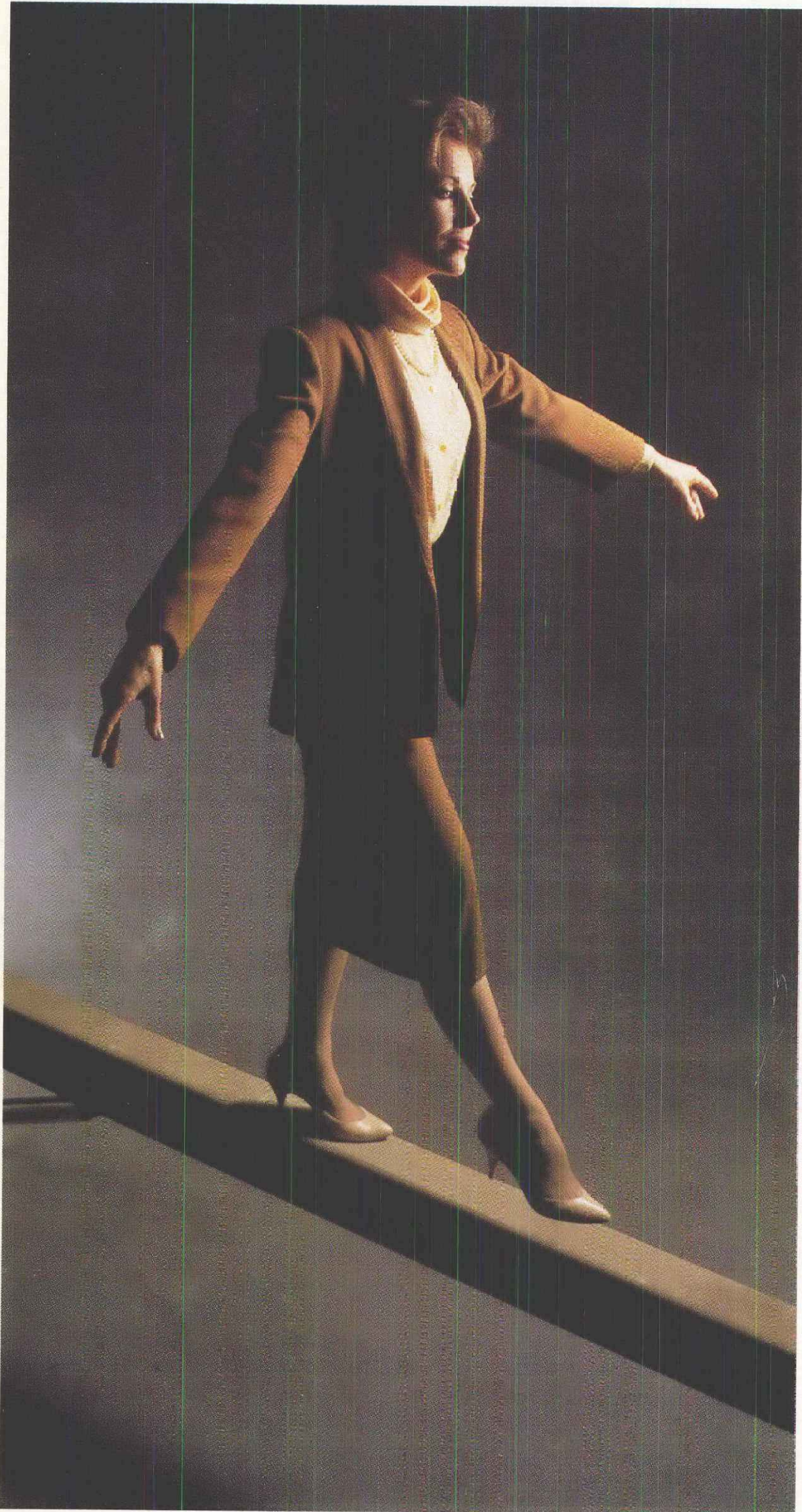
Source: Philip Olsen/Alan Clifton, Insurance Industry Specialists Kitcat & Aitken Stockbrokers, London

BI Industry Stock Report

SEPT. 10, 1987 9/4/87 THRU 9/10/87

	Weekly Price	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value		Weekly Price	Year to Date % change	Annual High	Annual Low	Vol.(000)	\$ Div.	% Yield	P/E	Book value	Mkt/Bk. value				
																						Price	% change	High	Low
BROKERS																									
Alexander & Alexander Svcs	NYSE	25.00	-2.9	-5.7	32.00	22.38	245	1.00	4.0	22.1	2.98	8.39	Durham Corp.	OTC	29.25	-0.8	5.7	34.00	27.38	12	0.92	3.1	19.1	26.15	1.12
Baldwin & Lyons Inc.	OTC	18.00	0.0	-18.2	27.00	17.25	0	0.20	1.1	7.2	16.40	1.10	Farmers Group Inc.	OTC	44.25	-5.3	14.2	51.00	38.75	817	1.20	2.7	13.4	19.95	2.22
Corroon & Black Corp.	NYSE	30.50	-1.6	-6.5	37.25	26.63	286	0.84	2.8	14.2	6.31	4.83	Fireman's Fund Corp.	NYSE	35.13	-2.8	0.0	42.75	33.50	539	0.40	1.1	13.4	23.55	1.49
Gallagher Arthur J. & Co.	OTC	20.75	-1.2	-21.0	31.00	19.00	19	0.40	1.9	15.6	4.81	4.31	Fremont Gen Corp.	OTC	16.38	-1.5	1.5	20.50	14.75	115	0.60	3.7	13.4	16.75	0.98
Hall Frank B. & Co.	NYSE	10.13	-3.5	-30.1	19.00	8.75	101	0.00	0.0	15.6	0.00	N/A	Home Group Inc.	NYSE	18.25	-3.9	-13.1	24.88	17.50	280	0.20	1.1	4.0	16.30	1.12
Marsh & McLennan Cos. Inc.	NYSE	64.75	-2.6	6.6	72.00	56.00	500	2.40	3.7	16.8	5.14	12.60	Hanover Ins Co.	OTC	34.75	-2.1	9.4	37.25	29.50	42	0.36	1.0	7.9	20.91	1.66
Poe & Assoc. Inc.	OTC	11.25	-2.2	-6.3	13.25	11.25	0	0.00	0.0	16.8	0.00	N/A	Hartford Steam Boiler	OTC	29.75	-3.3	26.2	36.63	23.50	46	1.00	3.4	12.3	10.17	2.93
AVERAGE	AVERAGE		-2.0	-11.6					1.9	15.1			Kansas City Life	OTC	29.75	-2.5	15.5	31.00	25.75	0	0.00	0.0	12.3	0.00	N/A
CONGLOMERATES & HOLDING COMPANIES																									
Berkley W.R. Corp.	OTC	25.25	-5.6	-3.8	37.00	24.25	242	0.28	1.1	7.1	13.72	1.84	Kemper Corp.	NYSE	32.25	2.4	29.0	38.75	25.00	454	0.60	1.9	10.3	23.48	1.37
Berkshire Hathaway Inc.	OTC	3770.00	1.1	33.7	-3992.00	2510.00	143	0.00	0.0	25.9	62.53	3.92	Liberty Corp. S.C.	NYSE	47.75	-3.5	29.9	50.75	36.50	41	0.80	1.7	18.5	19.96	2.39
CIGNA Corp.	NYSE	63.00	-1.2	14.5	69.50	55.00	575	2.80	4.4	8.1	42.01	1.50	Lincoln Nat'l Corp.	NYSE	53.50	-4.7	15.4	60.50	44.38	204	2.16	4.0	10.7	44.85	1.19
CNA Fin'l Corp.	NYSE	58.00	-2.5	7.9	64.38	47.25	231	0.00	0.0	11.8	42.71	1.36	NAC Re Corp.	OTC	24.75	-2.0	-5.7	32.25	22.50	10	0.00	0.0	31.7	18.12	1.37
General Re Corp.	NYSE	56.13	2.3	1.1	68.88	47.63	457	1.00	1.8	15.1	23.47	2.39	Nobel Ins Ltd.	OTC	13.50	0.0	-16.9	18.50	10.75	45	0.00	0.0	31.7	0.00	N/A
ITT (Hartford Group)	NYSE	62.13	-0.8	16.4	66.38	50.00	1763	1.00	1.6	13.7	44.08	1.41	Northwestern Nat'l Life	OTC	28.25	-2.6	-8.9	32.38	24.00	140	0.96	3.4	7.9	33.26	0.85
Sears Roebuck & Co. (Allstate)	NYSE	52.50	-1.2	32.1	59.50	39.88	2361	2.00	3.8	12.8	32.94	1.59	Ohio Cas Corp.	OTC	42.25	-1.7	9.4	49.25	38.50	215	1.68	4.0	10.3	26.90	1.58
Transamerica Corp.	NYSE	43.00	-1.1	31.8	51.38	31.50	882	1.76	4.1	8.7	26.94	1.60	Old Rep Int'l Corp.	OTC	28.75	-0.9	5.0	33.63	23.63	100	0.74	2.6	9.6	19.80	1.45
AVERAGE	AVERAGE		-1.1	16.7					2.1	12.9			Orion Cap Corp.	NYSE	22.00	-1.7	-18.9	31.00	20.00	21	0.76	3.5	9.6	9.39	2.34
INSURERS																									
Aetna Life & Cas Co.	NYSE	60.25	-0.4	6.4	68.13	55.75	1456	2.76	4.6	8.5	44.75	1.35	Protective Corp.	OTC	15.88	-5.9	-11.8	21.25	12.38	89	0.70	4.4	13.7	16.51	0.96
American General Corp.	NYSE	38.25	-4.4	3.7	44.75	34.88	1216	1.25	3.3	10.2	27.13	1.41	Provident Life & Acc Ins Co.	OTC	23.75	0.0	-3.6	28.75	19.13	0	0.84	3.5	18.6	27.00	0.88
Amer Heritage Life Inv't	NYSE	29.38	-3.7	14.5	34.00	25.75	7	0.96	3.3	14.5	20.37	1.44	St. Paul Cos. Inc.	OTC	50.63	-1.7	25.8	55.00	40.25	903	1.76	3.5	9.4	29.89	1.69
Amer Ind'y Fin'l Corp.	OTC	13.00	-4.6	-27.8	19.00	12.75	19	0.56	4.3	14.5	20.40	0.64	SAFECO Corp.	OTC	32.38	0.4	21.0	34.50	24.38	711	0.96	3.0	11.2	19.68	1.65
American Int'l Group Inc.	NYSE	76.75	-0.6	25.6	83.75	60.00	1211	0.25	0.3	15.3	29.02	2.64	SCOR US Corp.	OTC	14.50	0.0	26.1	16.25	11.00	89	0.00	0.0	13.3	8.08	1.79
Aneco Reins Ltd.	OTC	3.25	-3.8	52.6	4.38	2.13	9	0.00	0.0	15.3	1.93	1.68	Seibels Bruce Group Inc.	OTC	14.75	-6.3	0.0	19.00	14.25	76	0.80	5.4	9.8	11.88	1.24
Aon Corp.	NYSE	28.00	-3.0	6.1	29.88	23.25	423	1.20	4.3	9.7	15.23	1.84	Selective Ins Group Inc.	OTC	25.25	-2.9	16.1	27.50	21.00	27	1.08	4.3	8.0	16.02	1.58
Argonaut Group	OTC	43.25	-15.2	106.0	52.13	21.00	360	0.00	0.0	13.3	14.60	2.96	Statesman Group Inc.	OTC	6.44	-2.9	35.6	7.06	3.88	178	0.05	0.8	8.0	5.19	1.24
AVEMCO Corp.	NYSE	21.75	1.2	-17.1	25.25	13.25	75	0.28	1.3	13.7	6.94	3.13	Tokio Marine & Fire Ins	OTC	70.25	-10.9	25.7	103.38	63.88	35	0.19	0.3	59.5	0.00	N/A
Business Mens Assurn Co.	OTC	42.63	4.0	64.7	48.25	25.25	129	1.10	2.6	13.7	22.15	1.92	Torchmark Corp.	NYSE	31.00	-1.6	19.2	36.75	23.75	400	1.20	3.9	11.1	13.01	2.38
Chubb Corp.	NYSE	63.00	-2.3	6.3	73.50	53.75	259	1.68	2.7	8.9	39.52	1.59	Travelers Corp.	NYSE	44.13	-4.1	-1.1	52.63	41.50	1321	2.28	5.2	9.1	45.03	0.98
Continental Corp.	NYSE	44.00	-2.8	-1.7	54.88	40.38	710	2.60	5.9	8.7	41.62	1.06	Trenwick Group Inc.	OTC	14.00	0.0	-15.2	19.13	11.50	5	0.00	0.0	17.3	13.83	1.01
													United Fire & Cas Co.	OTC	31.25	2.5	-5.3	33.00	26.50	28	0.96	3.1	9.2	18.32	1.71
													United States Fid & Gty	NYSE	41.13	-0.6	3.5	48.75	37.00	2329	2.48	6.0	8.8	20.19	2.04

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